



Australian Government

Department of Foreign Affairs and Trade



Aid Investment Plan

Nauru

2015-16 to 2018-19

Strategic objective and rationale

This Aid Investment Plan (AIP) sets out the strategic framework for the provision of bilateral Official Development Assistance (ODA) administered by the Department of Foreign Affairs and Trade (DFAT) to Nauru. The purpose of this Aid Investment Plan is to inform discussions between the Government of Nauru (GoN) and the Government of Australia to develop an Aid Partnership between Australia and Nauru. This AIP will be updated to reflect the finalisation and the signing of the Aid Partnership where appropriate. This AIP does not cover non-bilateral ODA funding for the Pacific activities of multilateral agencies or programs managed by the Australian Federal Police and Attorney General's Department focused on law and justice capacity building.

It is in Australia's interest to support a stable and economically sound and resilient Nauru that has the capacity to effectively manage its resources and deliver on key human development needs, and to enable Nauru's community to benefit from economic and labour mobility opportunities. Australia's aid in Nauru forms part of our broader economic and diplomacy efforts to promote prosperity and security in the Pacific region and we pursue an integrated set of foreign, trade and development policies to advance our interests in Nauru.

Nauru's growth prospects are constrained by geographic isolation, limited natural resources, and a low population of approximately 11,000 people. Growth rates are expected to stabilise at eight per cent in 2015-16 and over the period of the AIP. Limited employment options (largely derived from the public sector, the Regional Processing Centre (RPC) and state-owned enterprises) combined with a narrow local economic base, which relies heavily on fisheries revenue and finite secondary mining of phosphate resources, means Nauru will continue to be dependent on external assistance over the long term.

The presence of the RPC has generated substantial revenues for Nauru with a high level of employment (revenue is up from \$20 million in 2010-11 to \$115 million in 2015-16). However, Nauru continues to face capacity challenges to utilise those resources to achieve human development outcomes and build economic resilience in the medium to longer term.

A healthy and educated populace is critical to economic growth and poverty reduction, yet significant challenges remain in Nauru to improve health outcomes, including addressing obesity, diabetes and cardio-vascular disease, and strengthen education results. The loss of skilled public sector workers to other employment, reliance on expatriate teachers and health workers, and the need to improve the quality of education and health outcomes, are reasons to continue support to these sectors. Improved education outcomes and tertiary scholarships will help build a cohort of young people able to take up key positions in government, private and state-owned enterprises.

Strategic priorities

Australia's aid investments will be focused on three strategic priorities in Nauru.

1. **Promoting more effective public sector management:** by:

- supporting Nauru to strengthen financial management capacity and economic governance to maximise the benefits of available revenue and manage critical human development infrastructure.

2. **Investing in nation building infrastructure** consistent with Australia's strategic interests, which includes economic growth through enhanced trade facilitation, by:

- construction and maintenance of economic infrastructure to support human development and foster commerce and trade.
- supporting the establishment of a more rigorous customs system to take advantage of the conclusion of PACER Plus trade negotiations.

3. **Supporting human development** by

- assisting Nauru deliver better health and education services by improving the quality of education and primary health care;
- supporting a work-ready pool of Nauruans able to take up future employment opportunities in the region.

Australia's aid investments are focused on the needs of the broader Nauruan community and the development priorities of the GoN, and are not determined by the presence of the RPC.

Implementation approaches

As a significant economic partner and the largest bilateral donor, Australia will assist Nauru to achieve its vision of improved quality of life for all. We will closely align our investments with Nauru's own National Sustainable Development Strategy and sectoral strategies, including economic infrastructure. Australia will engage and coordinate with other donors and multilateral partners to ensure our assistance is coordinated and well targeted. We will continue to link funding to the achievement of results.

We will strengthen synergies between Australian bilateral and regional investments, and between investments supported by DFAT and other Australian government departments such as the Department of Immigration and Border Protection (DIBP).

Australia will continue to channel some of our assistance through Nauru's national systems for health and education services to support human development and build a work ready cohort. This will be subject to demonstrated effectiveness and periodic financial risk assessments.

Mechanisms such as Pacific Technical Assistance Mechanism (PACTAM) will continue to play an important role in filling skill gaps and building capacity in public sector and financial management capability required to support good economic governance and gains in human development. Australia will prioritise personnel and technical assistance in key sectors of finance, treasury, utilities, and to help build and maintain essential infrastructure.

Future infrastructure projects will support human development, particularly the health sector through the redevelopment of Nauru's hospital and infrastructure that will deliver aid for trade benefits.

Support to establish a more rigorous customs system, to maximise returns from fisheries and to take advantage of the conclusion of PACER Plus trade negotiations, will be supported with technical advisers where needed and requested by the Nauru Government, and through regional programs

Across all our investments we will improve opportunities to empower women and girls and address issues of gender equality, inclusion of people with disability, and climate change resilience.

Performance management

Australia proposes the following performance benchmarks to assess progress towards the strategic objectives over the life of the Aid Investment Plan. Australia will report on progress against these benchmarks through annual Aid Program Performance Reports (APPRs). Future year performance benchmarks will be determined following the review and analysis of APPRs.

Strategic priorities	Benchmarks for 2015-16
Strengthened provision of education and health services	Budget support for education and health is paid before April of the financial year Provision of technical assistance that assists GoN to deliver and implement health and education services
Strengthened governance and Public Service capability	Provision of relevant technical assistance that contribute to strengthening Nauru's finance management and economic governance decision making Conduct biannual audits of operational account to assist GoN manage the operational account Conduct a review Assessment of National Systems
Enhanced economic infrastructure	Stage one of hospital redevelopment completed by Feb 2016 New generator for NUC procured through ADB

Mutual obligations

Australia and Nauru will agree on a set of mutual obligations for the aid program, to be confirmed through discussions on an Aid Partnership. Subject to agreement through Aid Partnership discussions, Australia will deliver effective and predictable development assistance in line with the Government of Nauru's National Sustainable Development Strategy and sector strategies, as they are updated periodically. Nauru will maintain or increase expenditure in education, health and infrastructure maintenance, and continue to improve public financial management.

Australia and Nauru will jointly commit to improving Nauru's procurement and financial systems to ensure that aid funds are disbursed effectively, efficiently, economically and ethically, and provide the greatest possible value for money. This includes meeting obligations set out in funding arrangements and improving financial management through addressing annual audit recommendations. The Governments of Nauru and Australia will maintain a zero-tolerance approach to fraudulent and corrupt actions against Australia's development program with Nauru.

Monitoring, review and evaluation

Progress towards results will be monitored through independent evaluations, internal annual reviews and regular dialogue with government and development partners. Assessments will address the implementation of mandatory safeguards¹ measures in all investments. Australia and Nauru will discuss the Aid Partnership on an annual basis, to review progress against performance benchmarks and determine performance benchmarks for the following year.

¹ Safeguards include child protection, environment and disability.