



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2015-16

Nauru

September 2016

NAURU AID PROGRAM PERFORMANCE INFORMATION 2015-16

SUMMARY

Australia's development cooperation program in Nauru supports the objectives of a socially stable and economically resilient Nauru that has a functioning and accountable public sector; critical infrastructure; and provides quality health and education services to enable Nauru's community to take up economic and labour mobility opportunities and maintain productive and resilient lifestyles. In 2015-16 Australia provided \$25.2 million in Official Development Assistance (ODA) to Nauru – equivalent to 20 per cent of the Government of Nauru's budget of A\$128.5 million. Australia is Nauru's major development partner, along with Taiwan and Japan at present. The Asian Development Bank (ADB) and regional institutions are also key partners for Nauru. In April 2016, Nauru became a member of both the World Bank and International Monetary Fund, which is expected to provide greater technical assistance and financing for Nauru in addressing economic growth and development challenges.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1 More effective Public Sector Management	Green	Green
Objective 2 Investing in Infrastructure	Amber	Green
Objective 3 Supporting Human Development (health and education)	Amber	Amber


Note:

- Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

The primary mechanism for public sector reform has been the ongoing provision of skilled personnel to fill senior management roles in the public service through the Pacific Technical Assistance Mechanism (PACTAM). In 2015-16 these roles included the Deputy Secretaries for Treasury, Finance, Customs, Planning and Aid Management, a Senior Tax Adviser and a Senior Human Resource Management Adviser to the Chief Secretary of the Nauru Public Service. These advisers were reported by Scope Global (PACTAM Managing Contractor) to be solidly delivering on their jointly agreed workplans. Australia and other development partners collaborated with the Government of Nauru (GoN) to successfully establish the Nauru Intergenerational Trust Fund in early 2016, to align Australian ODA spending with national development priorities, and support greater efficiencies in management of the Government's donor-funded Operational Account. The Financial Management Information System also continued to be rolled out across government departments, providing greater rigour in budget implementation and the payments system.

Australia-ADB support for the Nauru Utilities Corporation (NUC) through the *Electricity Supply, Security and Sustainability Project* is contributing towards a more reliable, affordable and efficient power supply for the island. While the long-term economic outlook is uncertain for Nauru, much-needed improvements to utilities and infrastructure in the short term will create opportunities for business development and trade.

The Australian aid program in Nauru is delivered in an environment of significant spending on infrastructure and services by the Department of Immigration and Border Protection (DIBP). DFAT is working with DIBP and the GoN to align Australian Government spending with broader Nauruan and Australian development objectives in the education and health sectors.




In the education sector, Australia provides direct funding to the Nauru Department of Education through the Operational Account: supporting Nauru's Education Sector Strategy to deliver education pathways that develop locally- and regionally-relevant skills while addressing staffing shortages. Work has been undertaken on identifying Nauruan workforce training and certification needs to be addressed through Technical Vocational Education and Training (TVET): a *TVET Strategic Plan 2015-19* was finalised and is awaiting GoN endorsement. Policy dialogue with GoN will be assisted by the ongoing review of Nauru's education five-year strategic plan and further work to improve the capture and use of performance data in-country.

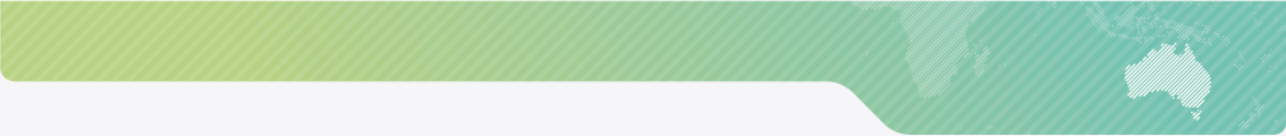
With DFAT's support the GoN has recruited qualified regional teachers to existing vacancies and following a successful tender is beginning construction of the final stage of the Learning Village. This will incorporate in a single area all higher education agencies including the University of the South Pacific (USP) and other academic institutions, a TVET centre and a community library. A 92 per cent primary school enrolment rate was reported in 2016, along with successful adoption of the Queensland Certificate of Education (QCE) as the Year 12 completion certificate, which articulates into the Australian tertiary system. In 2016, Australia offered 14 new Australia Award scholarships for Nauruans (ten women and four men) to study in the areas of education, health, environmental management, commerce, public policy and others. In 2015-16 a total of 14 students were awarded Associate Degrees in Teaching (Pacific Focus) through an in-country program offered by the University of New England (UNE). UNE is also providing an in-country study program for a six students towards a Diploma in Community Health and Wellbeing.

In the health sector, the Nauru Ministry of Health and Medical Services (MHMS) made progress in finalising the Health Information System report, the non-communicable disease (NCD) Strategy, Standard Treatment guidelines and the training and recruitment of key medical staff, with support from three Australian-funded PACTAM advisors working within the Ministry until January 2016. Australia also provided \$2.65m (19% of the GoN Health budget) in budget support over the 2015-16 period which directly assisted GoN to deliver primary health and curative care through direct funding for drugs, pharmaceuticals, medical equipment and the implementation of key programs (e.g. public health and NCD strategy), as well as strengthening health system management (including budget prioritisation), strategic planning and statistical reporting. Strong donor harmonisation in the health sector has ensured aligned interests amongst donors and Government for development programming, although continuity of advisors and other key positions across MHMS has remained a challenge.

Phase 1 of the hospital redevelopment project is now complete with new medical and surgical wings constructed, and Phase 2 commenced in May 2016. The aid program has leveraged non-ODA contributions from DIBP in providing enhanced health facilities in Nauru in line with the GoN health strategy. Consideration of ongoing training and funding for maintenance will be a critical aspect for sustainability of Australia's health programming going forward. Australia's funding (for senior in-line advisors and medical supplies) has also contributed to improvements in service delivery. While more work needs to be done to capture key data on health indicators, spot reporting suggests positive developments. MHMS reporting in June 2016 confirmed a 100 per cent BCG and Hepatitis B vaccination rate for new-born babies and a dramatic increase (from 2.4 per cent to 80 per cent) over the year in compliance with prevention treatment for Rheumatic Heart Disease. Results of a workplace NCD survey carried out between November 2015 and March 2016 are also expected shortly. More broadly, the introduction of a new case management framework in November 2015 allowed for greater oversight and continuity of care for all discharged and returning patients.

Inclusive development has been factored into designs for the hospital redevelopment and the learning village, which provide access for people with a disability and consider the broader needs of refugee and minority groups as part of health and education services provided to the Nauruan community.






In terms of gender equality, Australia partnered with UN Women to deliver Transformational Leadership training and a Practice Parliament to encourage women in leadership and support their participation in the 2016 Nauru elections. Key outcomes of this support included strengthened capacity and engagement of participants (particularly in the areas of media, networking and decision making) to meaningfully participate in national political processes and run effective election campaigns which incorporate gender-sensitive approaches to domestic policy issues. DFAT has been negotiating with MHMS on Terms of Reference for a replacement gender-based violence/child protection specialist to support the development of more effective gender-engagement strategies and improved response and referral by the health sector to instances of family and sexual violence. The UNE Community Health and Wellbeing students are increasing local capacity to respond to domestic violence and gender issues by providing local counselling and community services.

In the domestic security sector, the Australian Federal Police continued to implement the Nauru Police Force Police Capacity Program (NPFPCP), which has supported the development and implementation of effective governance systems, training and the provision of critical policing resources. Separately, under the Pacific Police Development Program, Australia's Attorney-General's Department worked with Nauru's Department of Justice and Border Control to replace the Nauru Criminal Code of 1899 with the *Crimes Act 2016*, and introduce mental health legislation.

Nauru also enacted new child protection legislation (*Child Protection and Welfare Act 2016*) in 2015-16, drawing on complementary regional assistance funding under the UNICEF-Pacific Child Protection Programme (\$7 million for the Pacific region over 2014-17).



PROGRESS TOWARDS PERFORMANCE BENCHMARKS IN 2015-16

Aid objective	2015-16 benchmark	Rating	Progress in 2015-16
Strengthened provision of education and health services	Budget support for education and health is paid before April of the financial year	Partly Achieved	This benchmark seeks to establish reliable flows of funds for health and education activities. Annual budget support payments for the Education and Health Sectors were finalised in early June 2016, with the first tranche payments made in April 2016.
	Provision of technical assistance that assists GoN to deliver and implement health and education services	Achieved	A PACTAM advisor is in place and delivering on their agreed workplan for the health sector, with a highly positive performance review reported by Scope Global in November 2015. Another position has been vacant since January 2016 pending a review of the health sector and advisory support needs. The Gender-Based Violence advisor position has also been vacant since January but is being recruited for September 2016. While PACTAM advisors are not currently utilised in education, sectoral funding and related assistance has supported salaries of teachers and other qualified personnel.
Strengthened governance and Public Service capability	Provision of relevant technical assistance that contribute to strengthening Nauru's finance management and economic governance decision making	Achieved	PACTAM advisors are in place and delivering on their agreed workplans. Performance reviews undertaken by Scope Global in November 2015 were highly positive.
	Conduct biannual "audits" of the operational account to assist GoN in managing targeted budget support	Achieved	A review of the Operational Account was undertaken by Stirling International in August 2015. DFAT and GoN subsequently undertook a cleanup which reallocated unexpended funds from completed projects and rectified incorrect payments. DFAT has commissioned a further series of biannual reviews which now include a maturity assessment and roadmap for change. These will assist GoN in managing business process improvements and subsequently enhance the control environment leading to better accountability and transparency. The most recent biannual review was conducted in May 2016 by Stantons International.
	Conduct an Assessment of National Systems (ANS) review	Not Achieved	The ANS review was postponed due to the mid-year Nauruan elections. It commenced in August 2016.
Enhanced economic infrastructure	Stage one of hospital redevelopment completed by February 2016	Achieved	Stage one construction of the hospital redevelopment project was finalised in February 2016.
	New generator for NUC procured through ADB	Partly Achieved	The new generator for NUC has been successfully tendered by ADB. It is expected to be shipped and installed by August 2017, once NUC refurbishment has been completed.

Australia proposes the following performance benchmarks to assess progress towards the strategic objectives over the life of the [Nauru Aid Investment Plan 2015-16 to 2018-19](#). 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.

Performance Benchmarks 2016-17

Strengthened provision of education and health services

- Amount and timing of budget support for education and health is negotiated with GoN by 30 September 2016. Payment of budget support made according to agreed times across the financial year
- Conduct a rapid “diagnostic” of the health sector in 2016 to help map out key issues, opportunities and recommend options for priority actions
- 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 contributes to strengthening Nauru’s financial management and economic governance decision making
- Conduct biannual reviews of the operational account to provide assurance that expenditure is appropriate; key controls are effective; and to drive business improvement
- Conduct an ANS review in August 2016
- Tender for a GoN Independent Procurement Agent (IPA)

Enhanced economic infrastructure

- Stage two of hospital redevelopment completed by February 2017
- New generators delivered to NUC (through ADB) by March 2017, for installation by August 2017

Portfolio adequately addresses gender equality considerations

- 80 per cent of activities adequately address gender issues (across Nauru’s four major investments in public sector management, infrastructure, health and education)
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MUTUAL OBLIGATIONS

Australia continues to deliver effective and predictable development assistance in line with the Government of Nauru’s National Sustainable Development Strategy and sector strategies. As highlighted in the 2015 APPR, the Government of Nauru has continued to increase its expenditure in education and health, however planning and resourcing for infrastructure maintenance requires more attention.

The Governments of Australia and Nauru have jointly committed to improving Nauru’s procurement and financial systems to ensure that GoN and development partner funds are disbursed effectively, efficiently, economically and ethically, and provide the greatest possible value for money. A zero-tolerance approach to fraudulent and corrupt actions against Australia’s development program with Nauru is also maintained. An instance of possible fraud within one activity is being jointly addressed; and another case has been favourably resolved. A new, interim Independent Procurement Agent (IPA) has been appointed and has been building capacity in the public service for better procurement planning and execution. An open tender for the IPA is still required.

Nauru remains active in regional and global climate change discussions – as an island nation that experiences drought and is regularly affected by strong winds and sea swells. Nauru is also involved in PACER Plus discussions with Australia and partners around the legal text of the agreement and market access opportunities, expected to conclude in 2016. Australia and GoN have actively promoted the Seasonal Worker Program for Nauru but with limited uptake at this point in time, due to almost full employment in Nauru.



PROGRAM QUALITY

Aid Quality Check ratings for 2015-16 were generally improved over 2014-15 quality ratings, with further progress on key education and health initiatives realised. As key delivery partner for most of Australia's development cooperation program, the GoN remained engaged in the implementation detail of Australia's development assistance.

As development partners, the Governments of Australia and Nauru both acknowledge education, health and public financial management as priority sectors for development cooperation and remain committed to further reform. Australia's support is well aligned with existing national policies on sustainability, sectoral strategies and various UN Millennium Development Goal / Sustainable Development Goal indicators. Strengthening of monitoring and evaluation systems and capacity will be a focus of DFAT programming going forward to allow for improved consistency of reporting on key development statistics and outcomes.

Significant improvements on progress against strategic objectives, particularly in the health sector (including strategy, management and infrastructure development), have been documented above. Consideration by all investment stakeholders regarding the management of corporate systems, training and infrastructure maintenance will be critical to sustain outcomes through forward years.

Given the positive impact of the various PACTAM Advisers across a range of sectors and their low proportion of bilateral budget (just over five per cent of the program), the efficiency and value for money of Australia's technical assistance is quite high. This mechanism for providing technical assistance has also reduced administrative complexity for both GoN and DFAT. The five Advisers in the Ministry of Finance have contributed markedly to stability and reform within the sector, including with budget preparation and execution, key revenue measures such as customs reform and implementation of the new tax system, national sustainability through establishment of the new Nauru Intergenerational Trust Fund and management of donor programs.

Gender and other cross-cutting issues are being progressively integrated into programming as a matter of good practice. While gender equality principles have been integrated into health and education policy frameworks and stakeholder training, it remains a weakness in the public sector reform investment and more work needs to be done to ensure gender equality is mainstreamed into all engagements. A similar approach to integration of disability and climate considerations into development efforts is underway.


DFAT continues to undertake regular independent reviews of transactions made through the Operational Account and in February 2016 completed a cleanup which reallocated unexpended funds from completed projects and rectified incorrect payments. The result is greater transparency and more effective use of bilateral program funds.

MANAGEMENT RESPONSES

The *Aid Quality Checks* for 2015-16 found that most of the management responses from the 2014-15 APPR had been achieved or partially achieved. Some had been postponed for particular reasons and remain actions to be addressed and are included in the following.

In 2016-17 management and oversight of Australia's development cooperation program will increasingly move from Canberra to the Australian High Commission in Nauru. Additional staff will be recruited to enable this devolution of management which will improve engagement and policy dialogue, and bring decision making and quality assurance closer to program implementation in Nauru. This is being implemented through the establishment of a long term Second Secretary (Development) position and the recruitment of additional locally engaged staff, including program managers for education, health and infrastructure






investments. This will also help institute a stronger performance and monitoring regime. A devolution plan has been prepared.

In the education sector, we will work with the GoN to identify key skill gaps as we move from a supply-driven to a more sharply-focussed and demand-driven scholarship program. Current short-comings in monitoring and evaluation will be addressed by supporting the Department of Education to implement their Performance Assessment Framework (PAF), through the provision of funding and technical advice. DFAT will also prepare a separate PAF for the development cooperation program in 2016-17. We will further incorporate a more comprehensive framework for climate change and gender inclusiveness, especially in our public sector initiative, and identify further opportunities to integrate climate and gender inequality issues across the program.

In the health sector, we will continue to support development of hospital infrastructure while ensuring a focus on public health/NCDs, health information management and statistics, and senior management strengthening. This will be done, inter alia, by conducting a rapid “diagnostic” of the program in 2016 to help map out the key issues, opportunities and recommending options for the next two to three years – including more robust protocols for communication, planning, training and maintenance.

DFAT will continue to work with GoN to address implementation issues with the Household Water Tanks project in order to achieve a satisfactory outcome for this climate change investment.



ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Describe progress made against management responses in 2014-15 report

Management responses identified in 2014-15 APPR	Rating	Progress made in 2015-16
Conduct a review of the Assessment of National Systems by mid-2016	Not Achieved	The Assessment of National Systems review was postponed until August 2016 due to mid-year national elections in Nauru.
Contract out a detailed 'clean-up' of the Operational Account in October 2015	Achieved	A cleanup of the Operational Account was undertaken by Stirling International in August 2015 followed by an independent review of the account conducted in May 2016 by Stantons International. The Government of Nauru confirmed the clean-up of the Operational Account and reallocation of old activities with a positive balance and netting of projects with a negative balance on 1 June 2016.
Provide additional technical support to address implementation issues with the Household Water Tanks project	Partly Achieved	Implementation of this project remains slow. The Government of Nauru reports that 105 out of 200 tank bases have been constructed. DFAT is working with the Government of Nauru to resolve implementation issues.
Recruit a new Deputy Secretary for Planning and Development in the Ministry of Finance through PACTAM	Achieved	A new Deputy Secretary for Planning and Aid Management was recruited and commenced in November 2015
The Government of Nauru, with DFAT's assistance, to issue an international tender for a new procurement agent	Not achieved	Pacifix Australia Pty Ltd continues to provide interim support while the requirements for a procurement agent are considered by the Government of Nauru.
A Performance Assessment Framework to be developed by early 2016.	Not achieved	Due to capacity constraints and changeover of staffing at Post, a Performance Assessment Framework for the development cooperation program has not been progressed.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

ANNEX B- AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and the prior year (2015) AQC ratings.

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Nauru Infrastructure and Services (INI949)	\$45.85m 2009-18	2016 AQC	5	4	3	4	3	4	4
		2015 AQC	4	3	3	3	4	4	4
Nauru Public Sector Reform (INI943)	\$31.7m 2009-18	2016 AQC	5	4	5	4	4	2	4
		2015 AQC	4	3	3	3	4	4	4
Nauru Improved Education (INI950)	\$25.99m 2009-17	2016 AQC	5	4	4	3	5	4	3
		2015 AQC	4	3	3	3	4	4	4
Nauru Improved Health (INI970)	\$25.75m 2009-18	2016 AQC	5	3	3	3	3	4	4
		2015 AQC	4	3	3	3	4	4	4

Note: ratings have a maximum score of 6