



PACIFIC ISLANDS FORUM SECRETARIAT  
*Excelling together for the people of the Pacific*

# Peer Review of the Republic of Nauru

July 2010

Cairns Compact for Strengthening Development Coordination in the Pacific



Prepared by The Nauru Peer Review Team, with assistance  
of the Pacific Islands Forum Secretariat

Approved by the Government of Nauru, in consultation with  
its development partners



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A peer review as provided for under the Cairns Compact agreed by Pacific Leaders in August 2009 was carried out in Nauru from 22 to 26 March 2010. The peer review team consisted of representatives from Tonga, the Cook Islands and the UNDP, supported by the Pacific Islands Forum Secretariat. The review would not have been possible without the efforts of a number of people and organisations to whom the peer view team would like to express their gratitude:

- The Minister of Finance of Nauru, the Hon Dr Kieren Keke MP, and the Government of Nauru, who agreed that Nauru should undergo the first of the proposed peer reviews
- The staff of the Development Planning and Policy Division/Aid Management Unit, Government of Nauru, led by Tai'atu Ata'ata, who steered the process in Nauru and provided the team with much useful information
- Senior staff of the Government of Nauru, development partners and non-government organisations who gave time for the team to learn about Nauru's development planning and implementation processes and external support
- The Governments of Tonga and Cook Islands, and the management of the UNDP, for agreeing to release staff to make up the review team.

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## Forum Compact Peer Review Countries Progress Report

Since 2009, Nauru has been part of Forum Island Countries peer reviews. This process has had a great impact on improving national planning and aid management capacities. As a result, Nauru has stronger leadership and is able to direct development partners more effectively towards greater alignment with the National Sustainable Development Strategy (NSDS).

Nauru has a strong commitment strengthening its financial management systems. In this regards Nauru has developed a Public Financial Management Action Plan with the support of ADB; installed a Public Financial Management System (FMIS) and is gradually rolling it out to line agencies; engaged a procurement specialist with the assistance from AusAID to develop a procurement policy outsourcing all government and SOE procurement; commenced publishing national accounts and balance of payment statistics; set up the Nauru Revenue Office; and is moving to sector wide programming.

To improve Nauru's governance of the NSCD, the Government has set up the National Development Committee which provide a mechanism for improved coordination and consultation for monitoring and evaluating policy and program implementation related to the NSDS budget and donor programs.

With the assistance of the AusAID and UNESCAP, Nauru has implemented operational plans, which are linked to the annual budget, across all line agencies. This will lead to a more rigorous and meaningful monitoring of Nauru's budgets and priorities.

The ADB and PRIF assisted Nauru with the development and implementation of the Nauru Economic Infrastructure Strategy and Investment Plan (NEISIP). As a result AusAID has included a new budget measure ñ Pacific Regional Infrastructure Facility which directs funding to power, water and infrastructure sector.

Nauru works closely with its key development partners through the Planning and Aid Division to maintain the relationships, provide progress updates and discuss bi-lateral arrangements pertaining to development funding.

I commend this review to PIFS and I reiterate Nauru's commitment to maintain its involvement in the peer review process as it has impacted positively on Nauru's development aspirations.

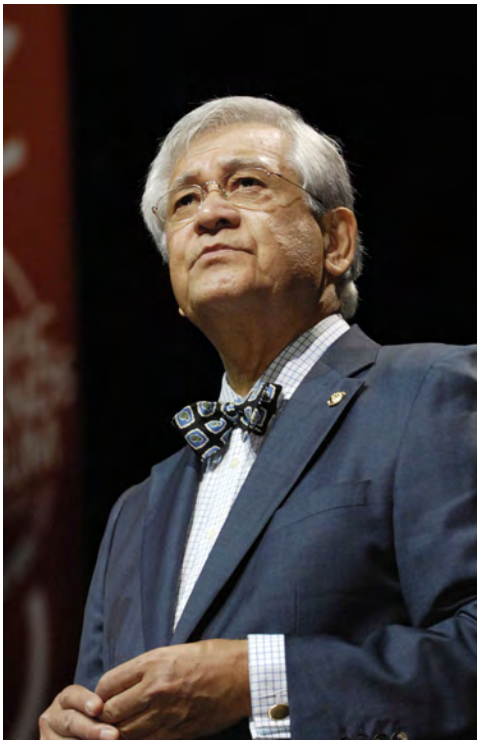
Sprent Dabwido

President  
Republic of Nauru

## REPUBLIC OF NAURU PRESIDENT'S MESSAGE



MESSAGE FROM  
THE SECRETARY  
GENERAL FOR THE  
PACIFIC ISLANDS  
FORUM  
SECRETARIAT



# BACKGROUND





## BACKGROUND

1. Forum Leaders agreed through the Cairns Compact in August 2009 that the Pacific Islands Forum Secretariat (PIFS) should establish and report annually to the Pacific Islands Forum on a process of regular peer review of Forum Island Countries' (FICs') national development planning and budget processes to:

- a. promote international best practice in key sectors;**
- b. improve effective budget allocation and implementation to achieve national development priorities; and**
- c. guide support from development partners.**

2. The objective of the peer review process is also to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

3. Peer reviews are an opportunity for mutual learning between FICs on the one hand and on the other their peers from other FICs and development partners about how best to address development challenges. The peer review process is intended to contribute to reinforcing country leadership in the establishment of national priorities, and enhance the capacity of countries to guide the use of development resources. It specifically does not include a review of the content of national and sector development plans, but concentrates on the process by which they are developed and by which the intentions of the plans are translated into action through annual planning, budgeting and the use of external support.

4. Given the relative newness of Nauru to planning and aid management, the peer review provided an opportunity for Nauru to identify how to avoid the mistakes of others and progress more quickly to establish systems and processes that promote effective planning, budgeting and oversight and leadership in the management of development cooperation.

5. The review team's terms of reference (Annex A) required them to consider:


- i. Nauru's current processes for developing national and sector plans,
- ii. the links between national and sector plans and the budget,
- iii. the ways in which development partners align to the priorities of national and sector plans and observe aid effectiveness principles, and
- iv. how national and sector plans are monitored and implementers are held accountable.

This report is structured around these four main headings.

6. The team were also required to make recommendations to the Government of Nauru and to development partners for improvements in processes. These are in the section headed "Conclusions and Recommendations". The final section addresses the requirement for recording wider lessons; it reflects on the conduct of the first peer review and considers improvements to future reviews.

7. The team had the benefit of a self assessment carried out two weeks before the review with the help of the CROP Sustainable Development Working Group, NSDS Partnership. This provided a description of current planning, reporting and financial management systems and its recommendations for future improvements were a useful starting point for discussions. The present report aims not to go over the same ground, but has developed some of the points in the self-assessment where the review's terms of reference required this, and has given the team's perspective on some of the recommendations.





8. The team also considered the Nauru National Sustainable Development Strategy (NSDS) 2005-2025, as revised in 2009, the October 2009 review of progress under the NSDS, and the 2009/10 budget. Substantive discussions were held with the Chief Secretary, the Department of Health, the Department of Education, the Department of Commerce, Industry and Environment and the Department of Transport as a sample of departments involved in delivering NSDS commitments, and with the Finance Secretary and the Minister of Finance. Meetings were also held with community leaders and national representatives of women's and youth organisations, the private sector, and non-governmental organisations.

9. In drawing up its recommendations the peer review team has tried not to cover everything that needs to be done to improve planning and development partner coordination, much of which is already well known, but to concentrate on actions which would help Nauru in the short term and which are not already part of the Government program.



# FINDINGS



### National and sector planning

**10.** Nauru's National Sustainable Development Strategy was conceived following a period of financial crisis and the political watershed of the 2004 election. It was not only Nauru's first national planning exercise, but also to some extent the means by which Nauru's government and people debated the future of Nauru in the transition from an economy in which the public sector could afford to provide for everybody to one in which expectations had to be limited and a greater degree of self-reliance was demanded of Nauruans.

**11.** The NSDS was produced with a high degree of consultation with communities, their leaders and representatives of non-governmental organisations. It was tabled in Parliament, where it received bipartisan support. More limited consultations were also held with community groups in the course of the 2009 revision of the NSDS. Inevitably not everybody feels that the consultation process was adequate.

**12.** It is clear that with respect to the 2009 consultation, some felt excluded, others considered that there was inadequate feedback to participants about how their views had been taken into account, and others that the consultation had not been clear about the basis on which it was being carried out and had led to expectations that the Government would fund community level projects. Community leaders and non-governmental organisations generally commented that the consultations should have been followed up with a more consistent engagement with the non-government sector about how communities and organisations could play a role in implementing the NSDS, and could have generated a better understanding of roles and responsibilities in the delivery of activities at community level. This is not a matter on which there is general agreement between the Government and community groups.

**13.** However the review team concluded that as a result of consultation and subsequent communications, the NSDS had high brand recognition within the public service and broader community. It is used during question time in Parliament, and some in the non-government sector see it as a legitimate tool for calling Departments to account. The 2009 review was a valuable initiative that allowed progress to be reviewed in a transparent way and for strategies and objectives to be adjusted and gaps filled. The review also focused on improving the measures and metrics that would be relied upon to gauge performance and success in implementation of initiatives, thereby positioning Nauru for better monitoring and evaluation.

**14.** In the DPPD/AMU the Government has established a clear point of responsibility for the overall quality of the NSDS, its communication inside and outside Government, and the consistency of policy, planning and expenditure with the Strategy.

**15.** The NSDS covers most areas of Government expenditure included in the 2009/10 budget. It is therefore a comprehensive picture of what Nauru intends to do with its public resources. The Strategy is based on sectoral strategies which have short (2012), medium (2015) and long (2025) term milestones describing largely measurable outcomes. Each sector also has a set of Key Performance Indicators (KPIs). While the KPIs appear to have arisen from discussions with line Departments, it is not clear that everyone regards them as the best or a minimum set of indicators, or that data on them is available to set baselines or are being regularly collected. It should be borne in mind that the KPIs were only introduced in the 2009 review, so it is early days for them to have been entrenched. This has implications for the effective monitoring of the NSDS which are discussed on the next page.





**16.** The gap between the strategies set out in the NSDS and the milestones is intended to be filled by sector strategies for larger Departments and annual operational plans linked to the budget for all spending units. The Chief Secretary's Department is also working with spending units to prepare corporate plans and annual reporting linked to their obligations for delivery under the NSDS. This is a relatively new requirement and there is little precedent to guide current public servants, so in a public service of only 1300 people this is a substantial set of tasks. Departments which have external assistance unsurprisingly manage the demand better - so, for example, Education, Health, and the Chief Secretary's Department have corporate plans (the target is for all Departments to have them in the course of 2010-2011). Education has a five year sector plan, Health has developed its five year Strategic Plan up to the point of public consultation and Fisheries are developing theirs. Elsewhere the review team noted that there was still considerable work required at line agency level to develop sector and operational plans to ensure a full understanding of the implications of the NSDS.

**17.** As noted in the self assessment, there are variations in the content and format of sector plans. The education plan predates the revised NSDS and is not organized around NSDS strategies or milestones. The draft health plan combines strategy and operations, and contains a set of key performance Indicators that go wider than the NSDS set. Variation need not be a problem as long as the basic accountability system is the same for everyone, i.e. that it is clear.

- Why Departments implement activities and how these will lead to achievement of NSDS milestones;
- What Departments are required to report on and when;
- To whom they are accountable; and
- How their reporting will allow judgements to be made about progress to NSDS milestones.

**18.** However, variation does mean that Departments setting out on their planning processes do not have clear models to follow.

**19.** Although there is some interest in medium term expenditure forecasting to keep Departments focused on outcomes, not just the current year's inputs, in practice a degree of budget stability is required to motivate such planning. In small aid dependent economies with fluctuating non-aid incomes (the aid recorded in Nauru's budget in 2009/10 is 54% of the total budget, and it is estimated that other aid received in kind is almost as much again) there are real difficulties in implementing a national strategy in a measured way against medium term targets.

**20.** Even small amounts of revenue shortfall can derail important social and economic outcomes. The predictability and sustainability of development partner support, the consistent focus of external support on Nauru's priorities, and development partner commitment to mutual accountability for outcomes, become especially important. Development partners in such circumstances have an important role in helping the Government by making future allocations transparent and sticking to them. This would encourage confidence within the public service in the achievability of medium term targets.

**21.** Strategic plans and NSDS milestones do not have costs attached. The point at which plans are costed is during the annual budget process - in effect, spending units decide how much of their plans are affordable each year in the light of budget constraints. This is a





response to Nauru's current fiscal situation, but underlines the difficulty of managing a coherent national development plan in the face of fluctuating revenues. The main sources of non-aid income, phosphate sales and fisheries licences, are subject to movements beyond Nauru's control. The global economic crisis has had a serious impact on Nauru's income through lower prices for phosphate. Already tight fiscal limits mean that there is little room for manoeuvre when revenue forecasts have to be adjusted in year, or when unexpected expenditures arise.



**22.** A second challenge to the achievability of the NSDS which is well recognized within the Government is lack of capacity in personnel and systems. There are measures within the NSDS to improve the performance of the public service, including reviewing personal accountability and reporting systems. The Chief Secretary's Department will shortly bring forward amendments to the Public Service Act to allow the introduction of incentives for performance.

**23.** For the purposes of implementing the NSDS, the most widely recognised gaps are in developing and modeling good management and in introducing management accountability for results. The NSDS covers the need to review and reform financial management legislation, regulation and policy and to produce Government financial statements. Current systems are weak; Nauru's own assessment is that the reconciliation, accuracy and updating of financial accounts continues to be a problem and that the ability to track project progress and account for funds is severely constrained<sup>1</sup>.

**24.** Priorities for action already within the Government's action plans include automating government accounts, making bank reconciliation routine and modernising the Financial Instructions. There is no financial delegation. Payments are centralised in the Department of Finance, and the national budget is approved by subhead and cannot be changed without Cabinet approval. While there are good reasons for this level of control, at least one line agency expressed concern about the efficiency of the processes for transactions and reallocations within the financial system.

**25.** Nauru is to undertake a Public Expenditure and Financial Accountability (PEFA) assessment later in 2010.

**26.** Information is available to an extent to inform policy decisions. The Bureau of Statistics was recognised as a priority in the 2009/10 budget which created two new positions. Nauru had a Household Income and Expenditure Survey in 2006 and a Demographic Health Survey in 2007. Both underlie the education and health strategies, and in particular the push on public health and prevention of non-communicable disease. Both the education and health Departments have information systems that help to track high level outcomes as well as to provide management information. However, coordination with the Bureau of Statistics could be improved (the Health Department has since established a National Health Information Committee with representation from the Bureau of Statistics and other departments).

**27.** The NSDS includes key performance indicators against each goal but it became clear during the peer review that there is only limited understanding of what baseline data already exists for many of the KPIs. It is a recurrent problem with performance indicators

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<sup>1</sup> Although a lot of work has been done on overall public accounts recently and Nauru will produce accurate public accounts in 2010-11 for the 07-08, 08-09 and 09-10 years.



for national strategies that nobody owns them or is responsible for collecting and disseminating data. Nauru has in its Bureau of Statistics a resource to help line Departments review KPIs for availability of data and appropriateness, and it should be used.

**28.** The Bureau of Statistics faces increased demands for its services at a time when its resources are tightly stretched. Its work program for 2011 looks ambitious and could usefully be reviewed to ensure that the Department is collecting only the most strategically important data for policy formulation. Where line Departments undertakes specialized surveys (e.g. DHS) the Bureau of Statistics can play a coordination and oversight role. Development partners can help by including in their provision for information collection an element to cover the contribution of the Statistics Department.



# LINKS TO THE BUDGET





### 3. LINKS TO THE BUDGET

**29.** Unlike some Pacific Island countries, Nauru has a unified budget covering investment and recurrent costs, and all development partner expenditure that flows through Government accounts (a substantial proportion of total aid flows) is included in the budget. This in principle allows the Cabinet and Parliament to see the overall pattern of expenditure and to relate capital investment to recurrent cost requirements. However, development partner expenditure is shown in the budget papers as revenue and expenditure without any further details, making it difficult to know how it complements expenditure financed from domestic revenues.

**30.** The NSDS is the reference document for the budget statement and is used to judge new expenditure proposals. The Department of Finance sees the NSDS as a way of managing budget discipline; it recognises that the degree of DPPD/AMU involvement in the shaping of new budget proposals before they go to Cabinet has varied over the years, but will use the 2010/11 budget process as the basis for a more consistent involvement. The discipline of consultation with DPPD/AMU could usefully be applied to all Cabinet submissions whether or not they are part of the annual budget process. Nauru is pursuing the idea of the National Development Committee described in the NSDS to act as a forum for consistent appraisal of new proposals and so to relieve the burden on Cabinet. This idea is dealt with further in the section on monitoring below.

**31.** Departmental Budgets are made up of a baseline (broadly, their revenue from normal operations, their running costs and aid funds from previous years) and new project proposals. The latter are mainly, but not exclusively, dependent on the availability of development partner funding. As well as being financially sound, new proposals need to be justified in the annual budget process in terms of their contribution to NSDS and Departmental priorities and of the Department's track record of achievement in project delivery. Only after approval of the Budget by Cabinet and Parliament do new proposals go into Departmental plans or to development partners (although the procedures for doing so may need review - AusAID reported several weeks delay between approval of the budget and receipt of the proposals for which they were being asked for money). This is a fundamental procedure for budget discipline which in principle is consistent with best practice elsewhere in the Pacific.

**32.** However, the system is not watertight, and there is scope for bypassing procedure through direct agreements between Ministers, Departments and development partners. DPPD/AMU does not at present have a complete picture of what aid proposals are bypassing agreed procedures. If this could be documented, Nauru would be in a better position to determine whether its internal procedures need tightening or whether development partners need clearer guidance.

**33.** These budget requirements and the role of the Department of Finance are helpful building blocks in ensuring overall expenditure discipline and that the intentions of the NSDS are translated into budgets and into action. However, the underlying split in the budget between domestically financed and aid financed expenditure leads to the risk of a dual form of accountability: on the one hand to the Government for domestically financed expenditure which is tightly controlled through approval at sub-head level (a system which encourages concentration on inputs), and on the other, for aid financed expenditure, to development partners who are interested in outputs and outcomes. There is at present nowhere in the budget system where the responsibilities of Departments for NSDS outcomes are brought together with the resources they have been given and their reporting obligations (see Box 1 for Cook Islands experience).



### Box 1. Planning and aid integration in the Cook Islands

In 2007, the Cook Islands launched 'Te Kaveinga Nui', a long-term visionary framework which is supported in the medium term by the National Sustainable Development Plan 2007-2010 (NSDP) that articulates the country's national development goals, strategies and strategic targets. Prioritization and costing of the NSDP happens on an annual basis through the Budget Policy Statement and the budget process. Annual business plans submitted during the budget process provide justification of total resource allocation and a means of measuring financial and performance accountability on a six-monthly and annual basis.

Most development partners have developed joint country strategies/partnership agreements with the Government of the Cook Islands with a program rather than project approach based on the achievement of the goals of the NSDP.

The Cook Islands, like a number of Pacific Island countries including Tonga, is currently developing a medium term budgeting framework to ensure more predictability of expenditure (both local and donor) and a better alignment of resources to national priorities.

34. Nauru's self assessment report suggested consideration of output based budgeting. This may be something that the Government wants to consider in the context of its PEFA assessment later in the year, when that assessment looks at policy based budgeting. There are examples of Pacific countries having adopted the system; however, given the many other necessary improvements in Nauru's financial systems, the review team would urge caution in pursuing this idea. Simpler means of promoting accountability for results are discussed in the section on monitoring and these could be seen as the building blocks towards a more comprehensive multi-year budget framework which is constructed around outputs.

35. Although not strictly a matter of public expenditure, one area where the intentions of the NSDS are not being translated into the availability of money is in the non-government sector. Some communities appear to be better than others at accessing funds for grass roots schemes. But non-government organisations in general have weaknesses in their governance arrangements and in their ability to articulate proposals for funds which may be available from development partners. It appears that there are also problems for Departments in providing adequate outreach, and in determining the division of responsibility between themselves and community groups for managing projects.



# DEVELOPMENT ASSISTANCE





## 4. DEVELOPMENT ASSISTANCE

36. Representatives of 23 development partner agencies attended Nauru's Development partner Round Table meeting in November 2009. 27 agencies are recorded in DPPD/AMU's briefing as providing assistance to programs in the current NSDS (which means that Nauru has more donors than doctors). Not all require consistent attention, but this is still a considerable burden for a small administration and at this scale, questions of development partner observation of aid effectiveness principles become very important.

### 4.1 Volume and distribution

37. Aid to Nauru has grown rapidly in recent years. Development Assistance Committee (DAC) statistics show aid from DAC members and multilateral sources rising from US\$17 million in 2006 to US\$31 million in 2008. Grants appearing in Nauru's budget (which are not the same as total aid flows) have risen from A\$12 million in 2006/7 to A\$31 million in 2009/10.

38. Despite the large absolute number of development partners, in practice Australia, Taiwan, New Zealand, the EU and Japan provide the core of Nauru's aid funding (because Nauru does not currently track the costs of donor assistance provided in kind it is difficult to give a precise proportion). At the other end of the scale are international funds such as the Global Environment Fund, UN agencies and Pacific Regional agencies who contribute a much smaller proportion of aid volume divided into small allocations.

39. Australia, New Zealand and the EU have long term agreements covering their aid to Nauru. Australia has signed a partnership agreement which commits Australia to backing the strategies of the NSDS and embodies mutual accountability for results in selected areas (public administration, education, health, infrastructure and energy and private sector led growth). New Zealand has a memorandum of understanding covering a medium term commitment to education, and the EU has a National Indicative Program under the 10th European Development Fund for which the focal sector is water and energy.

### 4.2 Development partner coordination

40. Only two development partners (Australia and Taiwan) have resident representation. The UN will have an office shortly providing a contact point for the activities of all UN agencies. Arrangements for coordination are ad hoc in practice and in principle. The two resident representations have occasional meetings with each other, and there are bilateral contacts when representatives of other agencies visit Nauru.

41. Nauru is new to the management of development assistance. DPPD/AMU is the main contact point for development partners, but with many other responsibilities the time available for development partner coordination has been minimal. One of its major outputs was the recent Donor Round Table meeting. Such meetings are helpful in setting out Nauru's progress and strategies, and in sensitising development partners to aid management issues and procedures. However, coordination also needs to happen in smaller groups and more often than every two years, in formats which allow Nauru and its main development partners to discuss frankly financing and performance issues and obstacles to the implementation of development strategies.. One format which Tonga has found useful is a quarterly telephone hook up with Australia, New Zealand and the two multilateral development banks (although this may not be transferable to Nauru because fixed telephone links are poor).

42. Each development partner has separate arrangements for regular aid negotiations. Australia, for example, will hold annual talks under its Partnership arrangements. There appear to be no arrangements for regular joint development partner missions or shared analytical activities, except for close collaboration between Australia and New Zealand on support for education.

43. DPPD/AMU maintains a database of aid activities in Nauru, but does not always have the information to keep it up to date. It does not have full information on current and past year disbursements of aid that is provided in kind and does not pass through the budget, and its involvement in pipeline discussions between line Departments and development partners is patchy, leading to an incomplete picture of forward plans.

44. DPPD/AMU estimates that there is at least one development partner mission to Nauru every week. This includes visits from the UN and Pacific regional agencies who have established relationships with line Departments. While these are often related to strategic activities which may be of significant value to the Departments concerned, there is at present no central oversight of the costs and benefits to Nauru as a whole from these contacts. There is no routine mechanism to ensure that DPPD/AMU is consulted as part of development partner missions.

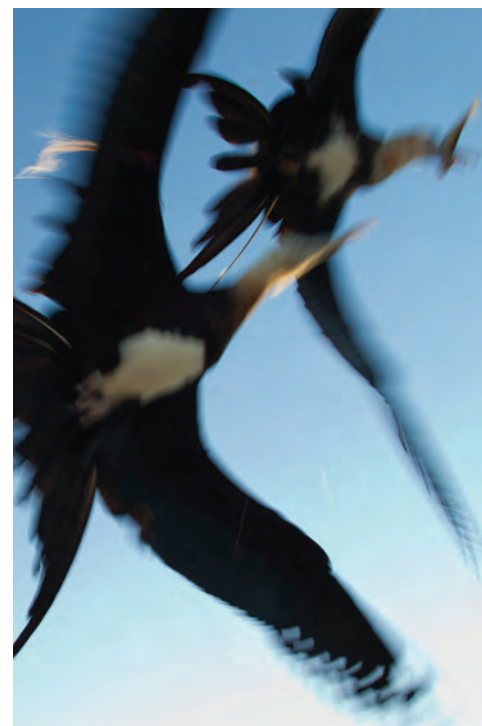
45. The team came across one example of duplication by development partners (over support for aid coordination). Time did not permit extensive examination of the aid portfolio for others, but the fact that seven development partners are listed by DPPD/AMU as being active in the water sector suggests at least the potential for confusion over respective contributions.

46. Experience from other developing countries is that leadership leading to improvement in coordination and influence over development partner programs comes from a central agency with a clear mandate to make aid work better. In Nauru's case DPPD/AMU is the appropriate agency. The NSDS recognises the need for it to have increased capacity in terms of staffing and policy, project appraisal and strategic planning skills. Australia's current support for a Deputy Secretary post in the Division recognises its key role. DPPD/AMU is already restructuring to provide more effective coverage of its planning and aid management functions. The challenge will be to keep abreast of enough information to be able to make the important recommendations to Ministers about aid management without collecting data for its own sake or micro-managing all development partner relationships. The review team suggests that the important things to track in the short term are:

- Total past and forecast expenditure by at least core development partners (trying to get complete coverage may not be necessary in the short term)
- Numbers and type of development partner missions (to judge the overall burden on the Nauru administration)
- Pipeline proposals (to ensure that line Departments and development partners are aware of screening requirements for expenditure proposals and to discourage duplication)

### 4.3 Alignment and use of country systems

47. Development partners consider the NSDS to be a useful high level guide for future development in Nauru. However, it contains a broad set of strategies and although it may guide the choice of interventions by development partners, national plans do not normally



in themselves direct development partners to specific priorities or to particular ways of doing business. In general, development partners looking to align themselves with a country's own plans place greater value on the sector planning processes that better define specific interventions, proposed outputs and outcomes and key performance indicators. It is no coincidence that the areas where sector planning is most advanced, namely education and health, are also those areas where major development partners are considering changes in the format for their support.

**48.** For the present the main modality used is project support. Where there are more effective sector and operational plans, development partners operate a mix of project and program support, paying through Government of Nauru accounts for line items in operational plans which are accounted for separately. But in the absence of effective sector plans in most departments, it is difficult to judge how much development partner projects are driven by Departmental priorities or what the effects are on the administration of managing the projects. The Department of Commerce, Industries and Environment, for example, has new aid funded project proposals totaling \$1.8 million in the 2009/10 budget. This amount is divided between four development partners - Taiwan, SOPAC, SPC and UNDP - all of which require separate accounting and the last three of which at least require different forms of reporting.


**49.** Taiwan is exceptional among development partners at present in providing part of its annual aid allocation (\$1.62 million of its \$11.69 million allocation for 2009/10) as general budget support. Other payments made by Taiwan in respect of government debts are also in effect budget support. The EU and Australia are committed in principle to general or sector budget support, but the length and nature of the transition is not clear to Nauru.

**50.** Use of Nauru's national systems is variable. As noted above, a high proportion of aid is on budget and follows Nauru's budget procedures. Some \$31 million is shown in the 2009/10 budget as being channeled through Government of Nauru accounts, demonstrating that national financial management systems are used extensively already. Development partners also manage projects using their own systems. UNDP, for example, uses the national execution modality but given Nauru's capacity constraint, support with some aspects is provided by agencies. Taiwan's agricultural programs are directly managed by the resident mission. Large capital projects, such as the Nauru Secondary School, are directly managed, as is usual for such investments. There appears to be scope for a greater common approach to using Nauru's procurement systems: Australia accepts them for expenditure channeled through Government accounts, but other development partners use their own tendering arrangements.

**51.** Technical assistance from Australia (which provides the bulk of long term TA in Nauru) is jointly planned and procured, with Nauruan representation on interview panels. Costs of TA are transparent, allowing Departments to make informed choices about accepting it. The Chief Secretary's Department, however, believes that there is still some way to go in integrating technical assistance into overall policies for recruitment, staff management and localisation in the public service. Operating in project mode, development partners can cause real distortions in the labour market - the Department of Finance reported a case of a technician on a donor project being paid more than senior personnel in the Government.

**52.** Predictability of aid is improving. Australia is moving from a system of annual aid negotiations to a partnership providing for multi-year commitments supporting five focus





areas, backed by annual evidence based reviews of progress towards NSDS objectives. New Zealand has set a forward program of commitments to education. The EU continues to offer predictable financing commitments under successive European Development Funds. There are more informal understandings with other development partners. The fact that commitments are shown in the 2009/10 budget as unchanging in future years suggests that there is still some way to go in turning improved intentions into firm plans backed by Nauru's own medium term planning.

#### **4.4 Transitions to new forms of aid**

**53.** As noted above, two of Nauru's major partners, Australia and the EU, have signaled an intention to move to more long term and flexible forms of aid as Nauru's own systems improve. Both have to manage, with Nauru, a moving aid relationship. Changes in the way that Australia gives aid under the partnership with Nauru depend on agreement sector by sector of implementation strategies which will define how Australia will support the achievement of sector strategies. And any move towards greater use of Nauru's systems depends on strengthening those systems.

**54.** However, Nauru is caught between its inability to manage current procedures and its inability to drive the move towards forms of aid which it can more easily absorb. For example, the failure to reconcile the AusAID imprest account led to AusAID suspending 2009-10 year payments into the account until the 18 December 2009, leading to significant delays in expenditure. In the same vein, the EU is offering Nauru technical assistance to help the country comply with the reporting, tendering and financial management requirements of the EDF which it does not believe that Nauru has the capacity to carry out at present. Both development partner actions are understandable in terms of safeguarding aid funds, but neither takes further the negotiation on priority actions for Nauru in reforming its public financial and aid management which might be met by corresponding changes in development partner requirements. If technical assistance is provided, it seems more effective for the EU and Australia (and possibly New Zealand) to agree to a common program of capacity development which will help Nauru with its reforms rather than to meet particular external requirements.

**55.** In short, there is a case for development partners in transition to more flexible forms of aid to work with each other and with Nauru to accelerate the transition while giving Nauru a greater focus on essential reforms. For Australia this will also mean defining its new approach under its Partnership agreement through implementation schedules as soon as possible.

**56.** The greatest returns are likely to come from working with development partners who are planning to change their modalities. Others who may have less flexible approaches, and smaller funding agencies, can be brought into common arrangements as they develop.





MONITORING THE NSDS







## 5. MONITORING THE NSDS

57. The 2009 review of the NSDS was itself a significant monitoring exercise, with progress recorded against each milestone (however, for reasons explained elsewhere the review did not appear systematically to use the performance indicators (KPIs) to monitor progress). The results of the review were used to draw up new milestones, to delete or amend strategies, and to give greater profile to emerging high priority issues identified as essential to the achievement of NSDS targets, particularly provision for youth and the need for clarity in land policy.

58. Routine monitoring of the NSDS has yet to be institutionalised. This will require the introduction of a point of accountability for results which does not at present exist in the public service. As discussed earlier, the incentives to be accountable operate at different levels for domestic and aid financed expenditure – the challenge is to bring them together in a system of accountability to the Government and people of Nauru which enables meaningful judgments to be made about progress against national targets.

59. **Nauru’s own plans for instituting accountable monitoring are set out in the NSDS. They involve:**

- the re-establishment of a National Development Committee (NDC) that will have the dual function of scrutinising new expenditure proposals before they go to Cabinet and of monitoring progress;
- the evolution of the current Annual Report on the public service into a fuller Annual Development Report, for which the primary audience would be the NDC, the Cabinet and Parliament.

60. The terms of reference for the NDC were being considered by Ministers at the time of the review team’s visit and were not available for review. However, the main lines of its function and composition were set out in the self-assessment. Three main roles were discussed during the review visit:

- i) imposing a common financial and planning discipline on all new expenditure proposals on their way to Cabinet.** For this to be effective the committee will need clear standards, and members will need to be able to act beyond Departmental interests for the implementation of the NSDS as a whole. For the Cook Islands, a more effective solution for a lack of common discipline has been found to be the strengthening of Cabinet submission procedures (these were shared with DPPD/AMU during the visit).
- ii) lightening the workload of Cabinet.** This will need definition of the degree of delegation to be allowed to the Committee either to approve proposals up to a certain limit (as is the case for a similar Committee in Tonga) or to demand changes before Cabinet submission, or both.
- iii) providing a forum for monitoring and evaluation.** This requires a sense of accountability for performance and adequate levels of information. The accountability should shape the information flow over time, and it is important to establish the questions the Committee will be asking before investing a lot in a reporting regime.

61. DPPD/AMU has studied other models in the Pacific and drawn from them elements it believes will be appropriate for Nauru (see Box 2 for Tonga’s experience). The intention of the Department of Finance is to start with the coordination function (ie the scrutiny of spending proposals) and to move over time to the monitoring and evaluation function.



### Box 2. Putting national plans into practice in Tonga

The Government of Tonga is finalising the National Strategic Planning Framework (NSPF) which identifies a limited number of national or whole of Government priorities for the next 5 to 10 years. Two main committees play a role in the mechanism for project and aid coordination and ensuring that resources are aligned to national priorities. The Expenditure Review Committee (ERC) is chaired by the Prime Minister. It includes senior Ministers and develops the overall policy direction for all government expenditures including donor funds. The Project and Aid Coordination Committee (PACC) reviews and considers recommendations on all development projects to be funded by development partners, and has delegated power to approve smaller expenditure proposals. The PACC is chaired by the Minister for Finance & National Planning and members comprised selected Heads of Departments (HODs) or CEOs. This system recognises that Ministers have the final say over major proposals while allowing a lower level committee to take some of the load.

62. Operating coordination and reporting systems in a small administration is not easy. In the Cook Islands, for example, the secretariat for a body equivalent to the NDC takes one full time post and it is difficult to get all the membership together for a meeting. Reporting is only of value if common monitoring and reporting standards apply across the Government so that meaningful conclusions can be drawn from the evidence. And expectations of what the system will provide need to be managed across all stakeholders (including development partners).



# CONCLUSIONS AND RECOMMENDATIONS



## 6. CONCLUSIONS AND RECOMMENDATIONS

### 6.1 National and sector planning

63. Nauru has come later than most Pacific countries to national and sector planning, and has come a long way in a short time. The NSDS is a comprehensive plan, recently revised. It was put together through a consultative process and obtained bipartisan support. It is widely referenced within Government and enjoys high brand recognition within and outside the public service. It is now more important to put resources into implementing it through detailed operational planning and budgeting and developing an effective monitoring and evaluation regime than into contemplating another revision. The review team considers that the proposal contained in the self assessment to revise the NSDS every two years as an input to the Donor Round Table should be reconsidered; in principle there should be no need to set a date for another revision now.

64. Effective use of resources by departments, and changes in development partner behaviour, will be primarily driven by operational and corporate plans. Those which have been prepared represent a major step forward. Operational plans have not adopted a common format in which the links to the NSDS are readily identifiable. This need not matter provided that there are common accountabilities (see below). There is a timetable for all Departments to have operational and corporate plans, but those without substantial external support will struggle to meet it. Shortening the process and getting at least most Departments to the same level would have benefits for a monitoring and evaluation regime and for the management of development partner relationships.

#### Recommendation 1

That the Government review the level of resources available to DPPD/AMU and the Chief Secretary's Department to develop templates for operational and corporate plans and assist Departments to prepare them by July 2011, and request additional technical assistance if required. Operational plans should consider, among other things, the costs and benefits of current relationships with development partners and regional organisations to ensure that what is being offered is directly aligned to departmental and national priorities.

### 6.2 Costing of strategies

65. Neither the NSDS as a whole nor the strategic or operational plans produced to date are costed. Medium term financial planning would be a major investment for Nauru in changing practices and expectations in the public service. But in the long run it would help Nauru's case with its development partners, as well as its own planning, if it were able to say what it would cost to deliver its major strategies up to 2012 or 2015 (the milestone dates in the NSDS). This process will have to be undertaken step by step according to capacity in each sector. One useful starting point might be costing and prioritising the major infrastructure requirements of the NSDS as the basis for a dialogue with development partners about the realism of this substantial part of proposed expenditure under the Strategy.

#### Recommendation 2

That the Government seek assistance from the Pacific Regional Infrastructure Facility to cost infrastructure proposals and develop a programmatic approach to funding and implementation.



### 6.3 Involving the non-government sector

66. The non-government sector had an opportunity to be involved in the shaping of the NSDS. But continuing the involvement of non-government organisations and communities in the implementation of national plans is a significant challenge for all developing nations. Coming to an understanding about the relative roles of Government and non-government organisations and communities in managing grass roots activities, and allocating staff time to follow up agreements with communities, are difficult. And the non-government sector is itself not a single entity with common views.

67. In the long run closer relations will require Government to develop its policies for managing relationships with the non-government sector. But in the shorter term the review team considers that one practical way of enhancing non-government organisations' and communities' engagement in the delivery of the NSDS is to improve their ability to organise themselves and to access the funds that are available from Government and development partners. There is experience available from other Pacific countries on which Nauru could draw with external support. Similarly, other Pacific Island countries have developed structures for working relationships between Government Departments and the non-government sector which may provide models for Nauru.

#### Recommendation 3

That the Government request technical assistance to develop and implement a program of capacity development and community level delivery, and proposals for structured dialogue between Government and the non-government sector, drawing on experience from other Pacific Island countries.

### 6.4 Monitoring the NSDS


68. The proposed National Development Committee has been the subject of a good deal of planning, and is strongly supported by development partners. As it moves towards establishment, it is important to be clear what problems it is intended to solve, and how they will be dealt with in its procedures.

69. From the review team's observations, possible obstacles to the effectiveness of the proposed monitoring and reporting mechanisms include:

- a lack of common expectations among stakeholders of what the NDC will achieve;
- potential for repeating the weaknesses of the previous NDC;
- uncertainty as to who is responsible for drawing together the body of information required by the Key Performance Indicators;
- the current rate of coverage of operational and corporate plans. In the short term reporting against these will be the only means of measuring progress, given that the first milestones in the NSDS are for 2012, and many of the KPIs measure medium to long-term change;
- current low rates of compliance with reporting regimes (eg with the requirement to report quarterly against new project proposals).

70. The main element in success will be ensuring that the NDC is seen as a legitimate part of the planning and monitoring function of Government, with consequences for bypassing it or not participating in performance assessment processes. This will depend in turn on support from the top levels of Government.





71. The proposed reporting structure in the NSDS, in which Ministry reports and development partner reports feed into an Annual Development Report is logical but looks demanding in the light of current practice and resources. It may be more efficient to operate in the first instance on the basis of oral reporting by Heads of Departments to the NDC. The NDC could produce a report based on these meetings for development partners and for communities without going to the lengths, at least in the first instance, of compiling a formal annual report from the inputs of the whole of Government.

72. Experience elsewhere in the Pacific (for example, in the monitoring of Fiji's first strategic development plan) is that Departments find it easier to report on tasks or inputs than to account for progress towards high level targets, and that monitoring can get bogged down in detail without being able to draw overall conclusions. Through discussion with Departments, the DPPD/AMU as Secretariat and the NDC itself can lift expectations of Departments' reporting responsibilities and short-cut onerous written reporting for which the public service has little capacity. The DPPD/AMU will need to develop its own monitoring and evaluation capacity to ensure that a focus is maintained on results in preparations for, and during, NDC meetings.

#### **Recommendation 4**

That the terms of reference for the NDC make it clear how it is intended to improve on current arrangements and the performance of its predecessor Committee, what it will do when, and how it will establish accountability for results; that the terms of reference be communicated and explained to development partners to establish expectations from the start; and that the intentions contained in the terms of reference, and the management load on the DPPD/AMU, are monitored and reported on by the Secretariat.

#### **Recommendation 5**

That the proposal for an Annual Development Report made up of inputs from across Government be reconsidered at least for the first year in favour of a short report based on discussions between the NDC and heads of Departments.

### **6.5 Coordinating development partners**

73. Donor Round Tables are a valuable initiative but do not substitute for regular structured contacts with key development partners. Regular meetings convened by DPPD/AMU would encourage common approaches among development partners and allow emerging issues of mutual interest to be dealt with more quickly.

#### **Recommendation 6**

That DPPD/AMU convene quarterly meetings with its core development partners; this may require a development partner to facilitate conference calling.

### **6.6 The central role of DPPD/AMU**

74. DPPD/AMU does not at present have sufficient information about development partner visits or program pipelines to make a judgment about the overall burden on the administration of servicing development partner relationships or to exercise its role of coordination, avoidance of duplication, and enforcement of Government procedures.



## **Recommendation 7**

That DPPD/AMU use their normal contacts with Departments to record as far as possible visits by development partners and international and regional organisations as the basis for discussions with these agencies about rationalisation; and that development partners ensure that their missions are notified to DPPD/AMU and debrief them on departure.

### **6.7 Forms of aid**

75. Nauru receives aid in varying formats, ranging from very flexible payments by Taiwan to small projects with detailed reporting requirements. Not all approaches can be changed overnight. Nauru may have something to gain in the short term by concentrating its discussions on aid modalities with Australia and the EU and encouraging both to work together on common milestones for a transition to more flexible forms of aid. The forthcoming PEFA assessment provides an opportunity for development partners to agree with Nauru on a set of priority public financial management reforms beyond those already in the Government's program and to link this with their own assessment of risk in Nauru's systems.

## **Recommendation 8**

That Australia and the EU work with Nauru and together to accelerate the transition from current forms of support to budget support, in ways which look at public financial and public service systems in Nauru as a whole.

## **Recommendation 9**

That all development partners agree to use the PEFA assessment and any public financial reform program arising from it as the basis for the provision of funding and technical assistance to improving Nauru's systems and using them increasingly over time; and that the Government of Nauru convene a public financial management working group with interested development partners to discuss and track a reform program.

### **6.8 Statistics**

76. Good statistics are essential to tracking the implementation of the NSDS, and the Bureau of Statistics has a key role in delivering them alongside line Departments.


## **Recommendation 10**

Development partners should ensure that all support to line Departments which includes information management or data collection is coordinated with the Bureau of Statistics and makes provision for the participation of the Bureau.

### **6.9 Lessons Learned from the Peer Review Process in Nauru**

77. The peer review of national development planning processes in Nauru is the first of its kind in the Pacific. The peer review process combined aspects of established peer reviews carried out under the auspices of the OECD's Development Assistance Committee (DAC) and Guiding Principles (developed by the Pacific Islands Forum Secretariat). Central to the development of the peer review process was the direction provided through consultations with Forum member countries in conceptualizing what the peer review process set out to achieve and its added value to the existing review mechanisms of national development planning and aid management processes.





**78.** The peer review process led to two key outputs; a self assessment of national development planning processes and the peer review report itself. In essence, the self assessment provided the equivalent of a status report on the extent to which national planning processes were inclusive and linked to resource and budget allocations and the extent to which development partners linked their interventions to supporting the achievement of the national development plan priorities.

**79.** Given that this was the first peer review, some aspects were more successful than others. The following provides reflections on some key lessons learned to guide future peer reviews in other FICs.

### **6.10 Country ownership & peer review composition**

**80.** The centrality of country ownership of the peer review process is fundamental to its success. The identification of the government focal point is a crucial first step to facilitating in-country preparedness and awareness of what is required in the peer review process. The focal point becomes the reference for all communication but in particular to facilitate and finalise in-country the Terms of Reference for the self assessment; the Terms of Reference for the Peer Review; logistical arrangements for peer review consultation and; confirmation of the composition of the peer review panel.

**81.** The role of the Secretariat is to facilitate the engagement between the host country and its peer reviewers. To this end and drawing from the Nauru experience, the Secretariat should develop some clear guides on the criteria for selection of peer reviewers. Some considerations include: senior level representation (either from government, non-state actors or the private sector) endorsed by their official contact; the Secretariat in consultation with the host country endorse the peer review panel and; peer reviewers demonstrate practical understanding of national development planning and aid coordination processes.

### **6.11 Self assessment**

**82.** The self assessment provided some foundational guide on the key areas to build on during the peer review consultation. Its fundamental purpose was to present a “status” report on the national planning and aid coordination processes. While technical assistance was helpful in guiding Nauru’s self assessment process, it is a process that in the future should encourage countries’ own capacity to reflect on their own situation. It is equally important that the structure and content of the self assessment report itself becomes an enabler to the peer review process to achieve its intended outcome and make recommendations based on knowledge sharing and lessons learned and that it does not duplicate the peer review.

**83.** In preparing for the next round of peer reviews, PIFS should consider the following options:

- i) the self assessment process should be voluntary for countries being peer reviewed; where countries choose not to do it, an extended briefing with the peer review team will allow self-reflection to happen
- ii) if countries being peer reviewed choose to do a self assessment, they should consider carefully whether they need external support; if external support is sought, the self assessment should still be unequivocally the Government’s own statement





### 6.12 In-country preparedness

**84.** A considerable effort was taken by Nauru in preparing for the peer review process. The early appointment of a focal point within government eased the facilitation and awareness of country stakeholders of the process. Overall logistical arrangements prepared through the Aid Management Unit proved a key factor in the smooth running of the first peer review. These arrangements included;

- i. Appointment of government focal point and preferably within national planning ministry/department to lead the peer review process in-country.
- ii. Focal point to facilitate endorsement of Terms of Reference (peer review, self assessment) and composition of peer review panel with relevant Ministry Secretary/CEO; in the case of Nauru, ministerial approval was sought.
- iii. Stakeholder briefings by focal points on peer review and self assessment process - provision of the Terms of Reference; confirming schedules for consultation with the peer review panel.
- iv. Identification by focal point of in-country expertise for the self assessment (local consultant).
- v. Language (interpreter) support necessary (and provided in Nauru) for some of the stakeholder consultations.

**85.** Administrative arrangements which included transport, access to internet and office space was also provided. It is anticipated budget costings for the peer review would include in-country administrative costs. These are costs to be considered in consultation with the Pacific Islands Forum Secretariat (PIFS).

### 6.13 Peer review team preparedness

**86.** The peer review team included country representation from Tonga and the Cook Islands with development partner representation from the United Nations Development Programme (UNDP). Their selection was solely determined by the Nauru Government with some inputs and advice from PIFS. Central to ensuring robust contributions and exchanges from the peer review team was the request from Nauru that peer review panelists be senior level officials. This proved beneficial in the exchanges with Nauru on other country processes and approaches to enhancing planning and aid coordination systems. With this level of expertise, it added credibility to the exchanges, an assurance that the peer review process was held in high regard but more importantly, it posed a non-threatening environment for exchanges between peers.

**87.** There were some issues in the peer review team's preparedness which mainly was a result of working within some very tight timelines. While it was felt important for the peer review team to assemble in advance of the consultations with Nauru, it would be equally important that peer review nominees are identified well in advance and a decision taken early on a preferred location for such briefing.

### 6.14 Monitoring peer review recommendations

**88.** The recommendations of the peer review are for Nauru to do with as it thinks fit. But it would give structure to future self assessments under the Cairns Compact if they included, as suggested above, an update on what recommendations were found useful and which have been followed up and how. The lessons drawn from this follow up reporting would be helpful to PIFS in drawing conclusions for its annual report to Leaders on what works in improving development coordination at national level. PIFS should take this into account when preparing the next round of self assessments.





## Annex 1: Terms of reference - Nauru Peer Review 1.0

### 1.0 Purpose

This note sets out Terms of Reference for a peer review of Nauru's national development planning and related processes under the Cairns Compact on Strengthening Development Coordination in the Pacific.

These draft Terms of Reference draw on a concept note on the peer review process that was circulated by the Pacific Islands Forum Secretariat (PIFS) on 20 October 2009 and discussed at a regional workshop on 26-28 November.

### 2.0 Background

Through the Cairns Compact, Forum Leaders agreed in August 2009 that the Pacific Islands Forum Secretariat (PIFS) should establish and report annually to the Post-Forum Dialogue on a process of regular peer review of Forum Island Countries' (FICs') national development plans to:

- a . promote international best practice in key sectors,**
- b . improve effective budget allocation processes; and**
- c . guide support from development partners.**


The objective of the peer review process is also to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

Peer reviews are an opportunity for mutual learning between FICs on the one hand and their peers in other FICs and development partners (donors) on the other about how best to address development challenges. The peer review process is intended to contribute to reinforcing country leadership over the establishment of national priorities, and enhance the capacity of countries to guide the use of development resources.

### 3.0 Issues for review

**The peer review will consider the following issues:**

- Processes for preparing and reviewing plans, including:
  - whether the national and sector plans define a clear set of development results and set realistic timeframes for achieving these
  - how domestic stakeholders are consulted in the preparation and review of national and sector plans
  - the extent to which the Government has communicated national and sector plans within Government and to other domestic stakeholders
  - the extent to which the Government has established and implemented an effective review process for national and sector plans
  - how evidence (including statistics) was used to develop national and sector plans, set budgets and monitor progress.
- Links between the national plan, sector plans and budgets, including:
  - the extent to which the plans included above are supported by realistic and appropriately costed annual budgets and sector plans
  - whether the processes for developing and reviewing national plans, sector plans and annual budgets are integrated with each other

- 
- Relationship of development partners to plans, including:
    - the extent to which development partners align their assistance to the priorities articulated in national and sector plans in a coordinated manner
    - the adequacy of national and sector plans to provide clear guidance to development partners on how aid can complement national resources
    - the extent to which development partners deploy aid resources through national (government and other domestic stakeholder) systems.
  - Monitoring the implementation of plans, including:
    - processes for tracking and reporting progress against outcomes in national and sector plans, and for drawing policy conclusions from progress reporting.

#### **4.0 Outputs**

The key output from the peer review process will be a report prepared by the review team and agreed by the Government that will summarise the available evidence, based on existing documents and in-country consultations, to draw conclusions on the above issues as the basis for:

- Recommendations to the Government on how it can improve:
  - processes for preparing and reviewing its national and sector plans, including consultation mechanisms with domestic stakeholders
  - processes for linking these plans to the annual budget
  - coordination of development partners assistance, including by providing appropriate guidance through national and sector plans
  - budget allocation and monitoring systems
- Recommendations for development partners on how they can improve:
  - processes for aligning their assistance to the priorities articulated in the KDP national and sector plans
  - processes for coordinating assistance between development partners
  - efforts to support and strengthen Government monitoring and implementation systems.
- Broader lessons on the above issues for other FICs and development partners to consider through the Post Forum Dialogue and other regional meetings.


#### **5.0 Review team**

The review team will consist of two representatives from other FICs [Samoa and Tonga] and one representative from a development partner [United Nations Development Programme]. The review team will be supported by an international consultant engaged by PIFS.

#### **6.0 Stages of review process**

##### **6.1 Analytical review**

The consultant engaged by PIFS will consider the Government's self assessment against the agreed format for annual reporting by all FICs on their national development plans, and any reflections by, or commissioned by, the Government



on the implications of the self assessment, as well as any other recent reporting on implementation of plans, progress against the MDGs, and the economic and financial situation.

### **6.2 In-country review**

The peer review team would meet with relevant stakeholders. A list of stakeholders will be agreed between the Government and the review team. It is anticipated that consultations will include:

- Ministers and officials in central planning and financial management agencies and key service delivery agencies (e.g. education and health).
- Representatives of key development partners
- Representatives of non-government organisations and the private sector.

### **6.3 Preliminary Report**

The peer review team with PIFS' assistance will produce a preliminary report for review and comment.

### **6.4 Government Response**

The host country will be able to respond to and approve the draft reports.

PIFS Report on Peer Reviews to PIC-Partners and PPAC meetings

PIFS will present the peer review report and a consolidated report summarising the peer reviews undertaken in 2010 at the Pacific Island Countries ñ Development partners meeting and the Pacific Plan Action Committee (PPAC) meeting. The conclusions of the peer reviews will be reported to the Forum Leaders meeting as part of the Secretary General's Report to Leaders on the Cairns Compact.

## **7.0 Administrative arrangements**

In addition to the consultant, PIFS will provide logistical and administrative support to the peer review process.

The major costs of the peer review process will be met by PIFS. These costs include the consultant and administrative support provided by PIFS, travel by the peer review team and incidental costs incurred by the Government such as hiring meeting facilities and catering. The only significant costs to the Government will be the time of the officials consulted. It is proposed that the development partner participating in the review team will cover their own costs.

The Government will nominate a designated focal point to set up and manage the consultation process in close coordination with PIFS.

## Annex 2: Recommendations

Recommendations to the Government of Nauru	Possible source of assistance	Timing
<p>1. That the Government review the level of resources available to DPPD/AMU and the Chief Secretary's Department to develop templates for operational and corporate plans and assist Departments to prepare them by July 2011, and request additional technical assistance if required. Operational plans should consider, among other things, the cost and benefits of current relationships with development partners and regional organisations to ensure that what is being offered is directly aligned to departmental priorities.</p>	UNDP	After 2010/11 budget
<p>2. That the Government seek assistance from the Pacific Regional Infrastructure Facility to cost infrastructure proposals and develop a programmatic approach to funding and implementation.</p>	PRIF	After 2010/11 budget
<p>3. That the Government request technical assistance to develop and implement a program of capacity development and community level delivery, and proposals for structured dialogue between Government and the non-government sector, drawing on experience from other Pacific Island countries.</p>	SPC	End 2010
<p>4. That the terms of reference for the NDC make it clear how it is intended to improve on current arrangements and the performance of its predecessor Committee, what it will do, when, and how it will establish accountability for results; that the terms of reference be communicated and explained to development partners to establish expectations from the start; and that the intentions contained in the terms of reference, and the management load on the DPPD/Amu, are monitored and reported on by the Secretariat.</p>		At establishment
<p>5. That the proposal for an Annual Development Report made up of inputs from across Government be reconsidered at least for the first year in favour of a short report based on discussions between the NDC and heads of Departments.</p>		
<p>6. That DPPD/AMU convene quarterly meetings with its core development partners.</p>	Development partner participant to facilitate conference calling PFTAC	First meeting to discuss 2010/11 budget when approved
<p>7. That DPPD/AMU use their normal contacts with Departments to record as far as possible visits by development partners and international and regional organisations as the basis for discussions with these agencies about rationalisation.</p>		Starting July 2010





**Recommendations to the Government of Nauru**

**Possible source of assistance**

**Timing**

8. That the Government of Nauru convene a working group with interested development partners to discuss and track a public financial management reform program.

PFTAC

After PEFA

**Recommendations development partners**

9. That development partners ensure that their missions are notified to DPPD/AMU and debrief them on departure.

Starting now

10. That Australia and the EU with Nauru and together to accelerate the transition from current forms of support to budget support, in ways which look at public financial and public service systems in Nauru as a whole.

As soon as possible

11. That all development partners agree to use the PEFA assessment and any public financial reform program arising from it as the basis for a common approach to improving Nauru's systems and using them increasingly over time.

After PEFA

12. Development partners should ensure that all support to line Departments which includes information management or data collection is coordinated through DPPD/AMU with the Bureau of Statistics and makes provision for the participation of the Bureau.

Starting now







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