

Nauru Support Services (NSS)
Independent Review
January 2025

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Investment summary

Investment Name	Nauru Support Services (NSS)
AidWorks investment number	INM336
Commencement date	1 July 2017
Completion date	30 June 2027
Total Australian dollars	AUD35,067,478
Implementing	Palladium International
Country/Region	Nauru
Primary Sector	Logistics services

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This mid-term review was commissioned by the Australian High Commission (AHC) in Nauru. Key stakeholders in DFAT and Palladium constructively contributed to the review. Justin Pereira (Third Secretary) managed the review, coordinated key informant interviews and sourced relevant documentation.

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Table of acronyms

ADF	Australian Defence Force
AHC	Australian High Commission
AUD	Australian Dollars
CPA	Chartered Practicing Accountant
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade
DHOM	Deputy Head of Mission
DIY	Do-it-yourself
FIFO	Fly-in-fly-out
GEDSI	Gender Equality, Disability and Social Inclusion
ICT	Information Communication Technology
IMR	Investment Monitoring Report
M&E	Monitoring and Evaluation
MC	Managing Contractor
MoU	Memorandum of Understanding
NSS	Nauru Support Service
ODA	Official Development Assistance
PALM	Pacific Australia Labour Mobility
PD	Public Diplomacy
PEV	Pacific Engagement Visa
PPA	Partner Performance Assessment
PWD	Persons with Disability
ToR	Terms of Reference

Executive summary

This document is an independent review of the Nauru Support Services (NSS)—an arrangement established by Australia's Department of Foreign Affairs and Trade (DFAT) to support DFAT staff and advisers operating in Nauru. DFAT engaged a managing contractor (MC) under a Deed of Standing Offer (73287) on 29 June 2017 to deliver services in Nauru over an initial period 1 July 2017 – 30 June 2022, later extended for a further five years (to 30 June 2027). In practice, NSS has delivered property maintenance services for DFAT staff and contractors, including maintenance of the Australian High Commission (AHC) and Chancery; security services at these premises; vehicle maintenance and operation services; procurement and logistics services. The NSS was established in circumstances where DFAT found it challenging to provide secure and comfortable living and working arrangements given the remote location and limited market/services in Nauru. Overall, this review found that the NSS is delivering a crucial and highly regarded package of services in a complex operating context.

Relevance

Under its bilateral agreements with Nauru, Australia is required to deploy DFAT staff and contractors in-country. The NSS is irregular insofar as the Department does not ordinarily resource a single contractor to provide this level of servicing to both DFAT and contractor staff. However, the operating context is widely acknowledged to be complex and challenging. All interviewees were positive about the NSS, in terms of the nature of the services provided and the responsiveness of the team.

Notwithstanding the enthusiastic support and appreciation for the NSS among DFAT staff and contractors, the technical question of 'relevance' requires assessment against the counterfactual. There are three broad alternatives to a centrally managed support service: i) Fly-in-fly-out (FIFO); ii) Do-it-yourself (DIY); iii) Local enterprise. In exploring each of these alternative scenarios, the review concluded that at the current time—in the absence of viable alternative arrangements—the NSS model remains the most viable.

An issue that must be addressed in relation to an extension of the current contract relates to Nauru's expected graduation from ODA eligibility on 1 January 2026. The funding of the NSS beyond ODA graduation is a matter that DFAT must resolve from Canberra to avoid service disruptions and/or audit issues. Further, over the remainder of the contract term, DFAT should proactively consider how the NSS scope of services can best be delivered beyond 30 June 2027.

Effectiveness

There is a high level of 'client satisfaction' with the NSS. However, beyond satisfaction, the 'effectiveness' criterion concerns the extent to which services meet scope, quality and development expectations. According to Palladium staff, the bulk of time and resources is invested in accommodation-related tasks—especially maintenance and repairs given the poor quality of housing stock on the island. The current portfolio comprises around 45 properties. Vehicle logistics and maintenance is also a key area, with the NSS operating a small but capable workshop to support

common repairs and maintenance tasks. Pastoral care is an area of lesser focus, though several interviewees highly appreciated airport transport services, island orientation and social events. In general, interviewees affirmed the breadth of services provided by the NSS, which are consistent with the Deed. Further, the quality of work done by the NSS team was well regarded. Additional services that some interviewees indicated could be supported included: i) information communication technology (ICT); ii) accommodation for short-term advisers.

The NSS provides an enabling service for Australia's development program. Hence, there are clear—but long—causal links between the NSS and development outcomes in Nauru. The current team leader has begun to explore utilising surplus NSS capacity to support non-core areas that are nonetheless aligned with Australia's development priorities: i) repairs and maintenance services; ii) promoting small-scale food production. These activities potentially provide public diplomacy (PD) opportunities for the AHC. While the NSS must diligently maintain focus on delivering core services to enable Australian Government operations, there may be latitude for the NSS to engender wider public support.

The NSS has been granted an exception from DFAT's quality reporting processes (Investment Monitoring Report, or IMR), and hence has not been subject to typical expectations in relation to development policy priorities such as gender equality, disability and social inclusion (GEDSI), climate resilience and locally led development. However, in circumstances where the NSS contract will cumulatively involve a significant investment spanning a decade and is predominantly funded from ODA allocations, it may attract criticism if development policy priorities are not somewhat integrated moving forward. The NSS has a good track record on staff turnover, and younger/recent recruits have shown potential. DFAT may consider proactively using the NSS as a micro-program of skills and enterprise development.

Efficiency

Beyond the clear case that the NSS delivers convenience for DFAT and contractors, 'efficiency' requires appropriate management and governance, value-for-money and professionalism. All interviewees affirmed the professionalism and responsiveness of the current management team, noting improvements in performance over the life of the contract. The First Secretary and NSS Team Leader maintain routine contact and meet formally on a fortnightly basis. There is no strategic or executive steering function for the NSS beyond ad hoc engagement between the First Secretary and DHOM. The governance arrangements are considered appropriate by DFAT. The current team leader is widely respected, both for his experience and qualifications, and also his personal style. While the importance of good leadership is a truism, it must also be balanced against 'key person risk', especially in low-capacity contexts. The MC appears to acknowledge the key person risk and to be mitigating it through training and developing staff.

The MC prepares a six-monthly narrative report for DFAT which summarises major activities and includes updates to a risk registry. The current team leader has instigated a rolling Annual Planning process and has streamlined and regularised demands on the NSS through a web-based booking system. The Deed required the

establishment of a Performance Monitoring Framework, but this was never implemented. There may be merit in implementing a modest monitoring system to track progress and risks/lessons in relation to capacity building and development policy priorities. There has never been an independent financial audit. In circumstances where the NSS is responsible for significant procurement and importation functions, it would be prudent to commission such an audit during the extension phase. Value-for-money is reportedly managed by DFAT through scrutiny of invoices. No specific Partner Performance Assessments (PPA) for the NSS contract have been undertaken by DFAT.

Consolidated recommendations

1.	DFAT should extend the current NSS contract up to the current contract term (30 June 2027).	5
2.	DFAT must resolve how the NSS will be funded beyond Nauru's ODA graduation, and beyond 30 June 2027.	5
3.	DFAT and Palladium should explore the viability of providing ICT and short-term accommodation services under the NSS scope of work.	6
4.	The Managing Contractor should appropriately integrate GEDSI, climate resilience and locally led development policy priorities into NSS work planning.	8
5.	DFAT should consider expanding the scope of the NSS to facilitate skills and/or enterprise development in support of localisation, public diplomacy and good development practice.	8
6.	The Managing Contractor should implement a simple M&E plan to capture evidence of progress towards development policy priorities and capacity building targets.	10
7.	DFAT should commission an independent financial audit.	10
8.	DFAT should undertake annual PPAs as a mechanism to provide formal performance monitoring and feedback to the MC.	10

1. Introduction

1.1 Synopsis

This document is an independent review of the *Nauru Support Services* (NSS)—an arrangement established by Australia's Department of Foreign Affairs and Trade (DFAT) to support DFAT staff and advisers operating in Nauru. The review was commissioned to inform a decision to exercise a two-year contract extension of the NSS with the managing contractor, Palladium International.

The review was undertaken by an independent evaluator contracted through FH Designs, and responds to a Terms of Reference (ToR) (Appendix A) and DFAT's M&E Standard 9¹.

1.2 Investment overview

DFAT engaged a managing contractor (MC) under a Deed of Standing Offer (73287) on 29 June 2017 to deliver services in Nauru over an initial period 1 July 2017 – 30 June 2022. The initial contract value was AUD17,104,845.41, amended on 22 June 2022 to more than double (AUD35,067,478) for a further five years (to 30 June 2027).

The objectives of the services were defined in the Deed as:

- to provide cost effective support services to specific standards for Deployees and their families, to enable the Deployees to work effectively and reside safely in Nauru;
- to provide cost effective support services to specific standards for Deployees and their families, to enable the Deployees engaged for ad hoc tasks to work effectively and reside safely in Nauru;
- to provide cost effective property support services to the Australian High Commission office and residential complex through provision of maintenance and security services; and
- to provide cost effective logistics and procurement services for the Australian High Commission, Nauru when requested.

In practice, NSS has delivered property maintenance services for DFAT staff and contractors, including maintenance of the Australian High Commission (AHC) and Chancery; security services at these premises; vehicle maintenance and operation services; procurement and logistics services.

1.3 Background and context

Nauru is one of the world's smallest independent states—an island republic since 1968. It is located 42 kilometres south of the equator and 4,000 kilometres northeast of Sydney, with a total land area of 21 square kilometres and a population of approximately 13,000 people.

Australia has a close bilateral relationship with Nauru as its largest trade, investment, security and development partner. Australia upgraded its Consulate-General in Nauru

¹ [DFAT Design and Monitoring, Evaluation and Learning Standards \(Australian Government Department of Foreign Affairs and Trade\)](#)

to a High Commission in 2009. In September 2012, Australia established a Regional Processing Centre on Nauru. In September 2017, Australia and Nauru signed a Memorandum of Understanding (MoU) on security cooperation, providing for Australia to support Nauru in relation to domestic and transnational security challenges. In October 2021, Australia and Nauru signed a MoU on the Enduring Regional Processing Capability. In March 2022, Nauru opened a High Commission in Australia. On 9 December 2024, the Nauru-Australia Treaty was signed, an agreement illustrating the deepening bilateral relationship and will help secure Nauru's long-term economic resilience and security.

Every year Australia Award and Australia Award Pacific Scholarships are offered for Nauruans to study abroad at selected Australian and Pacific regional universities. Nauru also participates in Australia's Pacific Engagement Visa (PEV) and Pacific Australia Labour Mobility (PALM) scheme, which connects workers from Nauru with Australian employers experiencing labour shortages. More broadly, Australia's official development assistance (ODA) for 2024-25 is estimated to be AUD46 million, aligned with the Government of Nauru *National Sustainable Development Strategy*. Australia's ODA has focussed on health, stability and economic recovery.²

Nauru is expected to graduate from ODA status on 1 January 2025.

The NSS was established in circumstances where DFAT found it challenging to provide secure and comfortable living and working arrangements for staff and contractors given the remote location and limited market/services in Nauru. The NSS was initially delivered by HK Logistics before it was acquired by Palladium International.

2. Methodology

The review involved both primary and secondary data, collected through document reviews and key informant interviews (virtual). Approximately 11 hours of interviews were conducted with stakeholders sampled from DFAT, the MC and various advisors.

The primary audience for this review is the AHC in Nauru; specifically, the Deputy Head of Mission (DHOM), who will make recommendations to the Delegate in relation to a contract extension. The MC will be a secondary audience, actioning recommendations in accord with DFAT's management response.

This review was constrained by typical limitations encountered by evaluations of this kind that broadly relate to the time/resources allocated to the task. The review was not resourced to undertake in-country data collection or face-to-face interviews. Nevertheless, the AHC assembled a purposive sample of relevant key informants and documents that met the requirements of the ToR.

² <https://www.dfat.gov.au/geo/nauru/development-assistance/development-assistance-in-nauru>

3. Findings

3.1 Overview

This section presents the findings of the review of NSS, structured with reference to three broad lines of inquiry defined in the ToR (aligned with key Development Assistance Committee (DAC) evaluation criteria used by DFAT for corporate reporting purposes):

1. **Relevance:** the extent to which the NSS has delivered services necessary for the operation of the AHC and Australia's development program in Nauru.
2. **Effectiveness:** the extent to which the NSS has delivered services and benefits in line with scope and quality expectations.
3. **Efficiency:** the extent to which NSS has provided value-for-money, through timely, responsive and professional services.

Recommendations are embedded in the findings in the text as they arise, highlighted in text boxes and consolidated on page viii for convenience.

Overall, this review found that the NSS is delivering a crucial and highly regarded package of services in a complex operating context.

3.2 Relevance

This section discusses evidence in relation to the relevance or appropriateness of the NSS in the context of DFAT's development program in Nauru.

Under its bilateral agreements with Nauru, Australia is required to deploy DFAT staff and contractors in-country. DFAT staff are typically posted for 12 months, and some contractors are engaged on a longer-term basis, while others may be in-country for days or weeks. As set out in Section 1.2, the NSS delivers a range of services broadly focussed on sourcing and maintaining an adequate standard of secure housing and transport.

The NSS is irregular insofar as the Department does not ordinarily resource a single contractor to provide this level of servicing to both DFAT and contractor staff.

However, the operating context is widely acknowledged to be complex and challenging. As a small island state, there is a limited market for products and services, including housing. Repairs and maintenance of houses and vehicles is especially challenging. The reviewer heard of cases of the NSS responding to a range of scenarios, from a flat tyre to a serious workplace security incident, to water tank refilling.

All interviewees were positive about the NSS, in terms of the nature of the services provided and the responsiveness of the team.

Notwithstanding the enthusiastic support and appreciation for the NSS among DFAT staff and contractors, the technical question of 'relevance' requires assessment against the counterfactual. Put another way, while the NSS is appreciated and offers great convenience, could the various services be sourced through more appropriate models or arrangements?

There are three broad alternatives to a centrally managed support service:

- **Fly-in-fly-out (FIFO):** DFAT could engage relevant service providers from Australia or other countries on an as-needed basis, sourced competitively
- **Do-it-yourself (DIY):** each organisation (DFAT and MCs) could source the critical support services for their respective staff as required/budgeted and in line with their respective policies
- **Local enterprise:** a Nauru-based organisation could deliver the key services

In exploring each of these alternative scenarios, the review concluded that at the current time, the NSS model remains the most viable. The **FIFO** scenario would likely incur higher costs, and crucially, would compromise responsiveness given the frequency of electrical, mechanical or security issues.

The **DIY** scenario would ultimately entail all Australian-funded organisations competing for the same services within the constrained local market. This would likely drive-up costs—and DFAT would still need to procure an NSS-style contractor to maintain the Chancery and DFAT housing. Interviewees also expressed concern that such an arrangement would not provide the overall coordination/prioritisation and scheduling of services that is critically provided by the NSS. Hence, there may be conflicts arising amongst posted personnel from any inequity of services across different providers.

The notion of engaging a **local enterprise** to oversee the various services in the way that is currently done by Palladium is widely seen as an ideal, or a ‘development aspiration’ (see Section 3.3). However, this is not considered viable in circumstances where there are very few functioning private sector entities³, and a limited base of employable skills/trades in Nauru that are not grouped in contractable entities.

In the absence of clear alternative arrangements, the *status quo* appears to be the most viable.

³ A small number of companies/families control much of the commerce on Nauru, in addition to small Chinese traders.

Recommendation:

1. DFAT should extend the current NSS contract up to the current contract term (30 June 2027).

An issue that must be addressed in relation to an extension of the current contract relates to Nauru's expected graduation from ODA eligibility on 1 January 2026. Currently, the majority of the NSS contract is paid from ODA (Administered) budget allocations with only a small balance paid from non-ODA (Departmental) budget allocations. The funding of the NSS beyond ODA graduation is a matter that DFAT must resolve from Canberra to avoid service disruptions and/or audit issues—noting a typically higher scrutiny of Departmental expenditure. Further, over the remainder of the contract term, DFAT should proactively consider how the NSS scope of services can best be delivered beyond 30 June 2027.⁴

Recommendation:

2. DFAT must resolve how the NSS will be funded beyond Nauru's ODA graduation, and beyond 30 June 2027.

3.3 Effectiveness

As highlighted above with respect to relevance, the NSS is well appreciated by DFAT and contractor staff. Put simply, there is a high level of 'client satisfaction'.

However, beyond satisfaction, the 'effectiveness' criterion concerns the extent to which services meet scope, quality and development expectations.

Scope and quality

Under HK Logistics (previous MC), the focus of the services was very much on logistics and procurement but has reportedly evolved to a stronger focus on supporting ODA. The current Deed provides for a broad scope of services, spanning accommodation, vehicle support, procurement and pastoral services. Services are paid for from both ODA and non-ODA sources depending on the purpose, with the MC submitting separate invoices.⁵

According to Palladium staff, the bulk of time and resources is invested in accommodation-related tasks—especially maintenance and repairs given the poor quality of housing stock on the island. The current portfolio comprises around 45 properties. There are a range of routine maintenance tasks that are required, as well as *ad hoc* or irregular services; for instance, the NSS is currently undertaking a major

⁴ N.B. It was uncertain at the time of this review if DFAT would be able to tender for a similar services contract entirely through Departmental funding.

⁵⁵ Vehicles, accommodation and security associated with development-related staff/contractors are paid from ODA (Administered) budget allocations; while a smaller proportion associated with non-ODA costs are paid from Departmental budget allocations.

renovation of the former Taiwanese Ambassador's residence which will expand Australia's housing stock when completed.

Vehicle logistics and maintenance is also a key area, with the NSS operating a small but capable workshop to support common repairs and maintenance tasks, including panel and windscreen replacement. NSS drivers support airport transfers and adviser transport on request.

Pastoral care is an area of lesser focus, though several interviewees highly appreciated airport transport services, which on first arrival include a brief orientation of the island. NSS staff also arrange (roughly monthly) social events which are valued. One interviewee indicated that more of this sort of organised activity would be appreciated given the isolated operating context.

Interviewees affirmed the breadth of services provided by the NSS, which are consistent with the Deed. Further, the quality of work done by the NSS team was well regarded, with many interviewees acknowledging the challenging operating context in Nauru with respect to skills and available products, and the responsiveness of staff. Additional services that some interviewees indicated could be supported included:

- **Information communication technology (ICT):** the centralised provision of satellite Wi-Fi services, rather than each contractor/adviser being required to source services individually.
- **Accommodation for short-term advisers:** the provision of bookable 'BnB' style accommodation for short-term advisers in circumstances where the current hotel accommodation is considered suboptimal for stays on the island that exceed several days.

Recommendation:

3. DFAT and Palladium should explore the viability of providing ICT and short-term accommodation services under the NSS scope of work.

The current team leader has begun to explore utilising surplus NSS capacity to support non-core areas that are nonetheless aligned with Australia's development priorities; e.g.:

- **Repairs and maintenance services:** utilising NSS technical skills to support repairs and maintenance of facilities associated with Australia's ODA, such as maintaining air-conditioning units at education facilities.
- **Promoting small-scale food production:** drawing on the knowledge/skills of a NSS team member to explore food gardening on the island.

These activities potentially provide public diplomacy (PD) opportunities for the AHC in circumstances where most of Australia's assistance is rightly directed at systems strengthening within the Government of Nauru, and hence is not visible or tangible to the public. While the NSS must diligently maintain focus on delivering core services to enable Australian Government operations, there may be latitude for the NSS to

engender wider public support. In this vein, drivers and support staff could be trained in basic photography to support communications products and PD.⁶

Development effectiveness

The NSS provides an enabling service for Australia's development program. Hence, there are clear—but long—causal links between the NSS and development outcomes in Nauru. The current team leader recently presented to NSS staff the team's role in supporting the breadth of investments within DFAT's development portfolio. Evidently this link had not previously been highlighted and was motivating for some staff.

The NSS has been granted an exception from DFAT's quality reporting processes (Investment Monitoring Report, or IMR), and hence has not been subject to typical expectations in relation to development policy priorities such as gender equality, disability and social inclusion (GEDSI), climate resilience and locally led development. However, in circumstances where the NSS contract will cumulatively involve a significant investment spanning a decade and is predominantly funded from ODA allocations, it may attract criticism if development policy priorities are not somewhat integrated moving forward:

- **GEDSI:** proactively engaging females and/or people with disabilities (PWD) in traineeships for technical and/or administrative roles.⁷
- **Climate resilience:** integrating climate change projections in any infrastructure planning; undertaking measures to improve the energy efficiency of houses, vehicles and NSS operations including through use of renewable energy and innovative waste management solutions.⁸
- **Locally led development:** supporting the development of local enterprises that may progressively deliver some or all services currently provided by the NSS MC, including by engaging returning scholars or PALM scheme workers.

In relation to the last point above, and as noted in Section 3.2, progress towards engaging local enterprise(s) is a development aspiration that is in line with DFAT's localisation agenda, but most interviewees conceded that this is not viable at the current time. However, it could potentially be part of the NSS approach moving forward, drawing on other DFAT investments in the TVET sector as well as scholarships and returning PALM scheme workers. The previous NSS team leader evidently invested considerable informal training in NSS staff, and the current team leader is exploring formal certification (e.g. Certificate 2 or 3).

In circumstances where the NSS has a good track record on staff turnover, and younger/recent recruits have shown potential, DFAT may consider proactively using the NSS as a micro-program of skills and enterprise development.

⁶ In some overseas programs, drivers have proved to be valuable support for communications work, noting that they are often present and otherwise on standby at local events.

⁷ The NSS currently employs four females (in administrative and security roles), representing less than 15% of staff.

⁸ E.g. <https://www.preciousplastic.com/>

Recommendations:

4. The Managing Contractor should appropriately integrate GEDSI, climate resilience and locally led development policy priorities into NSS work planning.
5. DFAT should consider expanding the scope of the NSS to facilitate skills and/or enterprise development in support of localisation, public diplomacy and good development practice.

3.4 Efficiency

Beyond the clear case that the NSS delivers convenience for DFAT and contractors, 'efficiency' requires appropriate management and governance, value-for-money and professionalism.

Management and governance

For DFAT, the NSS contract is overseen by the DHOM. A First Secretary (Senior Admin Officer) supported by a locally engaged staff member manages the services for posted DFAT officers. A Second Secretary is the investment manager overseeing ODA-related expenditure. Continuity of oversight is somewhat challenged by the short-term (12 months) postings—a persistent reality in Nauru.

Management by the MC involves general oversight by a contractor representative and an operations/finance manager based in Palladium's Brisbane office. In-country management is the responsibility of a full-time team leader.⁹ The contractor representative has appropriate qualifications and 15 years' experience in infrastructure management in the Pacific; the operations manager is a Certified Practicing Accountant (CPA) with experience in various program operations. The team leader is a professional logistician with experience in the Australian Defence Force (ADF) and development program management. The three-person management team is reportedly in contact several times per day. All interviewees affirmed the professionalism and responsiveness of the current management team, noting improvements in performance over the life of the contract.

The First Secretary and NSS Team Leader maintain routine contact, and meet formally on a fortnightly basis, with the Contractor Representative and Operations Manager joining virtually from Brisbane as required.

There is no strategic or executive steering function for the NSS beyond *ad hoc* engagement between the First Secretary and DHOM. The governance arrangements are considered appropriate given the nature of the services, the long-running contract and the level of risk to the Commonwealth or Nauru.

⁹ The role was recently upgraded from an Operations Manager (C3) to a Team Leader (C4) following an internal review instigated by the MC and approved by DFAT.

The current team leader is widely respected, both for his experience and qualifications, and also his personal style. Arguably, a key indicator of good management is the staff retention rate within the NSS, which includes some long-term staff.

While the importance of good leadership is a truism, it must also be balanced against 'key person risk', especially in low-capacity contexts. In this regard, most stakeholders conceded challenges but observed a developing system within the NSS beyond the Team Leader.

The MC appears to acknowledge the key person risk and to be mitigating it through training and developing staff.

Arguably, the best mitigation of the key person risk is the capacity building agenda discussed in Section 3.3.

Performance and accountability

Notwithstanding the exemption from DFAT's quality reporting noted in Section 3.3, the MC prepares a six-monthly narrative report for DFAT which summarises major activities and includes updates to a risk registry. In addition, the current team leader has instigated a rolling Annual Planning process and has streamlined and regularised demands on the NSS through a web-based booking system. These initiatives have helped to more efficiently and transparently schedule routine works, and to prioritise *ad hoc* or emergency responses.

The Deed required the establishment of a Performance Monitoring Framework, but this was never implemented. Neither current DFAT staff nor MC representatives were aware of the requirement. Agreed Service Level Standards were said to be adequate, combined with Deployee Surveys which essentially assess 'customer satisfaction' with the NSS. In the event that Recommendations 4 and 5 (above) are adopted, there may be merit in implementing a modest monitoring system to track progress and risks/lessons in relation to capacity building and development policy priorities.

The Deed also provides for independent audit of the NSS. While the MC Operations Manager has reportedly undertaken an in-country audit against the Operations Manual, there has never been an independent financial audit. In circumstances where the NSS is responsible for significant procurement and importation functions, it would be prudent to commission such an audit during the extension phase. Both DFAT officers and MC representatives interviewed for this review were amenable, noting the value of likely lessons learned.

Value-for-money is reportedly managed by DFAT through scrutiny of invoices. Property rental agreements are all reviewed/approved by DFAT, as are major procurement/importation items. Pay scales for the NSS staff are not systematically reviewed/benchmarked, though several interviewees indicated that they were relatively high by local standards/expectations.

No specific Partner Performance Assessments (PPA) for the NSS contract have been undertaken by DFAT, though the NSS has been reflected in a regional PPA for Palladium.

Recommendations:

6. The Managing Contractor should implement a simple M&E plan to capture evidence of progress towards development policy priorities and capacity building targets.
7. DFAT should commission an independent financial audit.
8. DFAT should undertake annual PPAs as a mechanism to provide formal performance monitoring and feedback to the MC.

4. Conclusion

Nauru is one of the world's smallest independent states. Australia and Nauru have established a close bilateral partnership. DFAT is obliged to deploy DFAT staff and contractors in-country. The remote location and scarce resources and capacity in Nauru are acknowledged to pose unique challenges for posted personnel. DFAT has engaged a long-running contracted service provider to support the accommodation, transport and security needs of posted personnel. This service is highly regarded and notably improves the convenience for posted personnel. There may be scope to progressively develop local enterprise capacity to take over service delivery, in line with DFAT's localisation policy priority, however, at the current time, the current arrangements remain the most viable.

Appendix A: Terms of Reference

About the Nauru Support Services (NSS)

Under the Department of Foreign Affairs and Trade (DFAT) Deed of Standing Offer (73271), Palladium International (Palladium) manages and delivers the Nauru Support Services (NSS) core management services, Deployee support, and ad hoc deployment functions as stipulated in respective Service Orders and in accordance with defined Service Level Standards. The NSS program (July 2017 – June 2025 with an additional two-year extension option) is guided by its overarching goal and supporting objectives.

Program Goal:

To provide DFAT with an efficient and flexible mechanism to implement its investments in multiple sectors in Nauru by managing in-country operational demands and strengthening alignment across similar activities.

Program Objectives:

1. to provide cost effective support services to specific standards for Deployees and their families, to enable the Deployees to work effectively and reside safely in Nauru;
2. to provide cost effective support services to specific standards for Deployees and their families, to enable the Deployees engaged for ad hoc tasks to work effectively and reside safely in Nauru;
3. to provide cost effective property support services to the Australian High Commission office and residential complex through provision of maintenance and security services; and
4. to provide cost effective logistics and procurement services for the Australian High Commission, Nauru when requested.

Background and Context of the Nauru Support Services (NSS)

The NSS is a ten-year up to AUD35M investment that supports Australian Government-funded advisers and Australian High Commission personnel throughout their engagement in Nauru. The NSS provides foundational support to enable the efficient and effective delivery of Overseas Development Assistance by facilitating access to accommodation, vehicles, amenities, and other support services to allow deployed personnel to focus on their core program objectives.

NSS was delivered by HK Logistics before being acquired by Palladium International. Palladium subsequently took over the contract term and was awarded the current contract after a competitive tender in 2017. On the 30th of June 2022, the Deed of Amendment was executed with the renewed contract end date extended to June 2025.

The NSS team consists of two long-term advisers, with one based in Nauru and the second based in Australia as operations support and program manager, and up to 50

locally engaged staff working across a range of functions including operations, administration, vocational trades, and guarding/security.

Detailed Description of Services

Services currently provided under this Services Order include:

- (a) Guarding: 24 hour guarding of accommodation units.
- (b) Residential Accommodation for Deployees: maintenance of residential accommodation that facilitates the Deployees achievement of their deployment objectives with consideration to issues of safety and security, amenity, and locality.
- (c) Residential Accommodation and Office for the AHC: maintenance of residential and office accommodation that facilitates ODA and non-ODA funded officers and the AHC to achieve their objectives with consideration to issues of safety and security, amenity, and locality.
- (d) Work Related Assets and Vehicles for Deployees: management of DFAT vehicles primarily for work-related purposes, as directed.
- (e) Services for Ad-Hoc and Emergency Deployments: provision of elements of the above services in an accelerated time frame.
- (f) Logistics, Procurement & Other Ad-Hoc Services: as required.

Review Scope

The review scope will be based on the Objectives and the above-mentioned services and the impact of these services.

The key questions and sub-questions proposed to guide this review include:

1. Is the NSS relevant in supporting delivery of the Australian development program in Nauru and providing enabling services to the Australian High Commission?
2. Has NSS been effective in achieving its objectives?
 - a. What have been the benefits of the program to Advisers and the Australian High Commission/development program?
 - b. The extent to which response times have been met in relation to the Service Level Standards?
3. Has NSS provided value for money and been efficient in achieving its objectives?
 - a. Has the financial management including Budgeting and Forecasting been managed well by NSS and Palladium?
4. How could NSS be improved?
 - a. Are there any clear success factors or barriers to the achievement of the objectives?

- b. What lessons should be taken forward when considering extension of the program?
- c. Are there alternative modalities that should be considered/explored, including beyond 2027?

Review Methodology

The Contractor will finalise the key questions and methodology in the Management Review Plan.

1. Initial briefing from DFAT.
2. Document review of reports.
3. Development of Management Review Plan.
4. Interviews with Advisers, NSS team, managing contractors, other stakeholders and others identified in the Management Review Plan.
6. End of mission debriefing and high-level findings presentation to NSS and DFAT.
7. Draft management review report of no more than 5-10 pages plus annexes (if relevant).
8. Final management review report following feedback.