

**GOVERNMENT OF NAURU -
EUROPEAN COMMUNITY
EDF 10**

**Country Strategy Paper
&
National Indicative Programme
(For the period 2008 – 2013)**

The Government of Nauru and the European Commission hereby agree as follows:

- (1) The Republic of Nauru, represented by the Honorable David Adeang, National Authorising Officer for Nauru and Ms Chitra Jeremiah, Director Aid Management Unit and Deputy National Authorising Officer, and the European Commission, represented by Mr Roberto Ridolfi, Head of the Commission Delegation for the Pacific, hereinafter referred to as the Parties, held discussions from March 2006 until August 2007 with a view to determining the general orientations for cooperation for the period 2008 –2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Republic of Nauru were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in the Republic of Nauru. The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the *Republic of Nauru* for the period 2008-2013, an amount of € 2.7 million is set aside for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 200,000 for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Republic of Nauru benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF Multi-annual Financial Framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Republic of Nauru within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the ACP-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6)

funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex 1b of the 10th EDF Multi-annual Financial Framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.

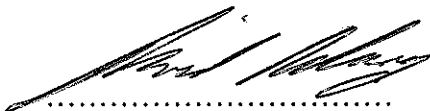
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

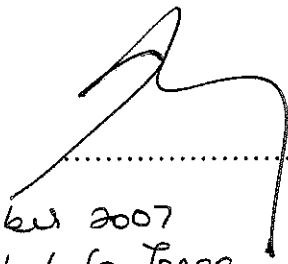
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF Multi-annual Financial Framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

For the Government of
Nauru



For the Commission



Date: 18 October 2007
at Nuku'alofa Tonga.



SUMMARY

Nauru is an island republic in the South Pacific Ocean, approximately 40km south of the Equator and nearly 4,000 km north-east of Sydney. A raised coral atoll, Nauru is one of the three great phosphate rock islands in the Pacific Ocean - the other two being Banaba (Ocean Island) in Kiribati and Makatea in French Polynesia. Nauru has a total area of 21 square kilometres. Nauru has a population of 13,287 people, of which majority indigenous Nauruans of predominantly Micronesian origin, and the remainder mostly i-Kiribati, Tuvaluan and Chinese peoples.

After becoming independent in 1968, Nauru became very wealthy through the exploitation of its mineral resource, phosphate. When world prices began to fall the government borrowed heavily to support high levels of government spending eventually leading to a political and economic crisis in the early 2000's. Nauru has now stabilised this crisis situation by drastically cutting government expenditure which has been achievable with recent political stability and the financial and technical support of the government of Australia. For many years Nauru encouraged the registration of offshore banks and corporations becoming a tax haven for money-laundering activities. Following heavy pressure from the US, Nauru ceased its offshore banking and passport schemes. Nauru was later removed from the OECD's list of uncooperative tax havens, and in October 2005 was also taken of the OECD Financial Action Task Force's (FATF) list of money-laundering.

Nauru has insufficient arable land for its population and after years of high incomes from phosphate mining, when most of the island's needs were imported, the population has lost fishing and horticulture skills possessed by former generations.

Nauru joined the ACP group of countries in 2000 after signing the ACP - Cotonou Agreement. Consistent with these objectives and taking into account activities of other donors, the Government of Nauru identified the energy sector as its focal sector for European Union Cooperation for the 9th.

For the 10th EDF/NIP it is proposed to allocate 85% percent of the A-envelope or € 2.3 million for the development of the **renewable energy**. Non State Actors (NSAs) will be encouraged to participate in the implementation of the programme. Renewable energy falls within the **Water and Energy** sector as defined in the European Consensus, June 2006. The remaining 15 percent (€ 0.4 million) will be to establish a Technical Co-operation Facility (TCF) from which necessary local or regional Technical Assistance, studies and EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues regional integration and Economic Partnership Agreement (EPA) related activities.

PART 1: STRATEGY PAPER

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY

I.1.1. General Objectives of the EC's external policy

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The EU has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

I. 1.2. Strategic objectives of cooperation with the partner country

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Nauru shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the

international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts among too many sectors. In this context the Community will be primarily active in the following nine areas, **taking** into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

On 29th May 2006 the European Commission adopted a proposal to deepen the EU's relations with the Pacific Islands, in particular the 15 Pacific ACP countries. This was the first formal strategy in 30 years of EU-Pacific relations, and it aims to strengthen political dialogue, provide greater focus to development cooperation and improve the effectiveness of aid delivery. The Commission's proposal reflects the growing environmental, political and economic importance of the Pacific region. The strategy makes three main proposals:

1. Building stronger political relations around interests of common concern such as global political security, trade, economic and social development and the environment;
2. Focusing development cooperation on areas where the Pacific has important needs and where the EU has a comparative advantage and a good track record, such as the sustainable management of natural resources, regional cooperation and good governance (for example, addressing the root causes of instability in the region, reducing corruption);
3. Increasing the efficiency of aid delivery including using more direct budgetary aid and working more closely with other partners, in particular Australia and New Zealand.

1.1.3 Main bilateral agreements

Nauru became signatory to the Cotonou Agreement on 23 June 2000.

CHAPTER II: COUNTRY DIAGNOSIS

II.1. Analysis of the political, economic, social and environmental situation in the recipient country

II.1.1 Political and institutional situation

Nauru was established by its Constitution in 1968, as a republic with a Westminster parliamentary system of government. The polity of Nauru is divided into three arms of the government; the Executive; Legislature (Parliament); and the Judicature. The executive authority lies with Cabinet and consists of the President and ministers appointed by the President. The President and Head of State, presently President Ludwig Scott, is elected every three years. He is responsible to the unicameral Parliament in an unusual variation of the Westminster system.

The Parliament consists of 18 members and is elected every three years by resident Nauru citizens over the age of twenty. The elections for the Parliament are held on the basis of adult suffrage. Voting is compulsory. There has been political stability since the general election in October 2004 when President Scotty's government was returned to power with good support from the electorate. As far as gender representation is concerned, women still have no representation in the Parliament and are grossly under-represented at the higher levels of government service.

Overall, fundamental human rights and freedoms for Nauruans are generally respected and are protected under Part II of the Constitution of Nauru which guarantees fundamental rights and freedoms of the individual such as the right to life, right to equality, liberty, security of the person, the enjoyment of property and the protection of the law, freedom of conscience, of expression and of peaceful assembly and associations and the right to privacy. In a progressive development, compared to other Pacific Island States such as Fiji, Nauru has already passed a Leadership Bill which legislates guidelines and obligations and responsibilities that public office holders are required to comply with.

Nauru has ratified many international agreements (cfr Annex 7). It has not yet acceded to two core UN human rights conventions, namely the International Covenant on Economic, Social and Cultural Rights and the Convention for the Elimination of all Forms of Discrimination against Women. The establishment on Nauru of detention facilities for asylum seekers attempting to reach Australia has raised concerns regarding automatic detention of children, indefinite detention and access to the detainees.

Whilst there are several small and scattered community groups, religious, women's and sports groups, there is an absence of an effective umbrella body for the NGOs in Nauru. Recently, Nauru has seen the resurgence of NIANGO i.e. the Nauru Island Non Governmental Organization. However, it remains to be seen if this body will be capable of delivering the needs of NGOs and NSAs on the island. Nauru has neither village nor provincial councils which in other countries usually complement or undertake work of civil society or non state actors in community focussed development projects. To make the situation more difficult, Nauru does not have a central bank to fulfil the usual every-day financial transactions and the recent establishment of the Aid Management Unit (AMU) under the Development and Policy Division (DPPD) in November 2005 is now the focal coordinating point for all external donor and development assistance.

The 'media' in Nauru is limited. There is a TV and radio service and one official newspaper, '*The Bulletin*', that publishes government statements. These are also used by Government or any persons who wish to publicise information. The absence of independent media outlets limits the effectiveness of civil society and non-state actors in playing a vigilant watchdog role on the political state of affairs in Nauru.

II.1.2 Economic and commercial situation

Shortly after 31 January 1968 when Nauru became the world's smallest independent republic, phosphate rights were acquired from the United Kingdom. Money gained from the exploitation of phosphate gave Nauruans one of the highest living standards in the Pacific. However the revenues from mining were not properly invested or allocated, and as its phosphate stores began to run out the Government found itself with no financial reserves.

Nauru today faces serious economic challenges. Phosphate production has declined dramatically since the 1980s (from 1.67 million tonnes in 1985-86 to 162,000 tonnes in 2001-02) leading to huge loss of revenue. Although residual phosphate reserves might provide some revenue, this would require significant and costly repairs to mining-related infrastructure.

Fishing licenses issued to China, Japan, South Korea, Taiwan and the United States of America are now an important source of revenue for Nauru. While pelagic fish abound in Nauruan waters, Nauru has been unable to establish a fishing industry of its own.

The current financial situation of Nauru is therefore serious. According to the Budget statement, in 2004-05, earnings from Nauru's only export commodity, phosphate, did not cover operating costs. The country is not expected to balance its budget until 2009.

For the development of the economy, many factors continue to hamper private sector growth including lack of banking and insurance facilities, unreliable shipping and air transport services, lack of skilled human resources and poor access to venture capital. The Bank of Nauru is insolvent and the country relies on importing capital to the island. Since Nauru has been removed from the FATF blacklist, the government has tried to encourage foreign owned private banks to establish offices in Nauru. The lack of skilled human resources renders economic transition difficult, hampers the productive sectors and has therefore serious implications for food security, e.g. in the agricultural industry. Even the fisheries sector, which could provide significant income, is impeded seriously.

In 2005-06, the GoN adopted a medium-term strategy of fiscal restraint, sustainable service delivery and debt management. This is reflected in the 2006-07 budget i.e the reallocation of government spending from low priority to high priority areas (including health and education), and the GoN's effort in recent years to generate (small) budget surpluses to commence repaying outstanding trade and sovereign debts.

It is quite clear that Nauru will remain heavily dependent on donors for support, particularly in key areas such as electricity and water. Currently, the key challenge facing Nauru is the restructuring of its own activities to make best use of its limited resources while ensuring that donor support is also allocated to key national priority areas. The longer term challenge for the GoN will be to maintain public services as revenue flows from short term capital returns

decline further, as the revenue base is narrow and heavily reliant upon fishing licences – the only sizable and sustainable revenue item, future Government revenues will continue to be subject to any sudden fluctuation in revenue from fishing licences.

While current estimates of GDP have not been finalised at this stage, preliminary results prepared by Pacific Financial Technical Assistance Centre in 2003/04, support this result indicating that a very large proportion of GDP is accounted for by the Government. These results also suggest that GDP/capita may still be relatively high compared to other comparable countries in the region.

Trade/EPAs

All Pacific ACP states, including Nauru, continued their participation throughout 2005 in the EPA regional negotiation process through the established negotiating machinery. Progress in the Pacific negotiations was, however, slower than might have been hoped for, a reflection both of the very limited capacity of certain Pacific ACP (PACP) states and of the varying levels of interest on the part of the states in a EPA (only a small number of smaller PACP perceive an interest in an agreement on goods). Discussions focussed on the architecture of the Agreement, as well as on investment promotion and protection and on certain sectors of importance to most PACP – including some of the smaller countries – such as fisheries, tourism and services in general. There was little in the way of discussions on goods in 2005: Such discussions have been back-loaded for fear of triggering free trade discussions with Australia and New Zealand under the Pacific Agreement on Closer Economic Relations (PACER).

Support to EPA preparation efforts, including in-country stakeholder meetings and participation in EPA-related meetings at all levels, was provided for Nauru through the Pacific Regional Economic Integration Programme (PACREIP), the € 11.2m 9th EDF regional programme.

II.1.3 Social situation, including decent work and employment

The total population of Nauru in 2005 was 13,287. Over the ten year period (1992/2002), Nauru's population grew at an annual rate of just 0.14%. The population is largely urbanized concentrated on the southern side of the island.

Living conditions throughout Nauru are poor. Most infrastructure is in a poor state. Major investment in water, sewerage, power generation, power distribution, schools and hospitals, port, phosphate mine, telecommunications and transport is required.

Whilst education is free and compulsory to Year 10 or age 15 years 9 months, teaching and student learning standards are low. Truancy has been high at 60% for some schools, with the overall rate at 34%. Post secondary vocational training does not exist and success rate for tertiary studies through the University of South Pacific (USP) Centre averages 10% and the majority of intending students cannot afford the financial burden of continuing education locally or overseas.

Substantial strengthening of the education sector is envisaged in the medium term through curriculum development and the introduction of skills, vocational and the entrepreneurial

training. NZ has prioritised the education sector in particular, curriculum development and teacher training through budget support. The total package of assistance from New Zealand Aid (NZ Aid) is A\$1.25m which commenced from April 2006 and will run till the end of 2007.

In Health, child clinics are well run with good support programme for mothers. Latest figures (2001) indicate that the under 5 mortality rate is 30 per 1,000 live births (2001). HIV/AIDS awareness remains low. Diabetes and other lifestyle related diseases remains high. Nauru has the second highest rate of type 2 diabetes in the world, with 45% having the disease. Also 75% of the adult population are overweight or obese.

The health goals are highlighted also in the National Sustainable Development Strategy as “*provision of effective preventative health services reducing lifestyle related illness*” with short term goals instituting a holistic approach to public health and healthy lifestyles.

GoN provides free pharmaceuticals (prescription medication). Nauru’s youth unemployment rate is a major problem recorded at 58%.

II.1.4 Environmental situation

Environment protection is highlighted as a key goal in the Nauru Sustainable Development Strategy (NSDS) and other overarching policies and international conventions. In 1998, the Government of Nauru adopted the National Environmental Management Strategy (NEMS) and National Environmental Action Plan (NEAP) to respond to the immediate challenges. In 2005, the GoN’s NSDS clearly identified *the rehabilitation of mined out lands for livelihood sustainability*. However, concrete actions to improve the environment in real terms at the community level are few.

Nauru’s major environmental risk is the mined-out phosphate lands that cover almost 90% of the island after strip-mining of the phosphate had left behind a barren landscape of deep pits and tall pillars and the removal of natural vegetation and topsoil from over 70% of the land area which has made most of the island uninhabitable and barren.

Key environmental issues, in the light of these are: limited access to sustainable safe drinking water and sanitation, inadequate access to sustainable clean renewable energy sources and land degradation.

Degradation of topsoil (inland) through phosphate mining limits the degree of land being available for agricultural activities in support of food security. The lack of knowledge of the environment and the need for protection severely hinders environment promotion efforts. As a result, there is a continued widespread use of environmentally unsustainable practices.

Effective land use planning is not practised. Housing and building arrangements are based on ownership of land plots leading to congested living and the clustering of several land uses including homes, cesspits, water wells, shops, planting plots, animal pens and sports field on one plot of land. Waste management is minimal – including human, water, household and industrial. Water is scarce with the main sources being rainwater and the desalination plant. The demise of the desalination plant not in operation for a number of years and the varied rain patterns mean severe water problems on the island. This is compounded by the poor state of gutters throughout the island.

GoN has yet to integrate environmental concerns into their planning of their own environmental policies or sector strategies. A legislative review of all environment legislation is also a priority for GoN.

II.1.5 The country in the international context

Nauru is a member of the Pacific Island Forum and all the Pacific regional organisations including the Secretariat of Pacific Community (SPC), the Secretariat of the Pacific Regional Environment Programme (SPREP), South Pacific Applied Geoscience Commission (SOPAC), USP and Forum Fisheries Agency (FFA). As a member, Nauru cooperates actively in regional affairs and is party to all the regional agreements administered by the various regional organisations. The Pacific Plan is a key regional initiative and Nauru is a member of the Committee responsible for driving the Plan. As a member of the Forum Economic Ministers Meeting (FEMM), Nauru has put in place a number of financial and economic reforms promoted as part of the FEMM workplan.

In 2004 at the Pacific Islands Forum (PIF) meeting, Nauru requested regional assistance to support its efforts in fighting the economic and financial crisis it was facing. In response the Forum Secretariat put together a package which saw the deployment of a Magistrate, Legal Officer, and Development Planner to assist with Nauru's reforms.

In 2001 Nauru was classified as a non-complying country under the OECD Financial Action Taskforce (FATF). In October 2005, Nauru was removed from this listing. GoN is also working on developing transparent trading regulations and legislation including new corporate governance arrangements.

II.2. Poverty reduction analysis

No current poverty analysis strategy exists. In September 2006, the Bureau of Statistics will conduct the first Nauru household income and expenditure survey providing an analysis of household income and expenditure from which poverty indicators can be derived.

Anecdotal evidence suggests that a growing number of Nauruans do not have the capacity to meet non-food basic needs in particular appropriate housing and shelter, payment of utility fees, school requirements; medication and fuel costs.

The sustainable exploitation of the renewable sources of energy should be a relevant input to contribute to poverty reduction.

After 1968, Nauru enjoyed significant wealth through the exploitation of phosphate. But due to financial mismanagement, poor governance and a decline in the economic activity in the 1990's, Nauru became heavily indebted beyond any ability to make sustainable repayments. This impacted heavily on the living standards of Nauruans.

II.3 The recipient country's development strategy

In November 2005, the GoN released the NSDS, a 20 year strategy of long and short term goals aimed at delivering meaningful improvements to the economy, governance, health, education generally aimed to enhance the quality of life for all Nauruans through creating opportunities. A comprehensive process of consultation involving all sectors and

stakeholders of the Nauruan community including line Government ministries, departments, non governmental organisations, religious groups, business groups and churches and donors was significant in finalising this National Strategy to ensure that it reflected the views of key stakeholders at all levels of the community and to create ownership by Nauruans over this developmental process.

Key national priorities identified in the NSDS are:

Stable, trustworthy, fiscally responsible government

- Transparent and accountable governance practices
- Conducive legislative framework
- Efficient and productive public service
- Enabling and cooperative international relations
- Efficient and effective law and order system
- Increased community role in governance

Provision of enhanced social, infrastructure and utilities services

- Broadened educational system
- Alternative (including renewable) energy sources
- Improved access to water
- Preventative health service
- Improved sports and recreation facilities
- Viable social welfare systems
- Well maintained infrastructure

Development of an economy based on multiple sources of revenue

- Phosphate mining
- Fisheries resource management
- A developed SME sector
- Efficient use of resources – people and natural
- Increased job opportunities locally and regionally
- National trust fund

Rehabilitation of mined out lands for livelihood sustainability

- Land for agriculture development
- Land for conservation
- Land for water catchments
- Land for residential development
- Land for commerce & industry development

Development of domestic food production

- Establishment of agricultural production
- Enhance aquaculture farming
- Sustained use of inshore and reef marine resources
- Promotion of pelagic fishery, in particular tuna fishing

II.4. Analysis of the viability of current policies and the medium-term challenges

With the NSDS completed, the challenge for Nauru now is to implement the strategies, which necessitates the formulation of Ministry corporate plans and sector plans to clearly define the Ministry objectives and strategies in order to achieve NSDS goals. Having a clearly defined idea of sector priorities and strategies will also assist in identifying the linkage between sector objectives and national priorities. With clearly stated sector goals and Ministry objectives, this will promote stronger vertical and horizontal coherence.

National capacity to develop these are very limited and therefore the need for meaningful assistance from the donor community to facilitate that process is essential. In view of Nauru's current fiscal and economic situation, human resources and environmental challenges, the implementation of the NSDS strategy poses a certain challenges for the Government of Nauru. In addition, the absence of recent statistics or any form of measurable data (most of the statistics are dated 2000-2001) makes it very difficult to accurately ascertain real and tangible progress in any sector of activity or make any accurate future estimates or forecasts.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

III. 1.1 Focal sectors (and macroeconomic support)

Renewable Energy

In July 2005 the Financing Agreement for the Renewable Energy Programme (covering also Republic of Marshall Islands (RMI), Federated States of Micronesia (FSM), Niue and Palau) was signed by the Secretary General of the Pacific Island Forum Secretariat on behalf of all five countries concerned. The value of Nauru's 9th EDF participation in this programme amounts to €1.53 million, or 85% of envelop 'A'. Programme start-up has been slow, however, the tender award procedure for the recruitment of the Programme Management Unit (PMU) was completed in 2005 and implementation began in January 2006. Tender specifications will be drawn-up in 2006 and contracts let in 2007.

III.1.2 Projects and programmes outside focal sectors

The non-focal area consists of a sum of €270,000 intended to support NSA capacity building in Nauru. However, despite the best intentions of the EC and Nauruan authorities to identify a suitable programme of action this has not been possible. The main problem has been the inability to identify an appropriate NSA organisation capable of undertaking programme delivery. This and the lack of banking facilities in Nauru constrain the implementation of any such NSA programme. In view of this situation in 2006 the EC proposed that the NSA programme be subsumed into Nauru's component of the REP5 project with the view that these funds are earmarked and made available for community initiatives in the energy sector in Nauru.

III.1.3 Utilisation of Envelope B

Nauru has not been subject to disasters, and is not eligible for FLEX (EU-ACP instrument to compensate export losses) or HIPC (Heavy Indebted Poor Countries), so the B envelope (€0.5 million) has remained untouched. A multi-country programme focussing on disaster preparedness is being developed for Council of Regional Organizations of the Pacific (CROP) implementation and Nauru has indicated its interest in using its B envelope to join and benefit from this programme. In August 2006 the NAO formally mandated the RAO/Forum Secretariat to act as contracting authority in respect of the prospective multi-country 'B' envelope programme. The programme will be managed by SOPAC. It should be noted as regards disaster preparedness that all current and future programmes should include

reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies.

III.1.4 Other instruments

The 9th EDF Pacific Regional Indicative Programme funded and extended a number of existing projects to the six new Pacific ACP countries, including Nauru. These consisted of:

Pacific ACP Regional Economic Integration Programme (PACREIP)

Development of Sustainable Agriculture in the Pacific (DSAP)

Pacific Regional and OCT Fisheries Programme (PROCFISH)

Plant Protection Programme (PPP)

Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)

Reducing Vulnerability in PACP States – SOPAC

Development of Fisheries in the Pacific (DEVFISH)

Pacific Environmental Information Network (PEIN)

Additionally Nauru has benefited from training provided through the Technical Support to RAO Project and EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

III.2 Information on the programmes of the Member States and other donors

Nauru has nine bilateral donors; Australia, New Zealand, Japan, Taiwan, Republic of Korea, India, Singapore, Malaysia. Nauru's multilateral partners include the Asian Development Bank, United Nations Development Program (GEF), European Union, United Nations Agencies such as the FAO, UNESCO, UNESCAP, World Health Organization, and the Pacific Islands Forum Secretariat and its CROP agencies.

The Aid Management Unit (AMU) under the Ministry of Finance was established by the Government of Nauru in its efforts to centralize all development assistance received by Nauru. The Development Planning and Policy Division (DPPD) also under the Ministry of Finance are responsible for ensuring a development planning framework exists. Both units were established in November 2005 in order to fully maximize development assistance for the development of the country.

III.3 Other EC policies

There are two important links to be mentioned. The first one is with the European environmental policy and the active role of EU and the Commission in implementing this as the Kyoto Protocol and secondly, the Green Blue Diplomacy Strategy in general.

The second area of exchange and interaction is linked to cooperation on tax matters. Nauru has declared its willingness to fully comply with international standards and practices in this area. Further, Nauru is an active participant in the OECD's Global Forum on Taxation.

However, a recent report by the Global Forum on Taxation¹ indicates that Nauru has not yet fully implemented these standards, in particular with respect to exchange of information for tax purposes. At the Melbourne meeting of the Global Forum in 2005 Nauru requested Commission support and assistance in implementing the Global Forum's standards. For detailed commitments on the part of the GoN in this context refer to Annex 3B.

Coherence between development co-operation policy and other EC policies (trade, fisheries, agriculture, environment) relevant for Nauru will be assessed on a continuing basis. Coherence with cross-cutting issues referring to gender mainstreaming, environmental considerations and principles of good governance will be observed in all future projects.

III.4 Description of the political dialogue with the partner country

Nauru is a relatively new member of the ACP group having joined on signature of the Cotonou Agreement in June 2000. Neither the EU nor its Member States has permanent representation in Nauru; since April 2006 the country has been served by the EC Delegation in Suva, prior to that an ALAT based in Tarawa had geographic responsibility. Accordingly, opportunities for political dialogue have been few, mainly taking place in the margins of regional meetings such as the annual Forum meeting, or during the course of periodic missions to the country. Relations between the EU and Nauru are cordial with no contentious issue to note.

III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation

None of the EC Member States have active or planned programmes in Nauru. In recent years the Forum has provided a donor coordination role which has resulted in the placement in key advisers in legislation, aid management and economic development.

CHAPTER IV: RESPONSE STRATEGY

IV. 1 Principles and Objectives

The response strategy takes into consideration the basic principles of EC's Development Policy, as well as the results of the preceding analysis of the political, economic and social situation in Nauru, the longer-term development goals, the government's own priorities and the management capacity and staff resources of the EC Delegation in Fiji. Past experience of other donors activities are also included in the strategy. The future co-operation between Nauru and the EC in the context of the Cotonou Agreement has been designed to contribute in particular:

- to ensuring that EC funded projects have a positive impact on living conditions of all beneficiaries, in particular the people in rural areas, without a distinction according to social, ethnic, political, religious or gender criteria;
- to ensuring that the operations can be sustained in order to guarantee a long-lasting flow of benefits to the target groups and to the country as a whole;

¹ OECD (2006) "Tax Co-operation Towards A Level Playing Field - 2006 Assessment by the Global Forum on Taxation"

- to ensuring that the projects and programmes funded under the present Agreement are in areas where the EC is perceived to have a comparative advantage, compared to other donor organisations, and where it is possible to operate in close partnership with established and reputable regional agencies that have already established networks in Nauru.

The Government of Nauru and the European Commission jointly recognise that important environmental issues and the sustainable management of natural resources form an essential part of the country's development priorities, to which the European Commission wishes to align its response strategy. Issues related to the reliable provision of water and sanitation, management of solid waste and renewable energy are therefore topics of central relevance for any discussion on the future partnership.

In October 2005 the European Commission proposed to the Pacific Forum Leaders that the EDF's future assistance in the Pacific be focused on the sustainable management of natural resources, a sector of strategic importance to all Pacific Island Countries, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion in 2005. The above-mentioned new EU strategy for the Pacific, which was approved by the General Affairs Council of the European Union on 17 July 2006, refers to the sustainable management of natural resources as one of the priority areas for more focused development cooperation.

There is a need to spread the benefits of growth more widely and equitably across the country and to improve the living conditions in rural areas. Addressing the basic energy needs of the of communities through a sustainable, environmentally sound and secure energy supply can supplement the long-term energy needs of the country and further reduce the dependence on imported fossil fuels. To redress the imbalance and achieve a more equitable distribution of resources to the outer islands, **water and energy**² has been selected as the sector in support of rural development. These objectives are coherent with the CSPs of most other small Pacific Island countries, which also feature renewable energy and/or water particularly for outer island development, and are consistent with the sustainable management of natural resource focal sector of the Regional Strategy Paper. The sector chosen falls within the **Water and Energy sector** as defined in the European Consensus on Development of June 2006. The chosen sector reaffirms government's support of rural development and poverty reduction and complements both the Pacific Plan and the European Union's green/blue strategy for the Pacific.

During implementation strategy cross-cutting issues shall be taken into consideration in particular gender equality, energy and environment, and NSAs.

Climate change is an important cross-cutting issue, in particular for the Pacific region and SIDs as a whole. Major regional initiatives are being considered in the context of the forthcoming 10th EDF Regional Indicative Programme. SPREP is also very active in this field, as is UNDP. Under the 10th EDF, due consideration needs to be given to the likely exacerbation of potential problems such as epidemics and famine due to water contamination,

² It is understood that renewable energy and energy efficiency/water and sanitation (use whichever appropriate in your country) falls within the broader focal area of water and energy as contained in the European Consensus on Development.

loss of arable land, and population displacement (the latter linked also to disaster response planning). For Nauru, some specific issues should also be borne in mind with regard to reinforcing adaptation efforts, for example the possible need for watershed management, and alternative production systems in agricultural activities (e.g. agro-forestry) - these issues should also be addressed during the identification process and the feasibility studies which will determine the specific interventions and accompanying measures of the focal sector programme.

As regards good governance, even though Government of Nauru claims to have enacted appropriate laws and to fully support the fight against money laundering and terrorist financing, Nauru in February 2006 requested assistance from the Pacific Island Forum Secretariat, to ensure that national provisions were fully compliant with the latest FATF developments and UN Convention & Protocols. Issues related to good governance and PFM will be addressed under the 10th EDF.

It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a regional basis (for example the multi-country programme under the 9th EDF B-envelope).

It is proposed to allocate 85% percent of the A-envelope or € 2.3 million for the development of the renewable energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent (€ 0.4 million) will be to establish a Technical Co-operation Facility from which necessary local or regional Technical Assistance, studies and other EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of overall governance issues linked to the government's commitments in the areas of PFM and fiscal and financial transparency, regional integration and EPA related activities, and assistance in the improvement of statistical reporting may also be provided through the TCF.

The Commission's interpretation of efforts in the area of offshore finance does not necessitate actual signature of two Tax Information Exchange Agreements (TIEAs), but at least that negotiations begin on two TIEAs with OECD/EU member states – this in itself implies that Nauru implement the internal administrative requirements to execute TIEAS

IV.2 Coherence and complementarity

The programme is complementary to Nauru's own efforts to improve living conditions and is co-ordinated with and complementary to the support for rural development of other donors. A document recently approved by the Cabinet - Nauru's Utilities Sector – A strategy for reform, aims to co-ordinate into a single policy document all donor's efforts in the energy sector.

Furthermore, all donors' undertakings are scrutinized and consulted by the Aid Management Unit within the Ministry of Foreign Affairs. This mechanisms guarantees greater coherence, complementarity and lack of over-lap.

IV.3 Implementation mechanism

As discussed at the Regional Seminar in March 2006 and if deemed feasible and desirable by partner governments, a multi-country programme approach is proposed as the preferred means of implementing the 10th EDF. This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10th EDF assistance.

Nevertheless a degree of flexibility regarding implementation arrangements needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes run by national government authorities, or the use of regional agencies for technical assistance, such as the South Pacific Geosciences Commission (SOPAC), should remain an option.

Where and when available 10th EDF projects should employ local administrative and technical expertise. Detailed implementation mechanisms will be jointly discussed and agreed upon, taking into consideration lessons learned from the five-country renewable energy project in the Pacific, financed under the 9th EDF.

List of Annexes

- Annex 1 Country at Glance
 - Table of macroeconomic indicators
 - Table of indicators for the MDGs
- Annex 2 Donor Table
- Annex 3 Country Environmental Profile
- Annex 4 Migration profile (NA)
- Annex 5 CSP drafting process
- Annex 6 Harmonisation road map (NA)
- Annex 7: List of Treaties

PART 2: INDICATIVE PROGRAMME

1 Indicative Programme³

Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.1 Financial instruments

The implementation of the EC's cooperation strategy with the Nauru will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

1.1.1 10th EDF, A envelope, € 2.7 million: this envelope will cover long-term programmable development operations under the strategy, and in particular

Water and Energy	<i>€ 2,300,000</i>	<i>85% of total</i>
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The specific areas of renewable energy to be addressed within the focal area will be determined on conclusion of a project design study to be undertaken in 2007. Programme Implementation will be through a multi-country approach where a centrally located Project Management Unit will service a number of participating countries. The countries involved in this approach are, Cook Islands, FSM, RMI, Palau, Nauru, Niue, Kiribati, Tuvalu and Tonga.

Non-focal	<i>€ 400,000</i>	<i>15% of total</i>
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<of which: - *the Technical Cooperation Facility € 400,000*

1.1.2 10th EDF, B envelope, € 0.2 million: this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

³ The sentences in italics should be completed or deleted in the final version of the document.

- 1.1.3 **Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise** (CDE) and the Centre for the Development of Agriculture (CTA).

- 1.1.4 **10th EDF Pacific Regional Indicative Programme (amount to be confirmed):** this allocation will cover long term programmable development operations under the regional strategy for the Pacific. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of Nauru in the programmes proposed under the regional framework.

- 1.1.5 **Other financial instruments:**

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" *<and the programme for accompanying measures for ACP Sugar protocol countries>*, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

1.1.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with *<name of country>* implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.2 Focal sector - Water and Energy

Renewable Energy

The following specific objective will be pursued:

- to increase power production from renewable energy sources and
- to improve the overall policy framework of the energy sector

As an indicative amount, approximately € 2.3 million will be set aside for this field.

The main actions proposed are: **the supply and installation of renewable energy systems.**

The main implementing instrument will be: **project support**

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are: **Energy policy formulated and approved by Parliament by mid 2010.** As part of it in October 2006 the Government accepted the policy document - Nauru's Utilities Sector – *A strategy for reform.*

The appropriate type of environmental assessment (SEA or EIA) will be carried out if and when required.

1.3 General budget support

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

1.4 Other programmes

An indicative amount of € 400,000 is set aside for the following actions:

The Technical Cooperation Facility; € 400,000. The TCF will primarily fund the cost of technical assistance and training and capacity building of the NAO office. It will also be used to fund necessary technical studies and activities related to EDF implementation, future programming and /or regional integration and EPA.

The TFC can also be used to finance measures which improve overall governance, in particular, actions that are directly linked to government's commitments in PFM, fiscal and financial transparency. The Commission's interpretation of efforts in the area of offshore finance does not necessitate actual signature of two TIEAs (Tax Information Exchange Agreements) but at least that negotiations begin on two TIEAs with OECD/EU member states – this in itself implies that Nauru implement the internal administrative requirements to execute TIEAS

The main policy measures to be taken by the Government as a contribution to the implementation of the response strategy in the non focal areas are:

- Government agrees to assign full-time staff and operating budget to the office of the NAO

If there is a need for multi-country programme of assistance concerning tax havens, Nauru can be included in this undertaking. The aim of the multi-country programme would be also to support implementation of the principles of transparency and effective exchange of information for tax purposes.

1.5 Intervention Framework & Performance Indicators Water and Energy Focal Sector 1.5.1 REWABLE ENERGY (RE)

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objectives	To improve social and economic development and reduce poverty in the outer islands	Reduction in poverty Increased employment Improved HDI rankings	Poverty assessments Government records HDI index	N/a
Programme Purpose	To provide cost effective and reliable renewable energy and promote energy efficiencies	All RE systems supplied and in use by 2012 Increase in demand for RE systems Increase in private sector involvement in RE technologies	Government records Independent reviews Independent surveys	World demand for oil continues at current or higher levels Government policies continue to support private sector growth
Results	Cheaper electricity costs Cleaner environment Educated public (in energy efficiencies)	Reduced dependency on fossil fuels Improved Household income Diesel imports reduced	Independent survey Inter-island shipping records Household income surveys	RE equipment properly maintained User pay system accepted Battery disposal system applied

Below are some proposals for sector indicators for MCP in the energy sector which could be used when defining future activities

1. User benefits and costs

- Proportion of population using solid fuels (*MDG 7 indicator*)
- Proportion of population with access to electricity from a grid, urban and rural areas separately
- Connection fees and unit costs for electricity, relative to household income
- Share of household income spent on electricity and fuels, urban and rural separately
- Average time spent on collecting and preparing fuel, urban and rural separately
- Proportion of population with access to modern fuel services (e.g. LPG) or improved stoves, urban and rural areas separately

2. Sector performance

Economic and financial

- Costs of oil imports relative to GDP
- Energy use (kg oil equivalent) per \$1 GDP (*MDG 7 indicator*)
- Percentage of GDP allocated to energy investments
- Technical and non-technical losses in power and fossil fuel generation, transmission, distribution and end-use
- Share of government budget allocated to energy spending
- Share of financial contributions from international financing institutions and donors to the energy sector

Institutional

- Percentage of energy services delivered by the private sector, such as electricity, petrol, coal, charcoal, paraffin etc, and other non-state actors, such as e.g. community based organisations
- The level of decentralisation of energy decision making power and capacity, to e.g. local authorities
- Cost of operating the electricity utilities, relative to amount of units (kWh) delivered to end-users
- Maintenance conditions and cost recovery for different energy systems

Environmental

- Extent of incorporation of environmental concerns in guidelines and standards for energy systems and energy investments
- Carbon dioxide emissions per capita (*MDG 7 indicator*)
- Ambient air pollution related to energy usage, e.g. for power generation, transport, heating etc
- Indoor air pollution related to the use of fuels for cooking and heating (e.g. wood, charcoal, coal, LPG, kerosene, paraffin)

1.6 Indicative timetable for commitments and disbursements

1.6.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1st FOCAL SECTOR – RENEWABLE ENERGY AND/OR WS&S	M € 2.3						
- Project 1 : MULTI-COUNTRY PROGRAMME	M €		2.3				
	M €						
2nd FOCAL SECTOR – NONE	M €						
- Project 1	M €						
- Project 2	M €						
NON FOCAL SECTORS	M € 0.40						
- Institutional support for non state actors.	M €						
- Technical cooperation facility	M €	0.40					
- Contribution to regional programmes	M €						
-<optional> Support for EPA	M €						
-<optional> Support for Governance	M €						
-Other	M €						
Total Commitments:	M €						
Total Cumulative Commitments :	M €	0.40	2.3				

1.6.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1ST FOCAL SECTOR – REWABLE ENERGY	M€						
- Project 1 : MULTI-COUNTRY PROGRAMMING	M€ 2.3		0.3	0.5	0.5	1.0	
- Project 2 : NONE	M€						
2nd FOCAL SECTOR – <name>	M€						
- Project 1	M€						
- Project 2	M€						
NON FOCAL SECTORS	M€						
- Institutional support for non state actors.	M€						
- Technical cooperation facility	M€ 0.4	0.02	0.06	0.06	0.06	0.06	0.06
- Contribution to regional programmes	M€						
-<optional> Support for EPA	M€						
-<optional> Support for Governance	M€						
-Other	M€						
Total Commitments :	M€						
Total Cumulative Commitments :	M€	0.02	0.36	0.56	0.56	1.06	0.06

1.7 Chronogram of activities

1 st FOCAL AREA (2.3M €)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M € 2.3		AF	FD	✂	✂	✂	✂	✂	✂	✂	✂	✂
- Project 2													
2 nd FOCAL AREA (... M €)		2008				2009				2010→			
Education		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €												
- Project 2	M €												
NON FOCAL AREAS (0.4 M€)		2008				2009				2010→			
Same schedule as above		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Institutional support for non state actors.	M €												
- Technical cooperation facility	M € 0.40		AF		✂	✂	✂	✂	✂	✂	✂	✂	✂
- Contribution to regional programmes	M €												
-<optional> Support for EPA	M €												
-<optional> Support for Governance	M €												
-Other	M €												

FS: Feasibility Study

AF: Action Fiches

FD: Financing decision

✂ : Project implementation

Annex 1 – Country at Glance

Nauru is an isolated, uplifted limestone island located 41 km south of the equator at 0° 32' S. latitude and 166° 56' E. longitude. It has a total land area of 21 square kilometres [km²] and an Economic Exclusive Zone [EEZ] of 320 000 km². The raised coral limestone island [formerly an atoll] is underlain by a volcanic seamount that rises 4300 m from the floor of the Pacific Ocean and surrounded by a fringing coral reef between 130 – 300 metres wide. Fossil pollen studies and dating techniques indicate that the limestone is about 5 million years whereas the volcanic seamount may be 35 million years in age (National Environment Management Strategy and Action Plan, 1996).

“Gravity and magnetic surveys indicate that about 500m of dolomitised limestone cap the seamount. “The limestone has been drilled to a depth of 55m below sea level and is intensely karstified (the formation of many cavities, sinkholes and cave systems due to the breakdown of limestone in solution) to that depth, with phosphate filling the cavities. The tricalcic phosphate capping of Nauru is several metres thick and overlies an intensely dissected limestone base with limestone pinnacles up to approximately 20m high. The phosphate deposits also occupy the space between the pinnacles and infill caves and joints in the limestone (National Environment Management Strategy and Action Plan, 1996)”.

Nauru is located in the dry belt of the equatorial oceanic zone, with diurnal temperatures ranging from 26° C to 35° C, and nocturnal temperatures between 22° C and 28° C. Annual rainfall is extremely variable, averaging 2098mm per year between 1894 and 2001 with a range of 278mm in 1950 to 4588 mm in 1930 as illustrated below.

Nauru has been richly endowed with mineral deposits of phosphate, the mining of which has made it one of the wealthiest small island nations in the world. Phosphate has been exported from the country since 1907 but with an interruption during the War (1942-1947). In 1969 the Nauru Phosphate Corporation was established and took over. Previously, mining was undertaken by a British company followed by a British/Australian/New Zealand consortium, the British Phosphate Commission. Nauruan phosphate is of the highest grade in the world and continues to be a major foreign-exchange earner. However, deposits are expected to be depleted in the near future.

Nauru has no surface freshwater resources apart from the Buada Lagoon. Most of Nauru's fresh water comes from a desalination plant installed in 1994, which produces about 1150 tonnes of water per day. The Nauru Phosphate Corporation (NPC) is responsible for the water supply (pumped/imported and through desalination) for distribution by water tankers to meet the domestic, hotel and commercial needs.

Limited use is made of the extensively available roof rainwater catchments. This is because the water is often contaminated with phosphate dust from the mining operation settling on the roofs. Maintenance of these storage systems is also very poor.

The only significant permanent freshwater resource is the groundwater lens. However, the pollution of this groundwater resource from leachates and human waste is one of the major problems in Nauru.

Table of macroeconomic indicators

		2000	2001	2002	2003	2004	2005	2006	2007
						PROJECTIONS			
Basic data									
1	Population (in 1000)	11.8	12.1	12.4	13.0	13.6	14.3	15.0	15.9
	- annual change in %	9.75	10.25	10.25	10.48	10.48	10.50	10.50	10.60
2a	Nominal GDP (in millions AUD)								
2b	Nominal GDP per capita (in millions AUD)								
2c	- annual change in %								
3	Real GDP (annual change in %)								
4	Gross fixed capital formation (in % of GDP)								
International transactions									
5	Exports of goods and services (in million Australian dollars)	32	34	37	41	42	43	44	45
	- of which the most important: ... (in % of GDP)								
6	Trade balance (in millions AUD)	6.5	9.0	5.0	15.2	25.3	31.0	29.0	29.0
7	Current account balance (in millions AUD)								
8	Net inflows of foreign direct investment (in % of GDP)								
9	External debt (in million Australian dollars)								
10	Service of external debt (in % of exports of goods								
11	and non-factor services)								
Government									
12	Revenues (in millions AUD)	10	11	12	13	11	27	22	22
	- of which: grants (in millions AUD)	4.0	7.3	11.7	16.1	1.5	9.7	6.8	2.7
13	Expenditure (in millions AUD)	12.0	13.0	14.0	13.6	9.8	26.4	22.2	17.3
	- of which: capital expenditure (in millions AUD)	4.0	5.0	5.0	6.0	6.0	7.0	7.0	7.0
14a	Deficit (in millions AUD) including grants	-2.0	-2.0	-2.0	-0.6	1.2	0.6	-0.2	4.7
14b	Deficit (in millions AUD) excluding grants	-6.0	-9.3	-13.7	-16.7	-0.3	-9.1	-7.0	2.0
15	Debt (in millions AUD)								
	- of which: external (in % of total public debt)								
Other									
16	Consumer price inflation (annual average change in %)								
17	Interest rate (for money, annual rate in %)								
18	Exchange rate (annual average of national currency per 1 US)	1.81	1.96	1.77	1.33	1.5	1.6	1.6	1.6
19	Unemployment (in % of labour force, ILO definition)								
20	Employment in agriculture (in % of total employment)								

Table of indicators for the MDGs

	INDICATOR	1990	2000	2004	2005	2006	2007	2008	2009	2013	2015
IMPACT	1. Proportion of population living on less than USD 1 per day ⁴	n/a	n/a	n/a	n/a	n/a					
	2. Prevalence of underweight children (under-five years of age)	n/a	n/a	n/a	n/a	n/a					
	3. Under-five mortality rate (19.10/1000)	n/a	25.00	19.10	12.70	n/a					
OUTPUTS	4. Net enrolment ratio in primary education (per 100)	n/a	n/a	1:1.2 (80)	1:1.1 (94)	1:1.2 (83)					
	5. Primary Completion students	n/a	183	n/a	169	186					
	6. Ratio of girls to boys in (per 100):										
	- primary education-	n/a	n/a	1:1.1 (90)	1:1.9 (93)	1:1.9 (83)					
	- secondary education	n/a	1:2.2 (116)	1:2.1 (110)	1:2 (103)	1:2 (115)					
	- tertiary education	n/a	n/a	n/a	n/a	n/a					
	7. Proportion of births attended by skilled medical personnel (19.10/1000)	n/a	6.30	n/a	n/a	n/a					
	8. Proportion of one-year-old children immunised against measles (%)	n/a	95.00	n/a	n/a	n/a					
9. HIV prevalence among 15- to 24-year-old pregnant women	n/a	n/a	n/a	n/a	n/a						
10. Proportion of population with sustainable access to an improved water source	n/a	85% (2002)	n/a	n/a	n/a						

⁴ Indicator 1 may be replaced by an equivalent indicator based on national poverty thresholds, in which case a comment will be needed to permit consistent interpretation of data over time.

ANNEX 2 : DONOR TABLE

SECTOR	DEVELOPMENT PARTNER	PROJECT DESCRIPTION	STATUS	COMMENTS
Energy/ Power Sector	European Commission	Pilot Project for Renewable Energy	Pipeline	Due to Nauru's inability to meet reporting requirements under Cotonou, no feedback has been received on commencement of project
		Reorientation of regional programs to concentrate on providing priority assistance to Nauru		After Donor Roundtable Nov05, EU committed to redirecting PRIP programs to prioritize Nauru receiving assistance such as Renewable Energy (SOPAC), Plant protection and agriculture (SPC), Procfish (SPC, PIFFA) and Education (PRIDE)
		Assistance to the power sector		After Donor Roundtable Nov05, EU expressed interest in assisting in the power sector however awaits Asian Development Bank (ADB) TA report
	SOPAC	Energy efficiency through introduction of LPG		Status, duration and funds for project unavailable
		Windmill technology for renewable energy		At request of MCIR, France and SOPAC looking at potential
	Asian Development Bank	Infrastructure reform of water and power	Active	TA report on utilities reform to be submitted by Feb 06 and trilateral meeting between ADB, AUSAID and EU to be organized
		Pacific Islands Renewable Energy Programme	Active	Regional project with Phase 1 completed and Phase 2 to commence once GEF funding is secured
	AUSAID	Assistance for the supply of power/electricity generation	Active	AUSAID has provided funding assistance through its Memorandum of Understanding with Nauru on the supply of power (electricity generation) from 2001 to current
	Japan	Provision of diesel fuel for power station	Completed	Grant offered on a one-off basis
		General overall assistance for the supply of power		Japan indicated interest in providing assistance for the power utilities at the Donor Roundtable Nov05
Agriculture	Secretariat of the Pacific Community	Technical assistance/support	Completed	Includes visit by experts and supply of office equipment in the fiscal year 2004-05
		Training activities	Completed	Includes national, regional training and attachments for agriculture officers in the fiscal year 2004-05
		Research activities	Completed	Utilized in 2005

		Direct financial grants	Completed	Includes the purchase of equipment in 2005
		Participation at meetings/workshops	Completed	Funding for attendance at regional meetings and workshops in the fiscal year 2004-05
		PAHIS database training	Pipeline	Training for animal health and quarantine officers
		Drafting of draft national biosecurity bill	Pipeline	Forthcoming in 2006 focusing on export/import traders and people of Nauru
Agriculture	Secretariat of the Pacific Community	Training in disease surveillance, sampling and ERP	Pipeline	Forthcoming in 2006 for growers of food crop in Nauru and quarantine service
		Diseases survey	Pipeline	Forthcoming in 2006 for agriculture officers and farmers in Nauru
		IRA for products coming in to Nauru and development of import conditions	Pipeline	Forthcoming in 2006
		Continued assistance with re-establishment of quarantine services	Pipeline	Forthcoming in 2006
		Follow up DSAP activities	Pipeline	Forthcoming in 2006
		Continuation in animal health and livestock activities	Pipeline	Agriculture and quarantine officers and farmers scheduled for 2006-07
		Paravet training	Pipeline	Identified for progress in 2007
		HOVAPS meeting	Pipeline	Identified for progress in 2007
		Transfer of planting material (in collaboration with ICE)	Pipeline	Forthcoming in 2006
	AUSAID	Food Security	Unknown	MOU III
		Training and materials to increase domestic gardens	Abolished	Under MOU IV, Government taking into consideration number of food security projects, allocated funding to other priority areas
		Food Security	Unknown	Proposed in 2005, however awaited commitment of funds from AusAID
	European Commission	Development of Sustainable Agricultural Program (DSAP)	Active	DSAP is an on-going project funded by the European Commission
	FAO	Development of crop, livestock, water resources and aquaculture	Pipeline	Awaiting experts for commencement
		District Nurseries	Pipeline	Awaiting technicians to commence project implementation
		Control of coconut <i>hispid</i> beetle		On-going

Active

		pest			
		Introduction of disease free banana species	Pipeline	Awaiting confirmation from FAO on approval of project	
	Taiwan	Pilot project on cultivation of milk fish	Pipeline		
		Establish nurseries/livestock husbandry	Pipeline	Initial discussions conducted by Director of Agriculture - need for follow up on agreement/status	
Fisheries	Secretariat of the Pacific Community	Technical assistance/support	Completed 2005	Includes assistance to implement ISPS code, port development, legal assistance, FAD, review of NFC, etc. Total package 2003 - 2005 is USD91,200	
		Training activities	Completed 2005	Includes funding for participation at regional workshops, conducting national workshops and attachments of fisheries officers. Total assistance for 2003 - 05 USD86,700	
Fisheries		Direct financial grants	Completed 2005	Includes funding for FADs - total assistance for 2003-05 USD40,000	
		Funding for participation at meetings, workshops	Completed 2003-05	Total fund assistance received for 2003-05 USD8,000	
		In country visits for port authority	Completed 2005	Assistance total USD15,000	
		Office equipment supplied for maritime office	Completed 2005	Total package USD6,000	
		Secondments of officers on maritime issues	Completed 2005	Total package USD25,500	
		Capacity building, legal planning assistance and secondments	Pipeline	Total package USD80,000	
		Tuna long line training	Pipeline	Total package USD16,500	
		Attachments for fisheries information	Pipeline	Total package USD6,500	
		Visit of SPC officers to Nauru	Pipeline	Total package USD2,500	
		Japan	Provision of fisheries equipment, etc through OFCF	On-going	On-going agreement between NFMRA and OFCF for technical assistance
		Pacific Islands Forum Fisheries Agency	Establishing and pooling of resources to assist in the management, surveillance of the sector with regional partners	Pipeline	Outcome of Donor Roundtable 2005

		Technical advise on fisheries management and development	Pipeline	As above
		Technical advise on ways to capture the private sector interest in fisheries.	Pipeline	As above
Health	World Health Organization	Surveillance, prevention and management of non communicable disease	Pipeline	Identified for commencement within 2005/06 financial year
		Improve environmental health services including waste management, water supply, sanitation, vector control and food safety	Pipeline	As above
		Human Resources for Health	Pipeline	As above
Health		Review of health sector and sector wide approach	Pipeline	As above
	Secretariat of the Pacific Community	Demography / Health Survey – DHS (ADB/SPC)	Pipeline	Awaiting confirmation for commencement
		ADB grants to fund HIV/AIDS activities Funding to Nauru be related to vulnerability mapping exercise, STI case management training, development IEC materials, STI clinic facilities, etc	Pipeline	Nauru is one of ten Pacific Island countries eligible under this SPC project with funding provided by ADB. Time frame for assistance 2006 - 2010
	AUSAID	Support for sustainable health service delivery, pharmaceutical support	Completed	Assistance provided under bilateral MoU agreement between Australia and Nauru
		Provision of essential medical supplies and equipment	Completed	Assistance provided under bilateral MoU agreement between Australia and Nauru
		Sustainable health service delivery, pharmaceutical support, visiting medical specialists, equipment	Completed	Assistance provided under bilateral MoU agreement between Australia and Nauru
		Sustainable health service delivery, pharmaceutical support, visiting medical specialists, equipment	Completed	Assistance provided under bilateral MoU agreement between Australia and Nauru

	Primary health and preventative measures	Completed	Assistance provided under bilateral MoU agreement between Australia and Nauru		
	Provision of medical experts	On-going	Nauru requested assistance from AusAID for the provision of medical experts for the health sector		
Cuba	Provision of medical experts	Completed	Through bilateral assistance, specialists doctors were deployed to Nauru for a period of one (1) year		
DIMA (Australia)	Provision of medical experts	On-going	DIMA assistance are provided in the first instance to support the off-shore centres in Nauru		
	Provision of medical supplies	On-going	As above		
	Provision of medical equipment for hospital	On-going	As above		
	Infrastructure support for RoN hospital including the renovation for the emergency room	On-going	As above		
India	Expert input and capacity building in ward management	On-going	Bilateral agreement for provision of medical support staff		
Education	European Commission	PRIDE - strategic planning in education	On-going	Regional program	
	NZAID	Education sector support in curriculum and teacher training	On-going	Nauru entered into bilateral agreement with NZAID for assistance to the education sector for the period 2006 - 2007	
	AusAID	Support for reform of education services and provision of secondary scholarships			Assistance offered under MoU agreement between Australia and Nauru
		Focus on vocational training courses and life skills, assistance for teacher training and development, education supplies	Completed		As above
		Include the provision of in-line Director for Education, refurbishment of schools, teacher training and development	Completed		As above
		Tertiary scholarships	Completed		As above
		Improving basic education and technical and vocation skills	Completed		As above

		Provision of educational provisions/resources	On-going	Assistance offered under MoU agreement between Australia and Nauru
	South Pacific Bureau of Education Assessment	Examination analysis and marking	As needs basis	Utilized during scholarships for independent marking and grading of examination papers
	Korea	Provision of school supplies and school buses	Completed	In kind donor assistance
Law and Justice	NZAID	Provision of expert support in the Justice Department and Court House	On-going	Assistance provided under the Pacific Regional Assistance to Nauru (PRAN) managed by the Pacific Islands Forum Secretariat
	PIFS	Draft leadership code	Active	Draft Code is awaiting final legal screening before submission to Government for endorsement
	AUSAID	Assistance to strengthen law and order	On-going	Assistance completed under MoU arrangements between Nauru and Australia
		Assistance to strengthen law and order, reform of Nauru Police Force and building its capacity	On-going	As above
Law and Justice	AUSAID	Provision of in-line Police Commissioner and Police Advisor, reform of national police force	On-going	As above
		Provision of in-line Police Commissioner and Police Advisor, reform of national police force	On-going	As above
	UNDP	Assistance to review the Constitution	On-going	Currently undertaken by UNDP consultant and local counterparts
Water	AUSAID	Essential infrastructure and contingency support in water sector	On-going	Undertaken under MoU agreements between Nauru and Australia including the refurbishment of a RVO unit for water supply
	ADB	Reform of the water and power sector	On-going	Government to undertake review and reform of water and power sector in consideration of ADB reports and recommendations
	SOPAC	System of intervention in line with disaster preparedness	On-going	At the donors roundtable November 2005, EU agreed to provide \$800,000 for the project to be managed by SOPAC
Asylum Seekers	DIMA (Australia)	Provision of assistance in education and health sector for the benefit of asylum seekers	On-going	Assistance provided for the well being of asylum seekers and includes renovations to education and health infrastructure

Repatriation of I-Kiribati and Tuvaluans	Taiwan	Financial assistance provided for the repatriation exercise	Near completion	ROC provided financial support to the governments of Nauru, Kiribati and Tuvalu to assist in the repayment of outstanding salaries for workers stranded in Nauru
	AUSAID	Financial assistance for the repatriation exercise	Near completion	Under the MoU IV, Nauru sought assistance for support of counter part payment for the repatriation exercise.
	Pacific Islands Forum Secretariat	Management of counter part funds and logistical arrangements for repatriation exercise	Near completion	PIFS managed on behalf of the three governments. Repatriation exercise currently underway with expectations for completion in August 2006
Aid Coordination	Pacific Islands Forum Secretariat	Assistance with establishment of Aid Management Unit and funding for one personnel	Completed	PIFS provided funding and assistance for local person to establish the Aid Management Unit and finalize an Aid Management Policy for the Government of Nauru.
	AUSAID	Financial assistance for aid coordination efforts	On-going	Under MoU IV, Australia allocated funding for assistance to the aid coordination sector
NSDS/Planning	Pacific Islands Forum Secretariat	Technical assistance and support to the drafting of the NSDS and establishment of planning unit and enabling mechanisms	On-going	PIFS under PRAN deployed an officer for one year to assist with the establishment of a planning unit and further establish enabling processes and procedures that have been adopted by Government
	Asian Development Bank	Technical assistance for drafting of NSDS	Completed	ADB deployed consultants to assist Government draft the NSDS. NSDS launched in November 2006.
	AUSAID	Development of a National Development Strategy	Completed	AUSAID provided financial support to the Government for the drafting of the NSDS
NSDS/Planning	Japan	Development Planning and Policy	Near completion	The Government of Japan provided funding for the position of a planning advisor deployed to Nauru by the Pacific Islands Forum Secretariat
Civil Society	European Commission	Community based activities		After Donor Roundtable Nov05, EU expressed continued interest in the civil society and have committed to go through new AMU/DPPD process
		NSA programme	On-going	Under EDF9 national indicative programme. Funds have not been utilized by Government and awaiting advise from EU on how best to access for the local NSAs
	Pacific Islands Forum Secretariat	NGO programmes	On-going	PIFS offers a wide range of assistance and technical support for NGOs in Nauru
	Japan	Grass root Grant Programme	Current	The Government of Japan has recently introduced a grassroots grant scheme for the NSAs/NGOs in Nauru

	NZAID	Export of local products	On-going	New Zealand has been selling local handicrafts - undertaken in conjunction with the Pacific Islands Forum Secretariat
Economic and Financial Reform	AUSAID	Support for economic reform and provision of economic advisers	On-going	Economic and financial reform is one of the major focuses of Australian assistance to Nauru through the MoUs
Marine Infrastructure	Japan	Anibare Boat Harbour Project	Completed	Government of Japan provide expert and financial assistance resulting in the Anibare Boat Harbour
	Taiwan	Refurbishment of mooring	Current	Assistance in refurbishing existing Aiwo Boat Harbour mooring and up grading
Transport	Taiwan	Support to Nauru Air Corporation	On-going	Financial support to ensure that air links are maintained between Nauru and its neighbours

There may be development partner assistance to Nauru which is not shown in the above matrix. It should however be noted that the above sectoral matrix is derived from AMU files since its establishment in 2004 and does not completely encapsulate the assistance received by the Government in earlier years due to lack of records.

ANNEX 3

COUNTRY ENVIRONMENT PROFILE NAURU

1. Summary

This Nauru country environment profile provides the background information from a national perspective, and suggests possible areas for intervention with EDF 10 resources.

Nauru is a single raised atoll island nation located just 41 kilometres south of the Equator. It has a land area of 21 km² and its Exclusive Economic Zone covers 310,000 km² of ocean. Most of the island is low-lying with the highest point 62 metres above sea-level.

The discovery of phosphate in Nauru a hundred years ago has had a devastating impact on the natural environment of Nauru. Strip-mining of the phosphate left behind a barren landscape of deep pits and tall pillars. The removal of natural vegetation and topsoil from over 70 percent of the land area has made most of the island uninhabitable and uncultivable. The island residents now live in a narrow strip along the coast.

As a small isolated island heavily impacted by mining, the vast majority of soil and vegetation has been stripped away preventing agriculture and making it very difficult for viable ecosystems to re-establish and thrive. In 1993 the Governments of Australia and Nauru signed a Compact of Settlement which ended litigation by Nauru against Australia in the International Court of Justice over rehabilitation of phosphate land mined before independence. Part of the settlement included over a period of twenty years projects to be undertaken under a Rehabilitation and Development Cooperation Agreement.

Phosphate mining has brought great economic benefits both to Nauru as a nation and to Nauruan landowners. On the other hand, it also brought a great environmental cost. The need to protect the environment and Nauru's renewable natural resources is made more urgent by the fact that the mining of phosphate, as a non-renewable natural resource and a source of income, will cease soon. With the cessation of new phosphate income, development efforts must refocus on:

- living off the interest of the invested capital gained from phosphate mining;
- the rehabilitation of the mined lands under the Nauru Australia Cooperation Rehabilitation and Development Agreement;
- the protection, enhancement and sustainable use of renewable terrestrial and marine resources; and
- the promotion of environmentally friendly industries such as small-scale agriculture and tourism that can provide new sources of income in post-mining Nauru.

Sustainable development will require that economic development, social development, and environmental protection to be integrated and go hand in hand. On one hand, Nauruans desire those services and technologies from the urban-industrial world that can make life in Nauru safer, healthier, more productive and more enjoyable. On the other hand, they will need to protect their environment, their renewable resources and their cultural traditions as the development capital needed for future generations. Essential ecological processes and life-support systems will need to be maintained, and plant and animal diversity preserved. Cultural traditions of sharing and caring, family solidarity and health, caring for ancestral

lands and passing on traditional knowledge of their terrestrial and marine resources must be preserved and reinforced.

In 1998 the Government of Nauru adopted the National Environmental Management Strategy (NEMS) and National Environmental Action Plan (NEAP) to respond to the challenges faced by the island on the environment.

The NEMS highlights that *“For three thousand years we lived in harmony with our land and sea, producing what we needed. Over the past century, however, our island has been called upon to produce more than could be sustained. This call was to fuel development fires on foreign shores and to shower our people with goods and services, many of which were in excess of our needs. This has led to the serious breakdown of our physical environment as well as of the socio-economic well-being of our people. If this environmental trend is not reversed, Nauru will not survive, as we know her, into the twenty first century and beyond”*.

There were four guiding principles for the NEMS:

- there must be an exhaustive, and continuing process of consultation and consensus-building;
- the NEMS must be based upon what is currently known about the environment, equally importantly, what is not known;
- that priorities, the formulation of policy and the resultant NEAP, as the most important component of the NEMS, should depend on the above; and
- the implementation of the programmes and activities in the NEMS and the NEAP be constantly monitored, modified or changed over time based on the priorities of the Nauruan people, the acquisition of new information or feedback on existing programmes or activities, and the state of the Nauruan environment.

The 14 objectives and programmes suggested under the NEAP, coincided with the issues and challenges identified in the NEMS. Namely the need to provide for:

- land rehabilitation and protection;
- strengthening environmental education;
- strengthening environmental institutions and legislation;
- conservation of biodiversity;
- promotion of sustainable use of marine resources;
- pest and disease control;
- pollution and waste management;
- control of population and urban growth;
- health and nutrition improvement;
- promotion of sustainable economic development;
- appropriate infrastructural development;
- addressing and preparation for global climate change and sea-level rise;
- maintenance of a strong anti-nuclear stance; and
- maintenance of a strong stance against trade in toxic and hazardous wastes.

Nauru's progress over the last decade has laid the platform for necessary mechanisms to implement all its environmental obligations under international and regional environment conventions since the Barbados Programme of Action in 1994. Despite progress over the years, new concerns have emerged together with imperative issues of special needs that require immediate assistance from the international community on the sustainable

management, protection and conservation of Nauru's natural, ecological, cultural and human resources.

Generally all sectors need to address similar issues in regard to improving environmental management as it contributes towards sustainable development. These issues include the following.

- Generating public awareness.
- Generating community participation and developing initiatives.
- Availability of, and access to, land.
- Review existing policies, and regulatory regimes.
- Improve existing information, and information systems support for decision-making.
- Small population and the need to develop diversified skills and knowledge to that needed for phosphate mining.
- Commitment, cooperation and coordination of efforts between stakeholders, including between government agencies, NGOs and the private sector businesses.

The conclusions and recommendations of the Nauru Country Environment Report are as follows.

Conclusion 1: It should be highlighted that this Nauru environmental profile has been compiled as a desk study. Nonetheless, it has benefited from access to reporting on environmental issues by Nauru produced over the past decade, since 1992 at UNCED in Rio (Agenda 21), and in 1994 at the Barbados International Meeting on Sustainable Development for Small Island Developing States (BPoA). Most recently, Nauru has had the opportunity to produce national assessment reports for the 10-year review of both Agenda 21 (the World Summit on Sustainable Development in 2002), and the BPoA (the International Meeting on SIDS in 2005). Furthermore, the first 5-year national report of progress on achieving the MDGs was due for completion in September 2005.

Conclusion 2: The EU has supported Nauru along with all Pacific ACP countries during recent global environmental processes, and in particular in regard to environmental issues such as climate change, water and sanitation, renewable energy, food security, and how to improve livelihoods of island people by addressing the "special case for SIDS" in regard to vulnerability and addressing poverty through establishing poverty reduction strategy papers and national sustainable development strategies, or the like. Nauru needs support for implementation from the EDF 10.

Conclusion 3: Notwithstanding the current Country Support Strategy (refer Section 4.1) for EDF 9, together with assistance being provided through the Regional Indicative Programme, it should be noted that along with other Pacific ACP countries, Nauru has agreed to the new Strategy for Strengthened Partnership between the EU and the Pacific Islands which has a *"blue-green" theme within the context of sustainable management of natural resources and environmental challenges*. Within this broad theme specificity is needed to ensure the activities to be supported by the NIP deliver tangible and concrete benefits at national level that demonstrably contribute to strengthening the environmental pillar of national sustainable development and poverty reduction. In this context also, improved and strengthened links need to demonstrate with the activities to be carried out at national level by the regional organisations supported by the Regional Indicative Programme.

Conclusion 4: Despite the impact of mining, Nauru's environment is no exception to the reality that it is expected to provide the basic goods and services, such as water, energy and food security, upon which people live. Improvements and sustainability in these areas are essential to underpin generation of economic wealth. Nauru acknowledges that environmental considerations are inextricably linked across their national development planning efforts, but there is a need to strengthen these interlinkages to ensure improved decision-making supports efforts to achieve sustainability.

Conclusion 5: The state of the Nauru environment over the past decade has deteriorated and remains extremely vulnerable. Over the past decade much has changed with internal shocks from increasing population pressures, and external shocks such as globalisation, HIV/AIDS, climate change and most recently increasing fuel prices. All are putting increased stress on the environment. Key examples of improvements needed are; secure safe water supply and sanitation; developing access to affordable renewable energy resources; food security from fishing and agriculture, to support sustainable development, improve lifestyles and reduce poverty. Improvements in these "sectoral" areas will also have a positive impact on reducing Nauru's vulnerability to climate change and natural disasters (many of which are weather-related).

Conclusion 6: Over the past decade some progress in many areas has been made in improving environmental sustainability through institutional strengthening. Although not as significant as Nauru would have liked. Much of the progress has been at the initiative of the Nauru and with its own financial resources. But much remains to be done to improve the efficiency and effectiveness of the national environmental machinery including strengthening the role of the NGOs. Development partners, including regional organisations, need to harmonise and coordinate their assistance more closely with Nauru needs and efforts, and amongst themselves. This will make both existing and new resources more efficient and effective.

Conclusion 7: In order to provide a platform to facilitate closely cooperation with its development partners, and improve governance, Nauru has developed a National Sustainable Development Strategy 2005-2025 (NSDS), as an overarching planning policy/regulatory and institutional arrangements. There is much room for supporting capacity building and technical assistance in this context.

Conclusion 8: Nauru's capacity needs to be strengthened to manage its large marine environment compared with the small island land area. In reality, as the marine "blue environment" and land "green environment" are an environmental continuum across the coastal zone. Nauru needs a spatially integrated management approach, similar to "island system management" promoted by the EU through one of the EDF8/9 regional projects.

Conclusion 9: Nauru, like many other of its neighbours, recognises the opportunities of improved information and communication technologies, in particular in regard to getting more up to date data and making it readily available to support the decision-making process.

Conclusion 10: Nauru needs to develop and strengthen its own national setting of indicators and targets, and monitoring arrangements to track progress, and link these to international development goals agreed at for example the WSSD, the Mauritius International Meeting on SIDS, and contained in all relevant MDGs and targets, not just MDG7 on environmental sustainability.

Recommendation 1: Concerning the selection of the focal sectors and response strategies for Nauru, within the overarching “blue-green” theme of sustainable management of natural resources and environmental challenges, key areas to consider are: securing safe water supply and sanitation; developing access to affordable renewable energy resources; and improving food security from fishing and agriculture.

Recommendation 2: As a governance issue in regard to national institutional capacity to improve the management of natural resources and the environment, consideration needs to be given to supporting Nauru address institutional capacity assessment and needs for all its line ministries. Specifically:

- there is an immediate need to promote the participation and involvement of NGOs at the national and community level and be supported through capacity building;
- additional financial assistance is required to implement priority human capacity building needs of the country; and.
- the recognition of integrating environmental consideration into national economic planning is a critical issue that requires priority attention. The development and successful implementation of a national policy on economic growth and sustainable development, such as the new NSDS, must include the effective integration of environmental issues into economic planning.

Recommendation 3: Improve Nauru’s national environmental information systems, and ensure environmentally-relevant indicators to be used in the implementation of the EDF 10 National Indicative Programme, are integrated into these systems.

Recommendation 4: Nauru’s access to the use of EC horizontal budget lines (such as Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF), and the EU/ACP Natural Disaster Fund are limited by national capacity constraints. Each of these opportunities of additional financial resources are important and should these funds/facilities be ongoing consideration needs to be given to assisting Nauru prepare the bulky and complex applications.

Recommendation 5: In order to ensure effective and efficient support to Nauru, it is important for the EU to develop new and strengthen existing opportunities for co-ordination on natural resources and environmental issues with other donors (including regional organisations) seeking to achieve complementarities and synergies.

Annex 7: List of Treaties

TREATIES/AGREEMENTS/CONVENTIONS NAURU IS PARTY TO							
TREATY/CONVENTION	Date of Acceptance	Date of Adoption	Date of Registration	Date of Ratification	Date of Accession	Date of Succession	Signature
Part I United Nations Treaties							
Chapter 1 Charter of the United Nations and the Statute of the International Court of Justice							
Declarations of Acceptance of the Obligations Contained in the Charter of the UN		Nov 9, 1946	Dec 14, 1946				
Statute of the International Court of Justice	Jan 29, 1988	Nov 16, 1967					
Declarations Recognizing as Compulsory the Jurisdiction of the International Court of Justice Under Article 36, Paragraph 2, of the Statute of the Court	Jan 29, 1988						
Chapter 2 Pacific Settlement of International Disputes							
Chapter 3 Privileges and Immunities, Diplomatic and Consular Relations, Etc.							
Vienna Convention on Diplomatic Relations						May 5, 1978	
Chapter 4 Human Rights							
International Convention on the Elimination of All Forms of Racial Discrimination							Nov 12, 2001
International Covenant on Civil and Political Rights							Nov 12, 2001
Optional Protocol to the International Covenant on Civil and Political Rights							Nov 12, 2001
Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment							Nov 12, 2001
Convention on the Rights of the Child					Jul 27, 1994		
Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict							Sep 8, 2000
Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography							Sep 8, 2000
Chapter 5 Refugees and Stateless Persons							
Chapter 6 Narcotic Drugs and Psychotropic Substances							
Chapter 7 Traffic in Persons							
International Convention for the Suppression of the Traffic in Women of Full Age (a)					Sep 2, 1936		
International Agreement for the Suppression of the "White Slave Traffic"							
International Convention for the Suppression of the White Slave Traffic							

[For Titles of Treaties/Agreements/Conventions with Additional Letters]
Legend:

TREATIES/AGREEMENTS/CONVENTIONS NAURU IS PARTY TO

Chapter 8 Obscene Publications							
International Convention for the Suppression of the Circulation of and Traffic in Obscene Publications (a)						June 9, 1935	
Chapter 9 Health							
Constitution of the World Health Organization	May 9, 1984						
Amendment to Article 74 of the Constitution of the World Health Organization	Aug 6, 1998						
Amendments to Article 24 and 25 of the Constitution of the World Health Organization	Mar 10, 1999						
WHO Framework Convention on Tobacco Control						Jun 29, 2004	
Chapter 10 International Trade and Development							
Chapter 11 Transport and Communications							
Chapter 12 Navigation							
Chapter 13 Economic Statistics							
Chapter 14 Educational and Cultural Matters							
Chapter 15 Declaration of Death of Missing Persons							
Chapter 16 Status of Women							
Chapter 17 Freedom of Information							
Chapter 18 Penal Matters							
International Convention Against the Taking of Hostages						Aug 2, 2005	
Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents						Aug 2, 2005	
Convention on the Safety of United Nations and Associated Personnel						Nov 12, 2001	
International Convention for the Suppression of Terrorist Bombings						Aug 2, 2005	
Rome Statute of the International Criminal Court					Nov 12, 2001		Dec 13, 2000
International Convention for the Suppression of the Financing of Terrorism					May 24, 2005		Nov 12, 2001
United Nations Convention Against Transnational Organized Crime							Nov 12, 2001
Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the United Nations Convention Against Transnational Organized Crime							Nov 12, 2001

[For Titles of Treaties/Agreements/Conventions with Additional Letters]

Legend:

TREATIES/AGREEMENTS/CONVENTIONS NAURU IS PARTY TO

Protocol Relating to a Certain Case of Statelessness (a)					Jul 8, 1935		
Protocol Relating to Military Obligations in Certain Cases of Double Nationality (a)					Jul 8, 1935		
Convention on the Stamp Laws in Connection with Bills of Exchange and Promissory Notes (a)					Sep 3, 1939		
Convention on the Stamp Laws in Connection with Cheques (a)					Sep 3, 1938		

Annex 4: Migration profile

This is not an issue for **Nauru**.

Annex 5 – involvement of NSAs

Programming dialogue

Does the government involve Parliament, non-state actors and local authorities in the programming dialogue?

Non state actors through the Nauru Islands Association of NGOs are closely involved in the programming exercise as they are a key recipient of assistance. Parliament are involved through the Ministers in the discussions and presentation of reports to Parliament.

Was the programming exercise effectively a joint and open process? Did the Government actively promote co-ordination and harmonisation with other donors?

The previous programming exercises have been open to involve the NSAs. This involved meetings between the EU representative and NSAs in addition to meetings with the government.

With the establishment of the Aid Management Unit, coordination and harmonisation of donor assistance will be strongly pursued. This is in line with improved coordination to support Nauru's development.

1.5 Non State Actors

Participatory approaches to development: does the government involve non-state actors and local authorities in the PRS process (preparation, follow-up)?

NSAs have been closely involved in the formulation of the NSDS priorities, goals and strategies. Government is committed to enhancing the partnership with NSAs as they are a key player in the development of the country. A development planning framework has been approved to facilitate the submission of development projects from NSAs seeking government or donor funding support. An increasing number of NSAs are now members of various government committees. This is one avenue to promote their input into the development process.

Annex 6: Harmonisation roadmap

Does not exist.

ANNEX 3B – LIST OF GOVERNMENT’S COMMITMENTS (NAURU)		
Governance area		Prospective commitments
1. Political democratic governance		
- Human rights		
- Fundamental freedoms		
- Electoral process		
- Principles of constitutional democracy		
2. Political governance - rule of law		
- Judicial and law enforcement system		
3. Control of corruption		Efforts in the area of offshore finance and taxation, e.g. TIEAs (Tax Information Exchange Agreement) signed with two EU member States by July 2010
4. Government effectiveness		
- Institutional capacity		
- Public finance management		Reinforcement of public finance management as attested by PRAN and ADB reports
5. Economic governance		
- Private sector/market friendly policies		
- Management of natural resources		National Energy policy approved and commenced by mid 2010
6. Internal and external security		
- Internal stability / conflict		
- External threats and global security		
7. Social governance		
8. International and regional context		
- Regional integration		
- Involvement in regional peer review mechanisms (e.g. APRM)		
- Migration		
9. Quality of partnership		
-Political dialogue		
-Programming dialogue		
-Non state actors		