

Nauru

**National Sustainable Development
Strategy**

2005 – 2025

Partnerships for Quality of Life

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Foreword

The National Sustainable Development Strategy (NSDS) declares the development journey for a better quality of life for every Nauruan. It is a road map that reflects the reforms needed to be put in place and the strategies for implementation, as the platform for a better life today and tomorrow. The NSDS therefore marks a key milestone in Nauru's development process.

Our country is now on the crossroads. We have lived the good life during the height of phosphate returns. Unfortunately as a result of mismanagement and corruption that life could not be sustained. We have learnt the hard way and future generations will suffer if we do not re-build now. We have to accept the mistakes of the past as lessons for a better future. Since my Government took office 13 months ago, a range of far reaching structural reforms have been introduced and implemented to put in order the worst economic and financial circumstance ever to have been inherited by a government in Nauru. These have been difficult decisions to take and they represent the hard reality we are facing.

Perhaps the hardest reality for Nauruans to accept is that life has changed and just as importantly, that life has changed for the long term. It is not foreseeable that living standards will ever return to their previously very high levels. What is required to achieve modest improvements in the living standards is to accept the fact that government can no longer provide the welfare society we had accustomed to, and therefore work in partnership at all levels in striving towards these more modest standards,

The NSDS is the guiding-post for us to act together. It is an agenda for every man and woman in Nauru. This is the product of many months of consultation with all the stakeholders involving Community Leaders, Cabinet and Caucus, Heads of Departments, CEOs of state owned enterprises, non-government organizations; women and church groups; education practitioners; nurses and health professionals; sports and youth groups; local food production groups; land owners; small business grouping, as well as staff of the public service and state owned enterprises. The participation of the wider community is critical because the national priorities must be reflective of their priorities.

The consultations have clearly identified the priority areas for Nauru's future. We need to lift education and health standards so we can have an educated and healthy population to drive Nauru's development. We need to build the economic base to provide economic opportunities for everyone. We need to improve electricity, water and transport to underpin enhanced well being and to support enterprise development. We also need to build the necessary institutional and legislative frameworks consistent with best practice and good governance as well as building capacity across the public service.

These priorities will be difficult to implement, but like every long journey, it starts with the first step. As a community we have to take that first step together. The

implementation process will be the true test. It is a journey that will require partnerships between civil society, private sector and the government. It will also require a shift in the attitude towards making things happen for a better Nauru. The Vision for the future underscores the need for that partnership in developing our nation. I therefore call on every Nauruan to take ownership of this strategy and participate in its implementation.

The NSDS is a living document. In our journey we will face risks that will threaten our wellbeing and challenge our economic survival. This underscores the need to be vigilant in the planning of our development and prudent in the management of our limited resources. We have to stay focused and the NSDS should be able to respond to the changing external and internal environments to maintain its relevance to Nauru's development.

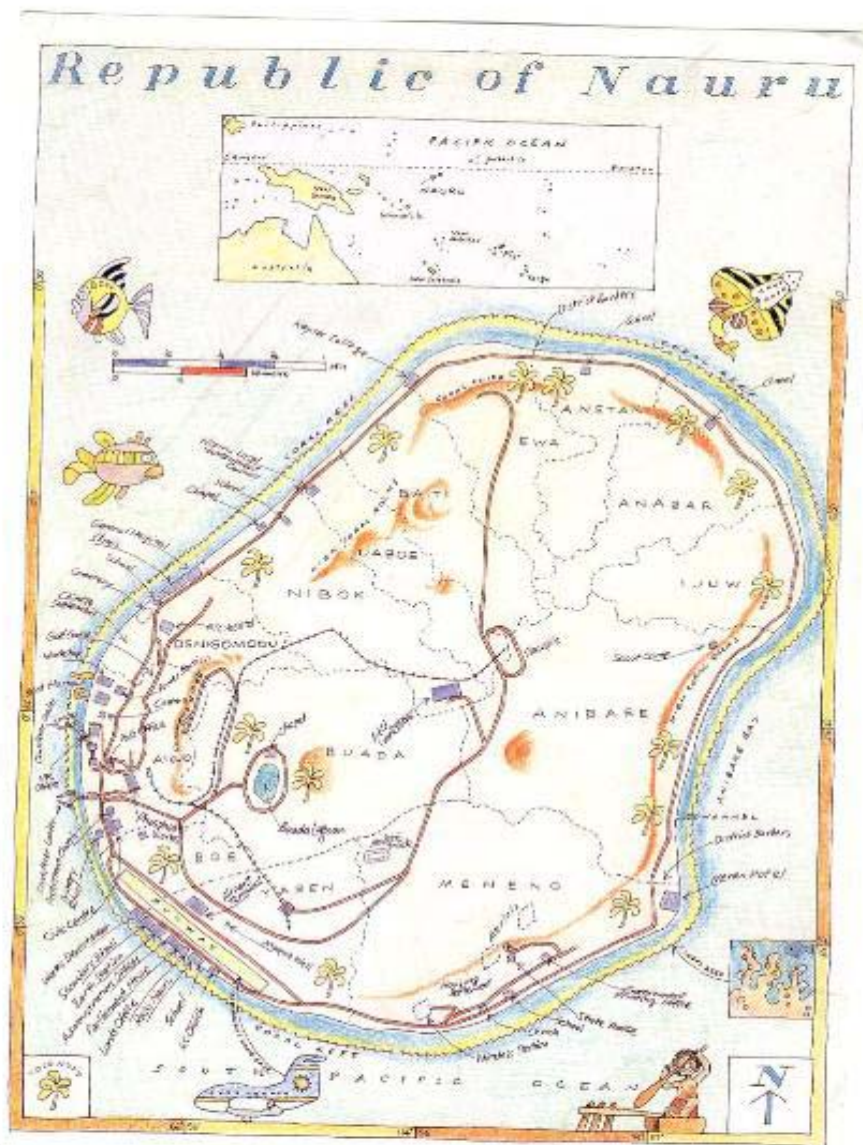
On behalf of my Government and on behalf of the people of Nauru, I would like to express our sincere gratitude to our partners in development who have provided assistance towards this process; the Government of Australia, Government of Japan, Government of Samoa, the Asian Development Bank and the Pacific Islands Forum Secretariat. In the implementation of the NSDS, the government looks forward to the participation of all our partners in supporting the NSDS.

In closing I invite all stakeholders including the donor community to work in partnership to make Nauru a better place for today and tomorrow's generations.

With God's Will First,

HE Ludwig Scotty MP
PRESIDENT

Map of Nauru



Glossary

AMU	Aid Management Unit
BON	Bank of Nauru
BOP	Balance of Payments
CEDAW	Elimination of All Forms of Discrimination Against Women
CSO	Community Service Obligations
DPPD	Development Planning and Policy Division
EHC	Eigigu Holding Corporation
FATF	Financial Action Taskforce
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
GEF	Global Environmental Facility
HH	Household
HIES	Household Income and Expenditure Survey
ICT	Information and Communications Technology
NCCT	Non Complying Countries and Territories
NCD	Non Communicable Diseases
NFC	Nauru Fisheries Corporation
NGO	Non-government organisation
NIC	Nauru Insurance Corporation
NPRT	Nauru Phosphate Royalties Trust
PITA	Pacific Islands Telecommunications Association
POHLN	Pacific Open Health Learning Network
POP	Persistent Organic Pollutants
PRAN	Pacific Regional Assistance to Nauru
PRIDE	Pacific Regional Initiatives for the Delivery of basic Education
REHAB	Republic of Nauru Rehabilitation Corporation
RONFIN	Republic of Nauru Finance Corporation
RONPHOS	Republic of Nauru Phosphate Corporation
NSDS	National Sustainable Development Strategy
SBOA	Small Business Owners Association
SME	Small and Medium Enterprise
SOEs	State Owned Enterprises also termed Instrumentalities
STI	Sexually Transmitted Infections
TVET	Trade and Vocational Education and Training

NSDS Document Structure

PARTNERSHIPS FOR QUALITY OF LIFE										
Introduction	The 20 Year Plan				The Short-Term Plan		Appendices			
President's Foreword Map Glossary	Vision 2025	Goals	Strategies	NSDS Priorities	Short Term Priorities	National Budget & Resource Gap	Economic & Structural Reform	Policy & Institutional Analysis	Demographics International Comparison Matrix MDGs	Sector Goals, Strategies, & Milestones

The 20 Year Plan

Vision

The overall impact that the NSDS seeks to make is captured in the people's vision for development and is stated as:

A future where individual, community, business and government partnerships contribute to a sustainable quality of life for all Nauruans

This vision emphasises the desired outcome of sustainable improvements in the quality of life experienced by Nauruans and signals that partnerships at all levels will be a key vehicle to achieving this.

The decline in socio-economic conditions that has marked the last decade makes improvements in the quality of life the focus for development effort. On the other hand the long dependence on government makes partnerships between government, business, community, and individuals a necessary means to achieving the vision. Therefore the central message of the NSDS is:

Partnerships for Quality of Life

Goals

The following long term national goals to achieve the vision are listed below. The components of each goal are listed in priority order.

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 catchment
- 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

Strategies

The strategies needed to achieve the vision and goals are listed below in priority order.

- Accelerating the rehabilitation of mined out lands based on the land use plan
- Building capacities in technical, organisational and financial management
- Investing for Nauru's long term financial sustainability
- Increasing national revenue generation
- Establishing a business environment conducive to broadening the economic base
- Promoting a preventative health focus in the public health system
- Improving the quality and broadening the scope and reach of education
- Fostering a cultural change towards self-reliance
- Strengthening the processes and practices of good governance
- Enhancing Nauru's participation in region-wide initiatives
- Improving access to land for economic development
- Promoting the community's role in development.

NSDS Priorities

The national vision, goals and strategies were derived from the following priorities established through the consultation process throughout the development of the NSDS.

Economic Sector

1. Fully rehabilitate topside with a greater area of rehabilitated land utilised for livelihood sustainability including environment conservation and protection.
2. Increase revenue generation through the efficient and effective use of the few available remaining resources such as phosphate reserves and fish stocks and establishment of a national Trust Fund
3. Increase level of domestic agricultural production initiatives such as kitchen gardens, fish farms, milkfish and yabbie ponds to reduce dependence on imported food and to address food security
4. Develop an SME sector that includes the participation of the community, as the basis for the economy supported by the development of a conducive business services environment
5. Improve labour market access for Nauruans leading to a higher flow of remittances

Social Sectors

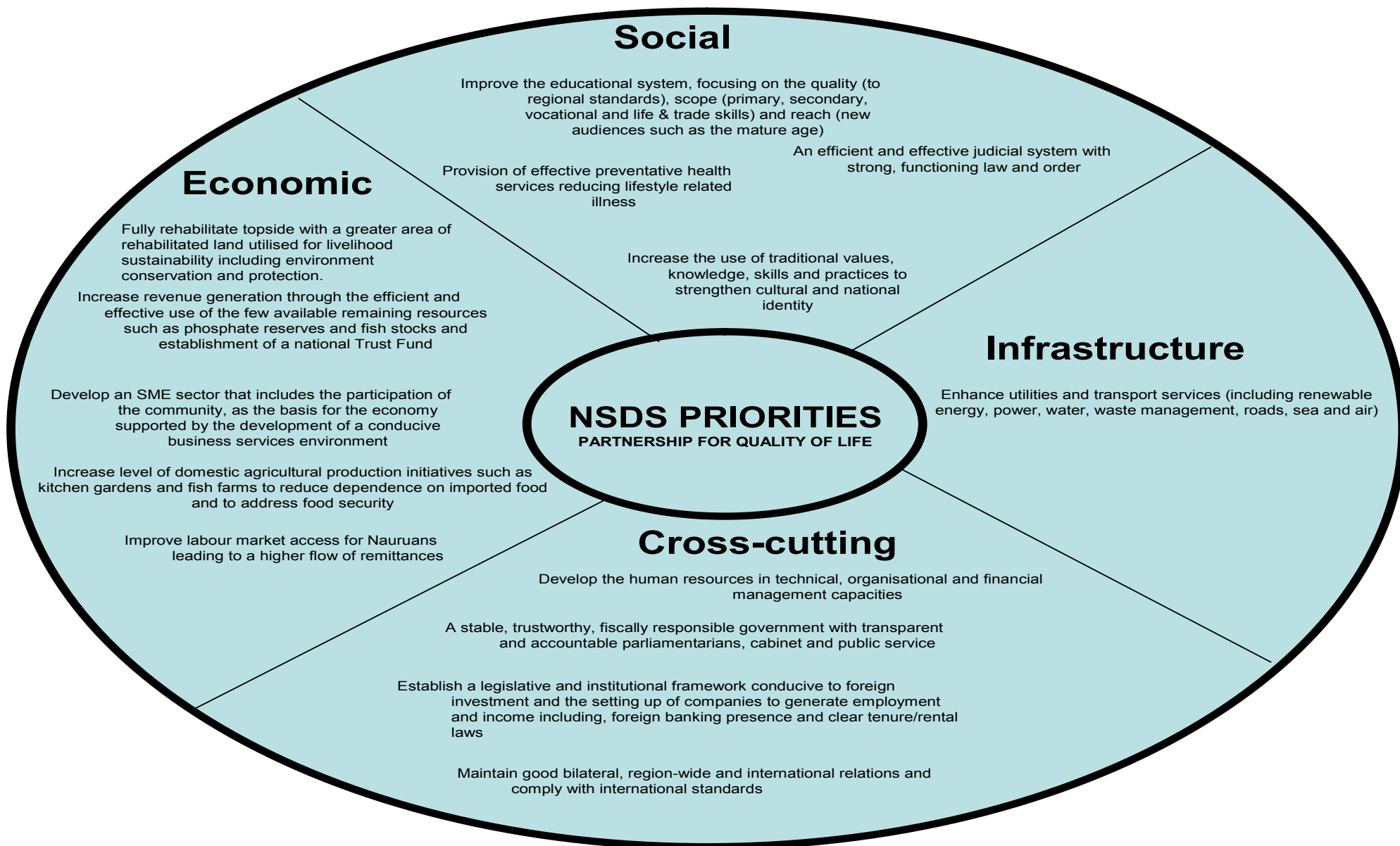
1. Improve the educational system, focusing on the quality (to regional standards), scope (primary, secondary, vocational and life & trade skills) and reach (new audiences such as the mature age)
2. Provision of effective preventative health services reducing lifestyle related illness
3. An efficient and effective judicial system with strong, functioning law and order
4. Increase the use of traditional values, knowledge, skills and practices to strengthen cultural and national identity

Infrastructure Sectors

1. Provision of enhanced utilities and transport services including the increased use of renewable energy, power (non-diesel generation i.e. OTEC and solar), water, waste management, roads, sea and air services

Cross-cutting

1. Develop the human resources in technical, organisational and financial management capacities
2. A stable, trustworthy, fiscally responsible government with transparent and accountable parliamentarians, cabinet and public service
3. Establish a legislative and institutional framework conducive to foreign investment and the setting up of companies to generate employment and income including, foreign banking presence and clear tenure/rental laws
4. Maintain good bilateral, region-wide and international relations and comply with international standards



The Short-term Plan

Short-term Priorities

From the NSDS priorities, the Government has identified the following deliverables for immediate implementation in the next three years:

Economic

1. Revive phosphate mining including rehabilitation for livelihood sustainability;
2. Establish a commercial bank;
3. Restructure the landowners trust fund to international governance and management standards;
4. Establish new national trust fund with donor support;
5. Develop the private sector;
6. Optimise returns from commercial fisheries;
7. Expand employment opportunities domestic and external;

Social

1. Achieve a notable improvement in Primary and Secondary student performance
2. Institute a holistic (whole of government, whole of community) approach to Public Health and healthy lifestyles;
3. Improve food security through increased local food production.

Infrastructure

1. Provide a reliable supply of power
2. Provide a reliable supply of clean water
3. Maintain and improve air, sea and land transport;
4. Upgrade ICT service

Cross-cutting

1. Complete essential governance, policy and institutional reforms;
2. Improve human resources development including strategic managerial capacity;
3. Bring about an attitudinal shift in the work ethic;
4. Strengthen partnerships between government, civil society, the private sector and the donor community.

National Budget & Resource Gap

The following table of the National Budget and Resource Gap sets out the Government of Nauru's actual revenue and expenditure for the financial year ending 2005, the Budget estimates for 2006 and NSDS Team estimates over the short-term to 2008. It attempts to identify the possible resource gap that needs to be filled in order to implement the NSDS.

Revenue

Total Revenue

Total Revenue figures are those presented in the 2005 Budget and rearranged into the sectors as presented in Appendix 6 - Sector Goals, Strategies and Milestones.

Local Revenue

Local Revenue is derived from the Government's own resources and has donor funding in Total Revenue removed i.e.

- In 2005 Grants of \$2,041,000 mainly from PRC
- In 2006 Grants from Taiwan for the Mooring Buoys (\$2,842,000) and Cash Grants (\$500,000)

Sustainable Revenue

Sustainable Revenue is revenue that is sustainable in the medium to long-term. It is made up of Total Revenue less donor funding, less short-term capital repayments. The latter of which are:

- In 2005 - Cook Island loan repayment \$1,716,000
- In 2006 - final Cook Island loan repayment \$1,070,000 and the first PHILPHOS repayment of \$5,000,000
- In 2007 and 2008 further PHILPHOS repayments of \$5,000,000

Government Expenditure

Government Expenditure figures are also taken from the 2005 Budget and rearranged into Sectors. Note that donor grants have been removed.

Donor Funded Expenditure

Donor Funded Expenditure is all activity funded by donors where the dollar amount is known including Grants as per the 2005 Budget. Donors included here are:

- Australia
- Japan
- New Zealand
- Republic of China on Taiwan
- United Nations

Further donor assistance has been provided or may be provided in the future from the following sources, but for various reasons is not able to be quantified:

- Asian Development Bank
- Commonwealth Secretariat
- European Union
- India
- Malaysia
- Pacific Island Forum Secretariat and CROP agencies
- Papua New Guinea
- Republic of Korea
- Singapore
- Spain
- Thailand
- United States of America
- Brazil

NSDS Estimates

NSDS Estimates are order of magnitude figures derived by the NSDS Team and officials from the Ministry of Finance on a Sector by Sector basis from the short-term strategies in Appendix 6 - Goals, Strategies and Milestones.

Where possible known donor funding has been removed from the NSDS Estimates to avoid double counting.

Resource Gap

The Resource Gap is estimated by taking Local Revenue and adding known donor funding to produce Total Funding Available. From this are subtracted Government Expenditure, Donor Funded Expenditure and the NSDS Estimates. The balance is the estimated resource gap that needs to be funded in order to implement the NSDS.

National Budget & Resource Gap

Financial year ending (A\$'000)	2005 Actual	2006 Budget	2007 Short-term Estimates	2008
REVENUE				
A4. Finance	9,995	14,098	12,278	12,278
A5. Public Admin/Governance	1,148	1,454	1,444	1,444
B1. Education	1	1	1	1
B2. Health		12	12	12
B3. Community Development		18	18	18
C3. Public Works	7	4	4	4
C4. Transport	138	2,980	138	138
C5. ICT	68	76	76	76
TOTAL REVENUE (as per Budget)	11,357	18,643	13,971	13,971
Less Donor funding	2,041	3,342	0	0
Local Revenue	9,316	15,301	13,971	13,971
Less short-term Capital repayments	1,716	6,070	5,000	5,000
Sustainable Revenue	7,600	9,231	8,971	8,971
GOVERNMENT EXPENDITURE				
A1. Commerce & Industry	195	857	888	888
A2. Fisheries	403	0	660	660
A3. Environment	0	0	0	0
A4. Finance	424	2,138	1,142	1,142
A5. Public Admin/Governance	4,924	3,931	3,664	3,664
B1. Education	1,622	1,699	1,558	1,558
B2. Health	1,212	1,958	1,889	1,890
B3. Community Development	15	31	31	31
C1. Electricity	0	2,618	2,618	2,618
C2. Water	0	218	218	218
C3. Public Works	525	971	770	770
C4. Transport	254	808	717	717
C5. ICT	202	342	190	190
TOTAL GOVERNMENT EXPENDITURE	9,776	15,571	14,345	14,346
DONOR FUNDED EXPENDITURE				
A1. Commerce & Industry	0	644	341	0
A2. Fisheries	0	0	0	0
A3. Environment	1,734	3,000	3,000	3,000
A4. Finance	2,771	4,310	2,643	0
A5. Public Admin/Governance	2,099	8,715	5,280	0
B1. Education	1,368	1,960	1,335	0
B2. Health	628	2,360	2,358	0
B3. Community Development	100	400	273	0
C1. Electricity	10,125	8,560	5,075	0
C2. Water	1,792	800	545	0
C3. Public Works	0	0	0	0
C4. Transport	1,195	2,842	0	0
C5. ICT	88	0	0	0
TOTAL DONOR EXPENDITURES	21,900	33,591	20,850	3,000
NSDS ESTIMATES				
A1. Commerce & Industry	0	0	500	500
A2. Fisheries	0	0	400	400
A3. Environment	0	0	150	150
A4. Finance	0	0	715	715
A5. Public Admin/Governance	0	0	225	225
B1. Education	0	0	2,750	2,750
B2. Health	0	0	375	375
B3. Community Development	0	0	100	100
C1. Electricity	0	0	3,000	3,000
C2. Water	0	0	1,000	1,000
C3. Public Works	0	0	3,300	3,300
C4. Transport	0	0	2,000	2,000
C5. ICT	0	0	1,350	1,350
TOTAL NSDS	0	0	15,865	15,865
RESOURCE GAP				
Government - Local Revenue	9,316	15,301	13,971	13,971
Plus Donor funding	21,900	33,591	20,850	3,000
Total funding available	31,216	48,892	34,821	16,971
Less Government funded expenditure	9,776	15,571	14,345	14,346
Less Donor funded expenditure	21,900	33,591	20,850	3,000
Less NSDS	0	0	15,865	15,865
Resource Gap	-460	-270	-16,239	-16,240

Economic and Structural Reforms

Recognizing the financial crisis facing the economy, the Government has put in place key structural reforms to revive the socio-economic situation.

On the fiscal side, a medium-term strategy has been adopted to deal with the serious fiscal problems faced. The strategy is comprised of three elements:

- (1) *Fiscal Contraction* – The Government is committed to achieving a budget balance as soon as possible through the introduction of cuts to expenses and increases in revenues, and refocus funding to core areas.
- (2) *Maintaining Sustainable Service Delivery* – In maintaining a budget balance, the Government will ensure that provision of basic services will not be overly compromised.
- (3) *Debt management* – It is intended that once the fiscal situation is stabilised, the Government would look to generate small surpluses to commence repaying outstanding debts.

In support of that strategy, a number of measures aimed at improving fiscal sustainability have been introduced. On the revenue side, duty rates on imports were raised and revenues from fisheries licensing consolidated. On the expenditure side a number of expenditure reduction measures have been introduced including stabilizing the public service salaries at a lower level and introducing widespread cuts to most Departments operating budgets.

In the medium term, far reaching economic reforms have been initiated in the following four key areas:

- (1) *Public Sector Reform* – A review of the public service including salaries has been completed. This resulted in the adoption of lower, but fairer salary rates as well as more simplified salary scales. To better support effective service delivery, Ministerial portfolios have been reallocated with some departments re-adjusted. Further public sector reforms aimed at reviewing departmental functions and structures, public service numbers, human resources systems and a social security/safety net, are being planned for implementation in the future.
- (2) *Instrumentality Reform* – This will focus on structural reforms in particular bedding down the considerable reforms to the Republic of Nauru Phosphate Corporation (RONPHOS) in relation to the provision of electricity and water and port services as well as reviews of the Menen Hotel and the national telecommunications company RONTTEL. Corporate governance reform will also be a priority and will look at improving the financial accountability of many Government entities.
- (3) *Financial Sector Reform* – The Government has been vigilant in putting in place the necessary legislative framework and institutional measures to ensure Nauru complies with offshore financial requirements. As a result of these efforts, Nauru has been removed from the list of Non Complying Countries and Territories (NCCT) or the blacklist.

- (4) *Financial Management Reform* – Improved financial management and budgetary control is one of the cornerstones of this Government. This will be continued to enhance transparency and strengthening accountabilities.

Other key institutional changes involved the establishment of the Development Planning and Policy Division (DPPD) in 2005 and the Aid Management Unit (AMU) in 2003.

DPPD will be largely responsible for coordinating planning efforts at the national level, in particular monitoring the implementation of the NSDS. Under DPPD, a development planning process will be formulated, through which all development projects will be analyzed and appraised to ensure they are supportive of the national goals and strategies enunciated in the NSDS.

The Aid Management Unit will be responsible for coordinating development assistance received from development partners. Previously, coordination of development assistance was fragmented with each departments dealing directly with donors without a coherent and coordinated framework. Under AMU, a transparent framework through which development assistance is coordinated will be established. This requires all projects intended for external assistance to be appraised and approved through the development planning framework, before they are considered for donor assistance. This will ensure that all projects funded under external assistance are supportive of Nauru's national priorities.

Policy and Institutional Analysis¹

A. Economic Management

1. Macroeconomic Management

The fiscal and economic situation for Nauru has steadily deteriorated since the 1990s primarily due to the reduction in the ability of the phosphate industry and external assets to support the national economy - this has been the result of mismanagement and corruption. This has impacted not only on the financial position of the Government, but also on the living standards of all Nauruans.

Earnings from phosphate exports once provided wealth and sustained the Nauru economy and Government budget. However, largely as a result of gross mismanagement and corrupt practices, phosphate production and exports have declined to a very low level such that sales do not cover operating costs, and royalties and dividends to the Government cannot be paid.

The economy of Nauru is dominated by the public sector with almost every aspect of economic activity being affected (or driven) by either central government or its instrumentalities. While current estimates of GDP have not been finalised at this stage, preliminary results prepared by PFTAC 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.

2. Fiscal Policy

Due to the size of the public sector in the economy, fiscal policy is the prime lever of macroeconomic management used by the Government (Nauru uses AUD as legal tender and therefore monetary policy is not an issue). In this regard in the 2004-05 Budget the Government set its fiscal policy into the medium-term. This policy consists of three elements:

- the Government will return the budget to balance as soon as possible through the introduction of cuts to expenses and increases in revenues, and refocus funding to core areas.
- the Government will maintain the budget as close to balance as possible.
- once the fiscal situation on Nauru has been stabilised, the Government will be looking to generate small surpluses to commence repaying outstanding debts.

In the 2004-05 and 2005-06 Budgets the Government introduced a range of revenue and expenditure measures in compliance with these fiscal objectives. The result of these measures is that budget was maintained in surplus in 2004-05 and these surpluses (albeit at lower levels) are expected to continue into the future.

¹ This section uses the World Bank's Country Policy and Institutional Assessment Questionnaire 2004, as a template for presenting background information and analysis of the Nauruan economy.

The longer term challenge for the Government will be to maintain public services as revenue flows from short term capital returns declines. 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 exposed to any sudden fluctuation in revenue from fishing licences.

3. Debt Policy

Records of the Government's internal and external debts are poor, and it is likely that levels of debts are very large. In the past RONFIN has been the Government's primary investment vehicle and its net asset position is unknown, but is likely to be significantly negative. It is known for instance, that RONFIN owes the landowners and other trust funds several hundreds if not a couple of thousand millions of dollars.

In 2005-06 the Government commenced repaying debts in some high priority areas albeit at low levels. In future years the amount allocated to this purpose is dependent upon the availability of surplus funds once all other expenditure commitments for essential service and programs have been met.

B. Structural Policies

4. Trade

Nauru currently has no protectionist measures or tariffs in place. Customs and excise duties are limited to a small number of items that are taxed in order to raise revenue for the Government (eg. tobacco, alcohol, fuel and some luxuries), items that Nauru itself does not produce for export.

The Government is encouraging increased exports through its encouragement and financial support for the restarting of phosphate mining. In the 2005-06 Budget, the Government announced the provision of \$100,000 in start-up subsidies to Ronphos, the country's phosphate export company.

The Government of Nauru has recently committed itself to the policies agreed by the 2005 Forum Economic Ministers Meeting in Tuvalu including principles relating to reducing the cost of doing business in the Pacific.

5. Financial Sector

Nauru has no commercial bank (the Bank of Nauru is insolvent) and offshore transactions are arranged through offshore accounts. Likewise, the only insurance company in Nauru (the Nauru Insurance Corporation) has little if any capital.

In response to legislated reforms in the area of anti-money laundering and countering the financing of terrorism, Nauru has recently been de-listed from the OECD's Financial Action Taskforce (FATF) "black list" of non-cooperating countries and territories. Nauru is seeking assistance in setting up the administrative structures to fully implement this legislation as well as prepare updated banking legislation. The Government has also commenced processes to attract a commercial bank to the Island.

6. Business and Regulatory Environment

There is no functioning competition policy in Nauru. Regulations, which are vague are contained in the Corporations Act and go back to the 1922-1955 period.

Ongoing business is hampered by the lack of a functioning finance sector. It is not possible to do legitimate 'know your customer tests' locally and access to offshore information is made difficult due to the tyranny of distance coupled with slow, unreliable electronic communications.

A non-Nauruan cannot fully own a business in Nauru and can only hold a Trading Licence which provides no incentive to invest in the business.

Freehold land cannot be transferred to a non-Nauruan who must also obtain the signature of the President in order to lease land. General leasing provisions are not conducive to business activity.

Through the *Price Control Act 2004* the Government has powers to control excessive prices and charges. Due to severe capacity constraints, the administrative structures to implement this legislation have yet to be introduced.

C. Policies for Social Inclusion/Equity

7. Gender Equality

The Constitution gives equal rights to women and men. Women have equal opportunity in the public service and fill half of the heads of department positions. There is no real disadvantage in promotion or opportunities which stems back to the education system where girls have over time received the majority of the merit based scholarships to study abroad. However no women are MPs or Ministers. Nor are the rates of teenage pregnancy and incidence of domestic violence being acknowledged as issues which need to be addressed.

Nauru is yet to sign up to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

8. Equity of public resource use

The Government does not have the capacity to measure the impact on equity of Government programmes.

Government expenditures according to transaction type are tracked and these are used for planning and financial management. However, this information is not used for equity analysis. The taxation system is based on a limited number of excises only. Public servant (cash) salaries are at a uniform rate (currently \$140.00 cash per fortnight) and are not taxed.

9. Building Human Resources

Decreasing financial resources has led to a sharp drop in the provision of basic health services. Policies, programs and projects are inadequate and regulations are largely ineffective. Limited programs to prevent malnutrition exist and implementation is weak. There are limited standards and epidemiological information available. Limited funding is available for preventative and curative services. Public resources do not achieve intended goals especially community education. Limited policies for HIV/AIDS and TB are in place but awareness is inadequate. A growing proportion of the population cannot afford the financial burdens of illnesses including the care of women and children.

Education is free and compulsory to Year 10 or age 15 years 9 months. However, teaching and student learning standards are low. Truancy has been high at 60% for some schools, but the overall rate has been 34%. With prevailing economic and social conditions, student non-attendance has risen to very high levels; teacher non-attendance is also on the rise. Literacy is declining. Post secondary vocational training does not exist and success rate for tertiary studies through the USP Centre averages 10%. The majority of intending students cannot afford the financial burden of continuing education locally or overseas. Spending is not adequate to meet teacher appropriation, training and teaching resources.

However, steps have been taken and will continue to be taken to build skills in the health and education sectors. There has been significant expenditure on secondary and tertiary health services which has addressed the parlous state of these services in the late-1990s. Importantly, pharmaceuticals (prescription medication) are essentially provided free through the hospital pharmacy. There is also a recognised need to refocus on Nauru's long-term requirements including a realignment of priorities towards vocational education and preventative health.

10. Social Protection and Labour

Nauru is not a member of the International Labor Organisation (ILO) however basic rights such as the ability to appeal disciplinary procedures are in place through the Public Service Appeals Board. Staff appraisal systems are ad hoc and while the flat rate pay system is in place they are not being followed by a few SOEs.

In the 2005-06 Budget the Government introduced a new social welfare measure which provides some retrenched and unemployed former employees of the former Nauru Phosphate Corporation with a small fortnightly cash payment deducted from wages in arrears.

Community involvement in development has been very limited and the expectation is that the government provides all services. People respond well to incentives and competitions to tidy up community areas have been encouraging.

In the 2005-06 Budget the Government has also included funding for social welfare payments to Nauruans of pension age (60 years and over). Those already receiving pensions are not entitled to this welfare payment.

11. Policies & Institutions for Environmental Sustainability

Nauru's major environmental risk is the mined-out phosphate lands that cover almost 90% of the island. Effective land rehabilitation has not happened. A national environmental management strategy exists but implementation has stalled. Adequate environmental legislation is not in place. Sector ministries do not incorporate environmental concerns. Environmental public awareness and education are not provided.

Effective land use planning is not practised. Housing and building arrangements are based on ownership of land plots. This leads 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.

D. Public Sector Management and Institutions

12. Property Rights and Rule-based Governance

Property right protection is rudimentary, for example, there is no copy-right law in Nauru, but it is currently being worked on. The patents and trade marks act is based on Australian legislation, but has not been changed since 1968.

A major issue is that Ministerial discretion is required in almost all areas and as a result Ministers get caught up in the day to day operation of departments and the process often causes extensive delays. The process of procuring business licences is bureaucratic and could be simplified.

Laws and regulations are freely available for a photocopy fee, but as legal representation is very thin (there is only one qualified Nauruan lawyer working on Nauru) interpretation and legal opinion can be difficult to obtain in a timely way. Similarly, access to the courts is hampered by a lack of pleaders.

Mechanisms are in place against crime and violence however operations have been haphazard and dysfunctional. This is currently being attended to through significant assistance that is being provided to build the skills of the Nauru Police Force.

13. Quality of Budgetary and Financial Management

Financial management in Nauru in the past was very poor. Although government spending was controlled (due primarily to the lack of available cash) this reduction has not been planned, and it is not clear that the available funding had been allocated to areas which are of highest priority to the community. This is particularly the case in 2003-04 when Government activities were funded through three supply bills.

The Government's budget had been financed for many years by borrowing against the assets of the Republic's Trust Funds, and as a result, these Funds have little net asset value remaining and cannot be relied on as a source of revenue. This problem has been compounded by unsuccessful investments, corrupt practices and mismanagement of the Funds. Previous Governments have also made large borrowings from Government instrumentalities (including the Bank of Nauru) to the point that these instrumentalities have no available funds left.

Since elections 13 months ago, the Government has been making significant improvements to financial management and budget procedures. Major initiatives introduced include:

- More comprehensive financial and performance reporting including detailed descriptions of Government policy in the budget statements, production of the final budget outcome for 2004-05 and release of a major review of the 2004-05 Budget.
- Improved financial management procedures including more thorough checking of expenditure proposals and system improvements.
- Greater focus on the development of policy in the preparation of budget proposals by the public service.
- Public and community consultations on the national budget
- Amending Parliamentary Standing Orders to promote debate and dialogue on the budget

In 2005-06 the Government will be looking to progress further reforms in its financial management framework including reviewing financial legislation and regulations, further improvements to financial management policy and working towards the reliable and timely production of monthly budget accounts.

The Government will also be reviewing its cash management and revenue policies to improve the transparency and security of cash handling and revenue collections. In particular, the Government will be working with international aid donors to ensure that all cash grants received by the Government are brought onto the budget and are managed in a transparent and accountable manner in accordance with financial legislation.

In the 2005-06 Budget the Government also announced a review of the legislative and administrative framework underpinning the audit function in Nauru with a view towards improving the quality of audit activities and increasing the effectiveness of the auditor.

14. Efficiency of Revenue Mobilisation

Nauru currently generates very limited revenue through a system of off-shore fishing licences, fees & charges, a small number of customs duties, grants and capital returns. Revenue raised from this system is small and from a very thin base. In addition, in the case of grants and capital returns these revenue sources are unpredictable and time-limited, particularly in the case of capital returns, thus placing pressure on the long-term sustainability of the revenue base.

As such, over the next 2-3 years, as these transitory capital returns diminish, the Government will need to broaden its tax base in order to secure Government revenues. This could include broad import duties, as well as taxes on income and capital.

15. Quality of Public Administration

Nauru faces very clear problems in public administration and there is a need for a greater partnership between the executive and heads of department in policy formulation. Presently policy formation is top down and little policy flows up from the public service.

The flat rate pay scale of \$140 per fortnight for all government employees from Ministers down, brought about by the need for austerity, is a clear disincentive to productivity and attendance and morale is low. Ethical practices are severely challenged in the present climate and the incidence of abuses of the voucher system to increase cash payments is notable.

The Government currently lacks sufficient statistical data to assess whether current income levels are providing a reasonable standard of living for most Nauruans. The Government has committed itself and has achieved reliable payment of public service incomes.

16. Transparency, Accountability and Corruption in the Public Sector

Accountability systems are weak, in particular financial management systems, where audits of the public accounts including most SOEs are a number of years behind. This is an area recognised by the Government and resources are being sought to rectify the situation.

Communication of government decisions is largely limited to the publication of a monthly government Bulletin and through the Gazette, both of which have been published irregularly due

to a lack of resources. Ministers also use television and radio to announce policy. The Minister of Finance has held a series of public meetings after the presentation of his first two budgets.

Influence seeking on government officials from powerful individuals is not an issue.

Population Projections over 20 years (Nauruans only)

Assumptions for projections

	Average births per woman	Life expectancy 2002 --- 2022		Net Migration	Population 2022 (2002 pop 7,600)
P1	Constant at 4.0	Males	53 ----- 53	0	12,100
		Females	58 ----- 58		
P2	Decline to 2.1 by 2022	Males	53 ----- 58	0	10,800
		Females	58 ----- 64		
P3	Decline to 2.1 by 2022	Males	53 ----- 58	-100 people / year	8,650
		Females	58 ----- 64		

P1 – Constant fertility and life expectancy, zero net migration

P2 – Fertility decline and life expectancy increase, zero net migration

P3 – Fertility decline and life expectancy increase, -100/year emigration

Age structure

	0 - 14 years	15 - 64 years	65 years and over
2002	3,160	4,330	110
Projected to 2022			
P1	4,500	7,250	350
P2	3,300	7,190	310
P3	2,790	5,680	180

School age population

	Primary: 6-12 yrs	Lower 2°:13-16yrs	Upper 2°:17-18yrs
2002	1,440	710	330
Projected to 2022			
P1	1,930	830	370
P2	1,570	810	370
P3	1,330	690	320

Potential labour force and jobs required - Ages 16-64

	Potential labour force		Jobs required	
	Males	Females	Males (participation rate 85%)	Females (participation rate 69%)
2002	2,020	2,030	1,720	1,400
Projected to 2022				
P1	3,430	3,400	2,920	2,350
P2	3,450	3,420	2,930	2,360
P3	2,710	2,670	2,300	1,840

Note: All figures rounded, adapted from Chris McMurray

International Comparison Matrix

	Nauru	Kiribati	Tuvalu	Niue
Land size	21 sq km	726 sq km	26 sq km	259 sq km
Number of islands	1	33	9	1
Population	10,065 (Nauruan 7,600)	93,100	9,600	1,600
Population Density	495 per sq km	122 per sq km	367 per sq km	5.7 per sq km
Population Growth Rate	0.14%	1.6%	1.3%	(1.8%)
Dependency Ratio	0.78	0.76	0.9	NA
GDP per capita (US\$)	1400*	608	1602	5835
Real Growth of GDP per capita	NA	1.8%	3.0%	-0.3%
Major industries	Mining, Fishing Licences	Agriculture, Copra, Fishing Licences, Tourism, Trust Fund Interest	Maritime Employment, Remittances, Domain Name, Fishing Licences, Trust Fund Interest	Agriculture, Tele-codes, Tourism
Government Employment (as % of total formal sector employment)	42%	68.3%	55.6%	53%
Unemployment rate	22.7%	1.5%	NA	21%
EEZ	320 sq km	3.6 million sq km	757,000 sq km	390,000 sq km
Budget Deficit (% of GDP)	18%	20%	16.3%	10%
Proportion of Labour Force in Subsistence	2%	70%	53%	NA
Adult Literacy Rate	95%	92%	98%	NA
School Attendance Ratio	59%	NA	NA	NA
Life Expectancy	55 (Men 53, Women 58)	62.8	70	70.1

* Note: Monetary GDP only. Including Non-monetary GDP (e.g. imputed rentals of owner occupied dwellings, difference between billed value of electricity and the cash paid, and value of 'pending salaries' that are due but not paid) raises the estimate to \$2750.

Millennium Development Goals and Targets: Assessment of Progress

Goal 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day.

Nauru: Nauru currently does not have statistics of people's level of income. While Nauru has a close system of extended family where income is transferred amongst family members the low general wage of \$140 per fortnight often spread among multiple families means it is likely there are some Nauruans with income less than \$1 per day.

Targets 2: Halve, between 1990 in 2015 proportion of people who suffer from hunger
Nauru: Hunger is an increasing problem, but there are no statistics to support this.

Goal 2: Achieve universal primary education

Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Nauru: Compulsory and free education is provided to Year 10 or up to the age of 15 years 9 months. Attendance for primary schooling is between 60-70%.

Goal 3: Promote gender equality and empower women

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005; and all levels of education, no later than 2015

Nauru: There is no gender disparity in the education system. The ratio of girls to boys at Primary Education is 1.02 (late 1990s).

Goal 4: Reduce child mortality

Target 5: Reduced by two thirds, between 1990 in 2015, the under-five mortality rate

Nauru: Nauru statistics on child mortality are fairly well under control. Well-Baby Clinics run a support programme for mothers. The under-5 mortality rate is 30 per 1,000 live births (2001).

Goal 5: Improve maternal health

Target 6: Reduced by three quarters, between 1990 in 2015, the maternal mortality ratio

Nauru: Birth control is increasing as means of improving maternal health. Well-Woman Clinics exist to assist improve maternity care. Infant mortality rate is 25 per 1,000 live births (2001).

Goal 6: Combat HIV/AIDS, malaria, and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV AIDS

Nauru: Nauru is financially assisted with other countries through external assistance to prevent HIV/AIDS.

- Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
- Nauru: Major global diseases such as malaria, leprosy and TB are not issues in Nauru, but so-called western diseases such as diabetes remains high at 3.1 per 1,000 people.

Goal 7: Ensure environmental sustainability

- Target 9: Integrate the principles of sustainable development in two country policies and programmes and reverse the loss of environmental resources
- Nauru: Environmental policies and strategies have not been implemented. Also, sector ministries do not integrate environmental concerns into their planning. Effective rehabilitation of mined-out phosphate lands has not yet started. A reef conservation strategy does not exist and sustainable practices are difficult to implement with an inadequate land based domestic food supply. A survey of reef resources was completed 2005.
- Target 10: Halve by 2015 the proportion of people without sustainable access to safe drinking water
- Nauru: Fresh water is available from rain and well water, but desalinated water is no longer available. Constant supply is unreliable due to periodic droughts and quality is questionable. Water use management does not exist. Poor waste management threatens to contaminate the water lens.
- Target 11: Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers
- Nauru: Living conditions have deteriorated with multiple family units living under one household and sharing facilities and amenities sufficient for one family only. Housing and building regulations exist but are not implemented. The land tenure system prevents planned land use and encourages random building by landowners.

Goal 8: Develop a global partnership for development

- Target 12: Develop further an open, rules based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction, both nationally and internationally)
- Nauru: Nauru has legislated significant reforms to the financial system to make it robust (able to deal with international money laundering and proceeds of crime) and able to attract offshore institutions. The Government is also working on developing transparent trading regulations/legislation including new corporate governance arrangements for its SOEs.
- Target 13: Address the special needs of the least developed countries (includes tariff - and quota-free access for exports, enhanced programme of debt relief for and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)
- Nauru: Nauru does not have policies which provide preferential treatment for least developed countries or any other country. It imposes customs duty on only a small number of imports (tobacco, alcohol and petroleum products) and does not impose import quotas. Nauru is not in a financial position to forgive external debt.

- Target 14: Address the special needs of land locked countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)
- Nauru: Being a small island state Nauru has been providing to the international community first-hand experience of the special needs of such states. These arise primarily from lack of economies of scale and the large burden on the government of meeting the onerous international requirements of nationhood.
- Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- Nauru: The level of Nauru's total external and internal debt is unclear, but it is likely to be significant. The Government plans to audit its net asset position and put in place an affordable long-term repayment plan.
- Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
- Nauru: Youth employment is a major problem with 58% youth unemployment.
- Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- Nauru: No functioning programs exist.
- Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies
- Nauru: No programs exist.

NSDS Sector Goals, Strategies and Milestones				
Short-term Sector Goals	Short-term Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
A. Economic Sectors				
<p>The main drivers of revenue in the short term appear to be the mining of remaining primary phosphate reserves, donor aid, and royalties from fishing licences. Also, it is envisaged that the land owners trust fund will contribute to the economy. The sources of employment in the short term will continue to be the public service and SOEs.</p> <p>In the medium and long term the public service will be more efficient and take up a smaller proportion of national resources. Likely additional sources of revenue will come from envisaged secondary phosphate mining including value added industries, a better developed and sustainable SME sector and the development of high value, low volume fish exports.</p> <p>Employment prospects in the medium and long term will be largely dependent on the public sector and SOEs, particularly secondary phosphate mining and the development of a sustainable SME sector.</p>				
A1.Commerce & Industry				
A1.1 Phosphate: Primary phosphate mining completed. Established the technical and financial feasibility of secondary mining and commenced output.	Restructure and refurbish company and mining infrastructure, including proper utilisation of the maintenance reserve fund Reinvest surplus revenue in 2006 in operations to ensure 1mt pa capacity from secondary mining Conduct tender for feasibility study of value added industries including super-	By 2007 \$5m and by 2008 \$8m dividend paid to Government after payment of cash and trust fund royalties to land owners and \$2m set aside in maintenance reserve Viable value added industries determined	By 2009-2015 yield of 1 million mt phosphate pa with \$11m dividend to Government after maintenance fund and royalties paid Viable value added industries operating	A thriving sustainable economy based on multiple sources of revenue

<p><u>A1.2 Agriculture:</u> A substantial part of Nauruan diet is sourced from locally produced food</p>	<p>phosphate and phosphoric acid plants</p> <p>Utilise technical assistance to develop local food production:</p> <p>SPC DSAP – 3 year national scale food production program that feeds into district level</p> <p>FAO – 2 plus 7 year kitchen garden program at the district level for HH and livelihood</p> <p>AusAID – assist HH s set up kitchen gardens with water storage, seedlings and advice</p> <p>Taiwan – agriculture and aquaculture assistance for food production over 5 years</p> <p>Set up a Resource Centre for agriculture and aquaculture producers with advice and manuals and facilities for computer down loading of information</p>	<p>2 nurseries successfully feeding district projects with seedlings</p> <p>1 plantation per district operating successfully</p> <p>20% of HH have successfully operating kitchen gardens</p> <p>Complementary assistance provided in agriculture and aquaculture</p> <p>Complementary assistance provided by Taiwan in agriculture and aquaculture</p>	<p>70% of average Nauruan diet from locally produced food</p> <p>2 plantations per district operating successfully</p> <p>60% of HH have successfully operating kitchen gardens</p> <p>The community in each</p>	
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		<p>website established</p> <p>Legal and administrative impediments to tourist entry removed</p> <p>Small tourism industry taken hold</p>		
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Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
A2. Fisheries				
<u>A2.1 Improved Overall Fisheries Management</u>	<p>Training of Fisheries staff in Management and practical skills</p> <p>Training of fishermen in management and other fisheries related skills such as outboard repairs, boat building etc;</p> <p>Educate local fishermen in conservation and economics of fishing</p> <p>Seek external assistance from SPC, OFCF, EU and others to expand the scope of training for Nauru fisheries and to raise the number of participants in such training.</p>	<p>Implement a 5-year Human Resources Development Plan in the following areas:</p> <ol style="list-style-type: none"> 1. Fishing skills 2. Seafood quality and processing 3. Engineering 4. Vessel operation 5. Small business enterprise management 6. Safety at sea 7. Resource management and conservation 8. NFRMA 	<p>A competent Fisheries management and technical team functioning</p> <p>Fisheries related small businesses established</p>	A well functioning fisheries industry
<u>A2.2 Oceanic fisheries: Revenue from fishing licences and access fees maximised</u>	<p>Maximise economic returns from access and fishing licences with bilateral partners</p> <p>Apply stringent conservation regulations</p>	<p>Maximised sustainable yield from fisheries resources</p> <p>Establish funded surveillance effort in EEZ with neighbouring</p>	<p>Maximised sustainable yield from fisheries resources</p> <p>Established a joint venture purseiner operation with Marshall</p>	Maximised sustainable yield from fisheries resources

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Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
A3. Environment				
<u>A3.1 REHAB:</u> Rehabilitation of the mined land	Complete trials. Negotiate Work Plan with AusAID for use of NACOS funding to purchase heavy equipment and commence rehabilitation	Trials completed, Work Plan signed off with AusAID, equipment purchased and 60ha rehabilitated	Rehab self-funding from operations. 300ha catchment on NW of the island developed including 124ha reclaimed for agricultural production, 1.5ha nursery, 34.5ha reservoir and 140ha conservation area	Achieved rehabilitation of mined lands for livelihood sustainability
<u>A3.2 Reef & coastal waters:</u> The reef and coastal waters restored to maximise sustainable yield	Establish reserve area/s to determine baseline data	4ha of reserve/s established and operating successfully	80% of maximum sustainable yield of fisheries obtained	Reef and coastal waters protected for future generations
<u>A3.3 General Environment:</u> Available regional resources better utilised for Nauru's specific needs	Undertake a review of Nauru's environmental legislation, status and priorities	Environmental review completed. New environmental legislation passed.	Nauru drives the environmental program	Enhanced sustainable environment for all Nauruans

Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
A4. Finance				
<u>A4.1 Macroeconomic management:</u> A stable macroeconomic environment conducive to private investment established A coherent planning process for Nauru's economic and social development established Major economic & social indicators for Nauru prepared <u>A4.2 Fiscal Policy:</u> Sustainable government finances maintained	Maintain government fiscal objectives (below). Maintain price control in monopoly areas through Prices Control Board Coordinate all donor aid to Nauru. Develop aid budgets as part of the national budget cycle. Link aid programs and national budget appropriations to development goals. Compile benchmark indicators of: GDP, BOP, Demographics, HIES, Prices & Wages Maintain budget surpluses.	Fiscal objectives achieved Prices stable Aid donor input to Nauru transparent to all Aid Budget presented as part of National Budget Aid programs linked to national development goals through the NSDS Key indicators regularly published Budget surplus achieved	Fiscal objectives achieved Prices stable Aid donor input to Nauru transparent to all Aid Budget presented as part of National Budget Aid programs linked to national development goals through the NSDS Indicators updated regularly and published. Additional supplementary indicators prepared and published Budget surpluses and increased domestic investment levels maintained Government spending as	Established a legislative and business framework conducive to a developed SME sector

A small and efficient public sector which contributes to and does not crowd out private sector activity.	Reduce the size of the Government sector. Review and implement reforms to Financial Management legislation, regulation and policy.	Government spending as a percentage of GDP reduced by 25 per cent Government salary bill reduced to 25% of total expenditure.	a percentage of GDP reduced to comparable levels in the region	
Aid dependency reduced	Redirect aid flows towards long term investment away from operating cost subsidies.	More aid flows directed to investment	Aid inflows as a percentage of GDP comparable to levels in the region	
A revenue system which is efficient, equitable, simple, reliable and transparent introduced	Introduce a broad based flat rate import duty.	Broad based import duty introduced	Domestic taxation base broadened through taxes on income, capital and financial transactions Progressive elements to the tax system introduced	
SOE dividend policies introduced	Implement SOE dividend policies.	Budgeted SOE dividends paid	Budgeted SOE dividends paid	
Revenue officials capable of managing broadened tax base	Increase capacity of revenue officials (incl. customs) through training.	All revenue officials completed one training course	Most revenue officials completed advanced training	
<u>A4.3 Debt policy:</u> A coherent strategy to deal with Government debt developed	Determine the Government's debt position. No new Government borrowing	Implement debt write-off and affordable repayment plan.	Government debt written off or repaid	
			Number of SOEs	

<p><u>A4.4 Structural policies:</u> State Owned Enterprises operate efficiently and contribute to social services.</p> <p>Land tenure system conducive to national development including SME development</p> <p><u>A4.5 Financial services:</u> Appropriate regulations for the financial services sector established.</p> <p>De-listing from the FATF Blacklist maintained</p> <p>Banking: Appropriate commercial private banking services in Nauru established</p>	<p>Reform SOE sector including private investment wherever possible</p> <p>Review land tenure system to facilitate national development including SME development in consultation with stakeholders</p> <p>Draft and implement updated financial regulations including training staff.</p> <p>Establish Financial Intelligence Unit (FIU) including training of staff</p> <p>Close Bank of Nauru (BON) including cancelling BON cheques & closing accounts (determine pay-out schedule).</p>	<p>Accounts produced. Dividends paid. Reform plans for all SOEs developed Individual SOEs reformed: RONPHOS, Eigigu Holdings, RONTTEL, Nauru Air Corporation, etc...</p> <p>Land tenure system and its impact upon development and investment reviewed and reforms identified</p> <p>Regulations drafted</p> <p>FIU fully operational including trained staff</p> <p>BON closed</p>	<p>reduced. SOEs meet rate of return requirements. SOEs at arms length from Government. SOE services & products improved</p> <p>Mechanisms established to promote national development including SME development</p> <p>Greater competition in financial services achieved</p> <p>Range of banking service providers (incl. offshore) available</p>	
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<p>Insurance: Viable commercial insurance services in Nauru established</p> <p><u>A4.6 Business & Regulatory Environment:</u> Regulatory impost on business in Nauru determined</p>	<p>Negotiate with private bank to establish operations in Nauru. Greater use of efficient transactions (e.g. BPay)</p> <p>Determine insurance needs of Nauru. Assess ongoing commercial viability of the Nauru Insurance Corporation (NIC). Scope potential for private provision of insurance (incl. from offshore). Implement new corporate governance</p> <p>Stock-take of all regulations impacting on business (incl. entry, exit, competition, labour & land)</p>	<p>Private bank established and operating in Nauru</p> <p>Insurance needs of Nauru determined. Commercial viability of NIC assessed.</p> <p>Scope for private provision of insurance services assessed.</p> <p>New corporate governance instated</p> <p>Review of all business regulations completed. All regulations impacting on business activity identified</p>	<p>Range of insurance service providers (incl. offshore) available</p> <p>Introduction of new reformed business regulatory system. Business leaders educated on new regulatory requirements. New regulatory system effectively enforced. 40 new private sector businesses in operation in Nauru. All new Government proposals which involve regulations that impact</p>	
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<p><u>A4.7 Trust Funds:</u> NPRT: Provide regular payments to beneficiaries</p> <p>Public Trust Fund: New trust fund set up to supplement the National Budget</p> <p>RONFIN: Closed</p>	<p>Determine assets and liabilities. Repay and/or negotiate with all creditors. Implement new governance</p> <p>Negotiate with donors on a governance structure for a \$ for \$ contribution scheme</p> <p>Audit net asset position of RONFIN.</p> <p>Dispose of assets.</p> <p>Determine pay-out schedule for liabilities.</p> <p>Repeal RONFIN Act</p>	<p>New governance implemented with professional funds management</p> <p>Establishment of the Fund</p> <p>Fund operating with international standard governance and management</p> <p>Net assets and liability schedule determined</p> <p>RONFIN closed</p> <p>RONFIN Act repealed</p>	<p>on business must prepare a “Regulation Impact Statement”.</p> <p>Beneficiary trust in fund management restored</p> <p>Payout to creditors according to affordability</p> <p>Direct all new investments to new vehicle</p>	
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Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
A5. Public Admin. /Governance				
Institutions strengthened across the public service	<p>Develop corporate plans for all Ministries to establish clear Ministry goals and strategies as well as identifying core functions</p> <p>Establish best practice and transparent processes to support the reformed environment</p> <p>Identify capacity gaps and design appropriate strategies to build capacity at managerial and technical levels</p> <p>Review the supportive infrastructure in terms of buildings, capital equipments and necessary office materials conducive to improved performance</p>	<p>Approved corporate plans for all Ministries</p> <p>Transparent processes established and functional</p> <p>Capacity building plans for all Ministries established with clear time-bound milestones</p> <p>Infrastructural development and capital equipment plans established and prioritised for implementation</p>	<p>Ministries operating effectively under transparent and accountable processes</p>	<p>Stable, trustworthy, fiscally responsible government.</p> <p>Efficient and productive public service.</p>
Institutional framework and capacity of the Audit Office strengthened	Undertake reforms to increase independence, powers of investigation and penalties	Increased capacity of Audit office staff	All audit responsibilities met in a timely way	

Strengthening Governance Institutions	Strengthen and build capacity for the Judiciary, Justice and Police,	Judiciary, Justice department and Police strengthened Review of Legislation commenced and penal code updated	Judiciary, Justice department and Police operating effectively	Efficient and effective law and order system. All legislations updated
	Strengthen and build capacity for the legislature	Parliamentary Secretariat and Committee system strengthened and Standing Orders reviewed Leadership code enacted Ombudsman Commission and Leadership Tribunal established	Parliamentary Secretariat and Committee system operating effectively Ombudsman Commission and Leadership Tribunal operating effectively	Efficient and productive public service.
	Undertake the Review of the Constitution	Public consultations undertaken, amendments drafted and constitution amended	Ongoing consultations and review of Constitution	
	Build government and community partnership to promote increased community role in governance	Community members trained on how to participate effectively in government processes.	Community representatives involved in the national development process	Community role fully integrated into government processes and national affairs
	Build government and	Development partner	Development partner	Enabling and cooperative

	development partners partnerships to support Nauru's development.	coordination framework approved and operational	coordination framework operating effectively internally and adhered to by the donor community	international relations.
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Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
B. Social Sectors				
<p>The highest rated attribute of the preferred long-term future is an improved educational system with a high standard of primary, secondary and vocational curriculum to international standards and an equity-based charging on ability to pay. As well as formal education, capacity building in all areas is a key feature of the future. Recognising that there are long lags in achieving this, capacity building in all sectors rate highly in the short-term.</p> <p>In order to achieve an improved quality of life there is a need for every Nauruan to play a part, with an improved self-reliance through partnerships at the personal, community, workplace and national levels.</p> <p>Equality of access to social services and opportunity for all Nauruans, including future generations, is also an emphasis.</p>				
B1. Education				
<u>B1.1 Primary and Secondary:</u> A learning framework & environment developed that directs students on the footpath that leads them to leaving school as confident citizens to enable them to live in and contribute to both Nauru society and a complex, global, networked society	Implement the Curriculum Strategy	80% of students in Year 4 at, or above, Reading Level 15 of PM readers series 80% of students in Year 8 at, or above, level 30 as measured by PM Benchmarking Kit. Student attendance levels consistently at 75% for all of 2007 80% of students present four Rich Tasks at a grade of "C" or higher for moderation in all Year levels from 1 to 10. in 2007	Curriculum and delivery of education leads to 80% of students who meet regional standards in primary and secondary education Schools meet regional resource norms	Improved quality and broadened the scope and reach of education

	<p>Develop School Support Services</p> <p>Review and rationalise schools</p> <p>Human resources developed</p>	<p>CASE has an electronic enrolment record (as defined in Directive No 3) for every child on Nauru between the ages of 5 and 16.</p> <p>Decrease in incidence of bullying</p> <p>Nutritional supplementation provided at schools</p> <p>By 2008, every teacher in Primary grade will have a teaching degree or be actively enrolled in the USP B. Ed program.</p> <p>By the start of 2006, the Education Department will have engaged at least six quality teachers for the Augmented program. And retain these numbers</p> <p>System in place for human resource performance</p>	<p>Regular community involvement in school activities increased by 50%</p> <p>School support services deliver increased retention of students in the schooling process, increased teacher satisfaction and improved services to disabled students</p> <p>Student/teacher ratios meet regional norms</p> <p>Services of quality teachers available through broadband internet services</p>	
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		measurement		
		Leadership culture established	All schools produce timely annual operation plans and annual reports on previous years' academic, sporting, social and financial performance	
	Physical resources developed	Up to 4 school buildings rehabilitated	Public Library established	
		By the end of 2006, NSS will have 25 operating internet connections at speeds which are the best available on Nauru.	Broadband Internet services available to all schools	
		Six Schools have asbestos roofs replaced, functioning toilets and running water by the start of 2008.	All schools produce timely business plans	
	Implement Management and Accountability systems	Policy, governance and administrative framework for Education and Training exists		
		Productive partnerships in place with community, other schools, departments and agencies and overseas sister		

<p><u>B1.2 Vocational training</u>: Revived to provide employment opportunities for youth and skilled people for private sector development</p>	<p>Engage consultants for 2006 to prepare and initiate reforms in TVET</p>	<p>schools.</p> <p>TVET program trailed in Years 8 to 10 at NSS in 2006, and extended to Years 7 to 12 in 2007.</p> <p>Accreditation of courses in place (FIT franchise?)</p> <p>PRIDE produces TVET report for Nauru by 2007</p> <p>“One Stop Shop” for teacher, nursing, technical, administrative and trade training investigated by PRIDE consultants</p>	<p>30% students graduated and working in trade related areas in Nauru and the region</p> <p>“Learning Village” established</p>	
<p><u>B1.3 Tertiary</u>: Pass rates improved for access to regional tertiary study opportunities</p>	<p>Improve reliability and speed of electronic access to USP Centre including Video Broadcasting Tutorials</p>	<p>Enrolments in USP centre increase by 25% by 2007.</p> <p>The pass rate for Augmented program students is greater by 2008</p>	<p>Average pass rates in line with regional norms</p>	

Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
B2. Health				
<u>B2.1 A strong Institutional Structure</u>	Review goals & strategies to a preventative health focus	Updated Health Sector Plan	Health sector plan operational	Enlarged preventative health focus in the public health system
	Reform organisational and management structures & systems	Implement "Workforce Plan Report" recommendations	Workforce plan implemented	
	Quality delivery of health care	Standard Treatment Guidelines developed and in use	Standard Treatment Guidelines implemented	
<u>B2.2 Improved health outcomes</u>	Focus on preventative health programs	NCD Strategy developed	NCD Strategy implemented	Life expectancy improved by 10years
		Active preventative programs targeting lifestyle risks, focusing on public education, screening and supported by registries and health data analysis	Active screening of 90% of population for Diabetes and key NCDs	
	Strengthened & effective secondary diabetes prevention	Multi-disciplinary Diabetes Centre established Communicable disease programs expanded	90% of diabetics well controlled and monitored 50% reduction in STI's	

	Appropriate and affordable tertiary services	<p>Emerging pandemic preparedness plans developed</p> <p>National Disaster Management Plan developed and resourced</p> <p>Number of dialysis patients maintained at 30</p>	<p>Infant mortality reduced by 75%</p> <p>Under 5 mortality reduced by 75%</p> <p>Maternal mortality reduced by 95%</p> <p>NCD's reduced by 50%</p> <p>Number of patients on dialysis down to 15</p> <p>New cases of diabetes decreased by 50%</p> <p>Communicable diseases reduced by 75%</p>	
<u>B2.3 Skilled workforce serving all health needs</u>	Well structured and coordinated long term expatriate health professional recruitment and local capacity building	<p>Immediate workforce gaps filled</p> <p>5 Year Workforce Plan developed.</p>	<p>Number of trained Nauruan health professionals increased to: medicine 5, dentistry 3, physiotherapy 3, laboratory services 5, pharmacy 3, general</p>	

<p><u>B2.4 Appropriate infrastructure required for quality healthcare delivery</u></p>	<p>Local HRD through a combination of on-the-job training, distance learning and scholarships</p> <p>Ongoing infrastructure maintenance & repair</p> <p>Planned plant & equipment procurement, maintenance and replacement program</p>	<p>Structured ongoing on-the-job staff training</p> <p>POHLN established</p> <p>10 staff per year enrolled in Public Health courses</p> <p>Health trainee scholarship program producing 4 graduate nurses a year</p> <p>Critical essential infrastructure works completed</p> <p>Maintenance program operating</p> <p>Plant & Equipment requirements defined, maintenance program operating and replacement program funded</p> <p>1 new ambulance and 1 ambulance repaired</p> <p>Staff transport operating</p>	<p>nursing 40, public health 40</p>	
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<p><u>B2.5 Sports:</u> Coordinated sports program for all established</p>	<p>Construction of appropriate infrastructure</p> <p>Management of drugs & consumables</p> <p>Develop sporting infrastructure including indoor facilities</p> <p>Strengthen governance and coordination between the Sports department, stakeholders and other sporting bodies by creating a new Coordinating Body</p>	<p>Supplies logistics addressed</p> <p>Fiji Bulk Purchase Scheme in place</p> <p>Existing sports fields/facilities refurbished and maintained to a regional standard</p> <p>Coordinated sports programs implemented by coordinating body</p>	<p>New hospital consolidated on one site</p> <p>2 new indoor sports facilities operational to a regional standard</p> <p>increased participation in sporting activities</p>	<p>Improved sports and recreation participation</p>
<p>B3.Community Development</p>				
<p><u>B3.1 Culture:</u> Handicraft making as an entry point to traditional knowledge and practices transferred widely including to young people</p> <p><u>B3.2 Women:</u> Nauruan society highly aware of the rights of women</p>	<p>Engage Nauruans with traditional handicraft making knowledge in passing it on to young people and other interested parties</p> <p>Strengthening the capacity of the Government's Women's</p>	<p>Handicraft sales is an ongoing supplementary source of income to participating households</p> <p>Completion of Nauruan language dictionary</p> <p>Women's groups join together as a cohesive network giving women's</p>	<p>Traditional knowledge and practices of value to daily living are incorporated into the lives of Nauruans</p> <p>Establish a museum and national archive</p> <p>Programs and structures in operation that enact issues affecting women</p>	<p>Nauruan traditional practices and knowledge revitalised</p> <p>Publications on Nauruan History and Culture</p> <p>Women have a voice as equal participants in Nauruan society</p>

	Affairs Directorate and community women's groups	issues a voice and presence Women's Centre established	and their children	
B3.3 Community: Community and/or NGOs are active and self reliant	Establish an umbrella secretariat that provides enabling support to community groups	Community groups have the capacity to design, propose and implement programs	A functioning civil society for Nauru	Full community role in development

Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
C. Infrastructure Sectors				
<p>Infrastructure sectors have a key role in underpinning development in the economic and social sectors of Nauru.</p> <p>In particular, transport, reliability of power, asset maintenance and the development of information and communications technology is critical to sustaining economic growth and the provision of social services</p> <p>Due to the past lack of maintenance and investment in physical infrastructure over many years Nauru's current infrastructure is very run down and on the point of collapse in some instances. While investment has been substantial over the past 4 years ongoing institutional and management problems have contributed significantly to the ongoing poor performance of this system. Major investment, coupled with a new culture of preventative maintenance and forward thinking is required for ongoing reliable functionality. In a resource restrained environment the emphasis must be on improving the management and operation of existing facilities.</p>				
C1. Electricity				
Adequate supply of electricity provided to all households and businesses at a reasonable cost	<p>Ensure power generating infrastructure meets national power demand</p> <p>Ensure fuel supply arrangements meet national demand</p>	Each household and business receiving 24 hours 7 days a week of electricity at an affordable cost	50% of energy demand provided by alternative sources of energy, including through renewable sources	Viable power generating capacity including alternative (renewable) energy sources

	Increased use of renewable energy source	The medium to long-term strategy to be developed through ADB technical assistance completed and government policy determined		
C2. Water				
A reliable supply of water provided to all households and businesses	<p>Better management of water resources including underground water</p> <p>Improve collection and storage of water at all levels</p> <p>Restore capacity for water production</p>	<p>Regular supply of water available to each household and business</p> <p>Refurbishment of national water storage tanks</p> <p>100 new household water tanks installed per annum</p> <p>Desalination plant operational</p>	<p>Quality water available to households and businesses 24 hours a day.</p> <p>Water storage capacity expanded</p>	Improved access to a reliable supply of quality water
C3. Public Works				
<p><u>C3.1 Housing:</u></p> <p>Public buildings repaired and maintained</p>	<p>Introduce institutional and management reforms to provide an efficient and effective service</p> <p>Undertake assessment of the structural integrity of buildings that need repairs</p>	<p>Program of public building essential repair and refurbishment commenced with focus on schools and hospitals</p>	All public buildings that need repairs rehabilitated	All public buildings structurally sound and insured

<p><u>C3.2 Sewerage:</u> Raw sewerage and grey water properly managed</p>	<p>Formulate a rehabilitation program together with estimated costs</p> <p>Improved sewerage removal</p> <p>Establish sewerage treatment plants and grey water recycling systems</p> <p>Blocked drainage cleaned</p> <p>Road side protection rehabilitated</p> <p>Reseal damaged roads</p>	<p>Procurement of a new sewerage truck</p> <p>All household and business sewerage removed by an affordable cost effective service</p> <p>Sewerage treatment and grey water recycling options determined</p> <p>Drainage cleaned and rehabilitated</p> <p>Roadside protection repaired</p>	<p>Affordable treatment plants and grey water recycling systems installed</p> <p>Road maintenance carried out regularly</p> <p>Roads resealed and rehabilitated</p> <p>Street lights rehabilitated and maintained</p>	<p>Sewerage system well managed consistent with environment best practices</p>
<p><u>C3.3 Roads:</u> Well maintained road network throughout Nauru</p>				

Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones 2015	Long-term Milestones 2025
C4. Transport				
<u>C4.1 Air and sea:</u> Reliable and economical passenger and freight services provided	Refurbish and develop port infrastructure for vessel handling Develop regular sea freight service Maintain safe, reliable and economically sustainable air service including assessment of joint venture and privatisation options Refurbish and develop civil aviation infrastructure	Long term wharf and port infrastructure plan approved Re-lay deep sea mooring system and refurbished port infrastructure Reliable air service available Airport safety and security standards meet minimum international requirements	Wharf and port infrastructure completed and effective vessel and cargo handling operations established Reliable air service available Standards maintained	Efficient transport infrastructure operating
<u>C4.2 Public Transport:</u> The budgetary cost of local transport reduced for all Nauruans Reliable and affordable public transport service	Establish private sector mechanism to provide regular, reliable, low cost public road transport	Private sector provides public transport Government provides minimum transport needs for schools and public service	Private sector provides regular, reliable, low cost public service road transport service	

Sector Goals	Sector Strategies	Short-term Milestones 2008	Medium-term Milestones	Long-term Milestones
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			2015	2025
C5. Information and Communications Technology				
<u>C5.1 Telecommunications:</u> Profitable and reliable telecommunications services (phone, internet etc) provided to public, business and government at reasonable cost	Install GSM technology and strengthen technical capacity	Every household /business has access to: Prepaid telephone system based on wireless technology Broadband infrastructure District /household level internet connectivity Fixed line system properly maintained for the public service Recognised as meeting regional standards for media organisations Island-wide technical coverage by radio and TV Private media sector developed	See PITA targets Recognised as meeting international standards for media organisations Private media sector established	Developed Information and Communications Technology (ICT) Fully established private media
<u>C5.2 Media:</u> Public and government confidence in the provision of a reliable, independent and commercially viable media service	Developing the human and technical capacities to professionally operate radio, television and print media, both public and private			

Development Planning Process

The Nauru National Sustainable Development Strategy (NSDS) project is about determining and prioritising long term development options based upon feasible scenarios for the future development of Nauru. While there is no internationally agreed definition or official guidance on how to prepare a National Sustainable Development Strategy the OECD Development Assistance Committee (1999) has stated that an NSDS is *“a strategic and participatory process of analysis, debate, capacity strengthening, planning and action towards sustainable development. The aim is to ensure socially responsible economic development while protecting the resource base and environment for the benefit of future generations”*². This is the process that Nauru has embarked upon and overall goal it hopes to achieve.

Analysis

Our first step was to develop a picture of Nauru's economic, social and environmental situation. This was done through a review and analysis of over a dozen recent relevant publications and reports. The information from this analysis was presented in the project Inception Report and included: a summary of Nauru today including an issues statement covering demographics, economics, governance, social and environmental issues; the list of recommendations and options developed in previous reports (including the Pacific Regional Assistance to Nauru (PRAN)); progress on policies and implementation; and an economic matrix comparing Nauru's statistics with Kiribati, Tuvalu and Niue.

Two further pieces of work undertaken as part of this project, contributed to the information available to the planning process. The first was a report on Population trends and prospects for Nauru. The report drew attention to key aspects of the population structure that have implications for development including the age distribution, number of school age children, potential labour force and jobs required. The second report on Emigration options for Nauruans made it clear that emigration options are very limited and that education standards would have to be improved radically if significant numbers of Nauruans are to qualify under relevant emigration and work schemes in the region and beyond.

Debate

The second step of the process was to engage with a broad cross-section of the Nauru community in developing a view of the long term future and the key options for obtaining that future. A first round of five workshops was held with Cabinet and Caucus, Heads of Departments and Chief Executives of instrumentalities, Directors of Services, and community leaders/NGO representatives. The objective of this initial round of workshops was for participants to: develop a set of three possible future scenarios; identify the types and level of resources implied by those scenarios; and identify the development options that could be used to achieve them.

In the second phase of the project a further round of 10 workshops was held involving over 150 stakeholders to build a consensus around the features most characteristic of the preferred future. Stakeholders targeted were the 'leaders' (Cabinet/Caucus, Heads of Departments, CEOs of SOEs. Directors of services, and community non-government organisations); women/church groups; education practitioners; nurses and health professionals; sports and youth groups; staff of the

² OECD/DAC (1999) Assisting developing countries with the formulation and implementation of National Strategies for Sustainable Development.

public service and state owned enterprises; local food production groups; land owners; small businesses; and an open public forum.

The stakeholder workshops were typically half-day events. A key input to these workshops was 1) population demographic profiles highlighting the population size and structure under different assumptions, 2) the matrix of three potential future scenarios with their respective features/characteristics organised under the headings of population demographics, economic base, services provision, resource use, and governance, and 3) the list of development options to realise the future scenarios. Participants were asked to nominate their preferred population profile and then to pick their top 20% of characteristics/features and development options and rank them. The results of each workshop were tabulated and weights applied so that each feature was given a score. Each score was then standardised so that comparisons could be made between the scores of different features within the different categories and between workshops.

The top ranked features/characteristics and development options were summarised and interpreted in terms of the high level vision, goals and strategies as the key strategic level component of the NSDS. These goals showed a remarkable consistency with the Government's 8 national goals.

Capacity Strengthening

A key part of building the National Sustainable Development Strategy was to encourage and foster wide participation in the process, especially the workshops, to gain people's support and to ensure accountability for the outcomes. Critical to gaining wide support for an agreed feasible future and taking steps to successfully implement that future, was the establishment of "NSDS Champions". This group, was drawn from the public and community sectors to support the effective integration and implementation of the NSDS. They were equipped, through two three-day capacity building workshops, with the necessary participatory leadership, strategic thinking & decision making, and implementation planning and monitoring skills.

Operational planning

The next stage of developing the NSDS was to begin the operational planning. In conjunction with the newly formed Development Planning and Policy Division (DPPD) the team developed a template for departments and SOEs to use to demonstrate how sector goals and strategies are aligned to the priority national goals and strategies identified in the NSDS. The template, which is a modified log frame sets out sector goals, sector strategies, and short, medium and long term milestones.

Phase 3 of the project was aimed at bringing together all the information collected and developed during the project into a national sustainable development strategy document. It is expected that there will be gaps and further detail will need to be added in subsequent reviews as capacity and capability builds in the process.

Action

The production of the NSDS will be a major milestone in Nauru's economic development. But the document itself is only a component of a much larger and more important process whereby Nauruans are for the first time intimately involved in planning the future of their country. The real test of the process will be in how the strategy is implemented. This is a journey that will start from the closing of the donor round table meeting. It is the most difficult part of the planning process. It requires a change in the way Nauruans go about their daily lives and the attitudes they apply to issues and challenges that arise in their families, communities, workplace and at the national level.