



Concept Paper

Project Number: 45032-01
January 2012

Nauru: Public Financial Management Reform Program

I. THE PROGRAM

A. Rationale

1. Nauru relies heavily on phosphate revenues. As it is estimated that phosphate reserves will be depleted in 20 years, the government is determined to establish an intergenerational trust fund (ITF) and proposes that all proceeds from the proposed Public Financial Management Reform Program will be used as initial funding for the ITF. Through the ITF, the country can accumulate wealth by setting aside some revenues as well as other windfalls or donations. The ITF will allow the government to accumulate savings regularly during the income-generating years, and these will become a steady income stream in the future when income is substantially reduced. The ITF will then be able to provide resources to fund budgetary expenditures, including social services (e.g., education and health) for future generations. The ITF has been designed with strong governance institutions and safeguards against mismanagement.¹

2. The proposed program aligns with the government's development expenditure program and has been developed in close consultation with Nauru's biggest development partner, the Australian Agency for International Development (AusAID) and joint bilateral–multilateral consortium of development partners including the Pacific Financial and Technical Assistance Center, and the joint-donor Pacific Infrastructure Advisory Center initiative under the Pacific Region Infrastructure Facility. The Mission's ongoing dialogue with these partners and the government will be central to formulating and implementing the proposed program.

B. Impact, Outcome, and Outputs

3. The impact of the program will be to support the government's longer-term development objectives of accelerated, sustained, and inclusive economic growth. The intended outcome is sound management of the proceeds from the country's natural resources to provide sustainable social protection to the population. The program will be structured in two tranches.

4. The program comprises three key outputs: (i) improved public financial management, (ii) improved corporate governance and performance of state-owned enterprises (SOEs), and (iii) a social safety net and support for the vulnerable. The program will address public financial management weaknesses identified in the 2011 Public Expenditure and Financial Accountability assessment. Reform priorities were grouped into three areas including revenue management, budget and planning process, and overall financial and official development assistance management. The program will also support government's effort to improve the corporate governance and performance of two key SOEs, namely National Utility Corporation and Republic of Nauru Phosphate (RONPHOS). The program will improve social safety nets by supporting the funding of essential services for the vulnerable when phosphate reserves are exhausted. All of the grant proceeds will be used as an initiating contribution to the Nauru ITF. The new ITF will provide resources for budget expenditures on social services for future generations of Nauruans after the phosphate is depleted. Possible policy reforms under the proposed program are included in the section "Activities with Milestones" in the Preliminary Design and Monitoring Framework.

C. Program Costs and Financing

5. The government has requested a grant not exceeding \$4 million from the Special Funds resources of the Asian Development Bank (ADB) to help finance the program. The grant will be

¹ The monies in the trust fund are legally protected from the government's creditors.

released in two tranches of \$2 million each. The funds will be released when all grant effectiveness conditions in each tranche are met to ADB's satisfaction. The indicative timing for release of the two tranches is June 2012 and June 2013, respectively. The indicative tranche conditions are included as activities and milestones in the design and monitoring framework.

D. Indicative Implementation Arrangements

6. The Ministry of Finance will be the executing and implementing agency and will oversee policy, legal, and regulatory actions. It will ensure that the policy actions agreed on by the government and ADB—including program administration, disbursements, and maintenance of all program records—are duly carried out on time. The program will be implemented over 18 months, from June 2012 to December 2013. The grant proceeds will be used to finance the full foreign exchange costs (excluding local duties and taxes) of the program. The public sector, donor agencies, the private sector, and civil society were consulted closely during the development of this concept paper. The preliminary design and monitoring framework will facilitate communication and encourage the adoption of a broadly supported program.

II. TECHNICAL ASSISTANCE

7. The program will be supported by a number of ongoing and planned technical assistance (TA) measures by ADB and other development partners. These include ADB's support for (i) the corporatization and introduction of a performance contracting system for the Nauru Utilities Corporation under stand-alone TA, (ii) the reform of the Republic of Nauru Phosphate and supplementary support for corporatization of the Nauru Utilities Authority² under regional TA,³ and (iii) improved public financial management through ongoing audit assistance and the recent completion of a Public Expenditure and Financial Accountability assessment under regional TA.⁴ In addition, the Pacific Region Infrastructure Facility is helping to formulate the Nauru Economic Infrastructure Strategy and Investment Plan. AusAID is assisting through resident advisors and TA in establishing a financial management information system, administering revenue policy and administration, and reforming the education and health sectors. The Pacific Financial and Technical Assistance Center is assisting with financial instruction reforms and in preparing balance of payment and national account statistics.

III. DUE DILIGENCE REQUIRED

A. Economic and Financial

8. Growth prospects depend on developments in the phosphate industry. Primary phosphate reserves are estimated to be enough for 1–2 years of production, and deeper secondary reserves might last 20 years. Some increase in phosphate exports is now taking place; estimated phosphate exports were 385,000 tons for fiscal year (FY) 2011, compared with 319,000 tons in FY2010 and 17,200 tons in FY2006. The outlook is favorable, with demand expected to rise along with projected average growth of around 3% per annum to 2020.

² The Nauru Utilities Authority has been corporatized since the legislation was passed in July 2011. The authority is now known as the Nauru Utility Corporation.

³ ADB. 2009. *Technical Assistance for Pacific Private Sector Development Initiative Phase II*. Manila.

⁴ ADB. 2008. *Technical Assistance for Strengthening Governance and Accountability in Pacific Island Countries, Phase 2*. Manila.

B. Governance

9. **Public financial management.** The quality of public sector financial management has improved in recent years. Unsatisfactory public financial management practices have been put aside and a period of fiscal restraint has been initiated. Supporting measures have included the application of an effective expenditure control system, resulting in the achievement of actual balanced overall budgets in recent fiscal years and action to address Nauru's debt burden. However, weaknesses in public sector financial management remain, adversely affecting public service delivery and threatening aggregate fiscal discipline and the strategic allocation of public resources. The limited medium-term focus in budgeting, weak internal control systems especially in procurement and internal audit, and poor standard of accounting are major constraints. The government has prepared a public financial management reform plan following the 2011 Public Expenditure and Financial Accountability exercise.

10. **Anticorruption.** ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and will form part of the legal documents. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the program. These measures will complement the actions underway relating to the strengthening of financial reporting and audit, the revised financial management systems, and the refinement of financial instructions and procurement practices.

C. Poverty and Social

11. Poverty reduction and social development are built into the proposed program through (i) sustainable, equitable, and inclusive economic growth built on improved public financial management and an enabling business environment; (ii) improved service delivery from the Nauru Utilities Corporation; (iii) reduced transfers to SOEs creating fiscal space for development and poverty reduction; (iv) strengthened tax administration leading to increasing revenue for development and poverty reduction; (v) setting aside phosphate revenues to fund future essential services; and (vi) enhanced private sector job creation.

D. Safeguards

12. Project activities will be confined to policy and institutional reforms and none of the activities will result in or lead to involuntary resettlement, indigenous peoples issues or adverse environmental impacts. Safeguard categories for environment, involuntary resettlement, and indigenous peoples are all category C. Table 1 summarizes major risks and mitigating measures.

Table 1: Summary of Risks and Mitigating Measures

| Risks | Mitigating Measures |
|---|--|
| Weak capacity of government agencies to implement reforms | Technical assistance will be provided in coordination with other development partners where possible and appropriate. |
| Political instability weakens fiscal discipline and policy commitment | ADB will continue policy engagement with the government in close communication and coordination with key development partners. |
| Australia and New Zealand may not agree to become trustees of the ITF, weakening its governance | There are other safeguards built into the trust fund, including a prohibition of withdrawals for 20 years. |
| Results may be more perceptible on the fiscal front than growth and productivity | Growth and productivity targets will be monitored, supported by an improved statistical capability. |

ADB = Asian Development Bank, ITF = intergenerational trust fund.

Source: ADB Country Team.

IV. PROCESSING PLAN

A. Risk Categorization

13. The program is categorized as complex, as this will be the first ADB program for Nauru in over a decade and given the country's fragile status.

B. Resource Requirements

14. The program will require 3 person-months of international staff and 6 person-months of national staff.

C. Processing Schedule

15. A detailed schedule for the proposed program is listed in Table 2.

Table 2: Proposed Processing Schedule

| Milestones | Expected Completion Date |
|---|--------------------------|
| Reconnaissance mission | 12–21 September 2011 |
| Concept clearance and circulation | 20 January 2012 |
| Fact-finding mission | 1–8 February 2012 |
| Management review meeting | 22 March 2012 |
| Grant negotiations | 28–29 March 2012 |
| Report and recommendation of the President circulation to Board | 10 May 2012 |
| Board consideration | 31 May 2012 |

Source: ADB Country Team.

V. KEY ISSUES

16. **Intergenerational Trust Fund.** The ITF is designed to have strong governance including development partners' participation on its board of directors. Australia and New Zealand are still considering becoming treaty partners for the ITF.

17. **Macroeconomic assessment.** As Nauru is not an International Monetary Fund member, ADB will have to prepare a comprehensive macroeconomic assessment in lieu of the International Monetary Fund letter of comfort. This assessment will need to canvass the long-term economic sustainability of the economy in the context of the high level of indebtedness and aid dependency, and declining phosphate reserves.

18. **Implementation capacity.** Nauru has weak implementation capacity given the very limited human resources in the country. The proposed program is based on the government's work program with TA support being provided for most of the main initiatives. ADB may have to respond quickly with additional regional TA resources should the need arise.

19. **ADB's approach in fragile situations.** Nauru exhibits characteristics of a fragile state. The country was ranked in the fourth quintile in the 2010 and 2011 country performance assessments.⁵ In addressing the binding development constraints, the program seeks to incorporate ADB's approach to engaging with weakly performing countries.⁶ The proposed program is designed to build resilience and promote longer-term viability of Nauru in partnership with other development partners.

⁵ ADB. 2011. *Annual Report on the 2011 Country Performance Assessment Exercise*. Manila; and ADB. 2010. *Annual Report on the 2010 Country Performance Assessment Exercise*. Manila.

⁶ ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries*. Manila.

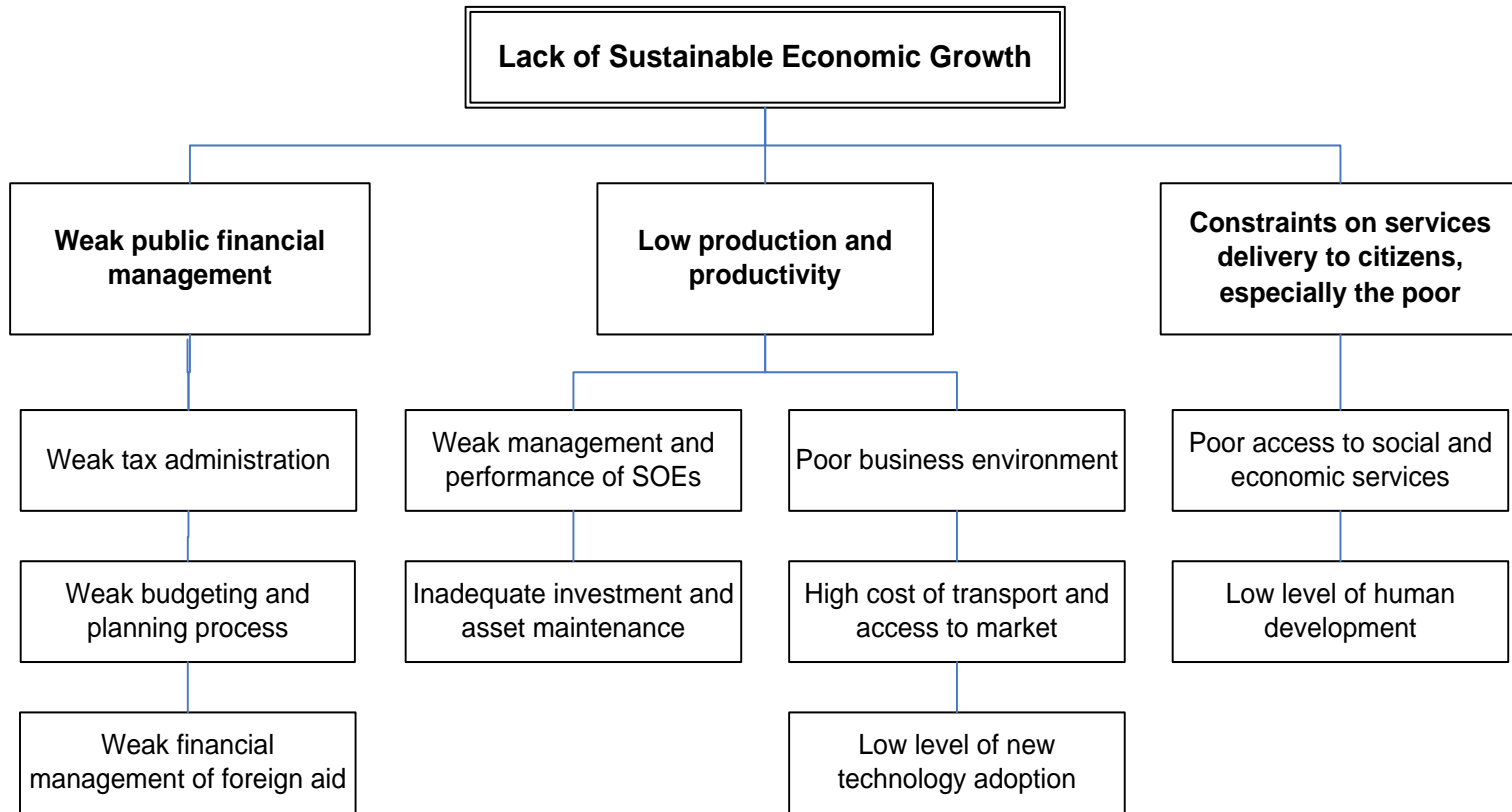
BASIC PROGRAM INFORMATION

| Aspects | Arrangements | |
|----------------------------|--|--|
| Modality | Program Grant (standard), two tranches | |
| Financing | Asian Development Fund | |
| COBP/RCOBP | In Nauru Country Operations Business Plan 2012–2014 | |
| Classification | Sector (subsector) | Public sector management (public expenditure and fiscal management) |
| | Themes (subthemes) | Economic growth (promoting economic efficiency and enabling business environment), social development (human development), and governance (economic and fiscal governance) |
| | Targeting classification | General intervention |
| | Location impact | National (high impact), urban (high impact), rural (low impact), and regional (low impact) |
| | Safeguards | Category C |
| Risk categorization | Complex | |
| Partnership(s) | ADB has been working closely with donor partners, most notably Australia and New Zealand, in the design of the program. | |
| Use of a PBA | Nauru, a heavily indebted and distressed country, has been reclassified by ADB from a group B2 country to a group A country. This means that, from 2009, Nauru will be eligible only for grant funding under ADF X. In the medium term, ADB's assistance program will be based on nonlending resources. The ADF allocation for 2011–2012 is approximately \$0.96 million; \$1.9 million is available for the grant from Nauru's unused 2009–2010 and 2011–2012 ADF allocations. In addition, it is proposed that (i) \$0.1 million be advanced from Nauru's 2013–2014 allocation, and (ii) \$2.0 million be allocated from OG2 ADF savings and cancellations on 27 October 2011, which brings the total grant amount to \$4.0 million. | |
| Parallel PIU | Not applicable | |
| Department and division | Pacific Department / PLCO | |
| Mission leader and members | K. Lao-Araya, Senior Private Sector Development Specialist, PLCO M. Davidovski, Senior Counsel, OGC M. de Villa, Associate Project Analyst, PLCO C. Edmonds, Senior Economist, PAOD M. Lucich, Senior Economics Officer, PLCO | |

ADB = Asian Development Bank; ADF = Asian Development Fund; COBP = country operations business plan; OG2 = Operations Group 2, OGC = Office of the General Counsel; PBA = programmatic-based approach; PAOD = Office of the Director General, Pacific Department; PIU = project implementation unit; PLCO = Pacific Liaison and Coordination Office; RCOBP = regional cooperation operations business plan.

Source: ADB Country Team.

PROBLEM TREE FOR PUBLIC FINANCIAL REFORM PROGRAM



SOE = state-owned enterprise.
Source: ADB Country Team.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks |
|---|---|--|---|
| <p>Impact Support the government's longer-term development objectives of accelerated, sustained, and inclusive economic growth</p> | <p>Real GDP growth progressively increased from close to 0% in FY2010 to at least 2% by end of FY2013 Baseline: 0% FY2010</p> <p>Relative standard of living of the most vulnerable members of the community improved, as measured by a rising expenditure share of the poorest 20% of households between 2006 and the next household income and expenditure survey Baseline: 6.4% (2006)</p> | <p>Annual national accounts and government financial statistics, including national audits</p> <p>Annual economic reports and assessments</p> <p>Household income and expenditure survey</p> | <p>Assumptions Government remains committed to fiscal reforms</p> <p>Government remains committed to business enabling environment reforms</p> <p>SOEs remain committed to reducing dependence on fiscal transfers</p> <p>Risks Unforeseen events cause disruption and delay to implementation and completion of activities and outputs</p> <p>Loss of political support for activities</p> <p>Lack of public understanding and support</p> |
| <p>Outcome Sustainable social protection to the population.</p> | <p>Trust fund operational with government and development partners making contributions to ensure funding for essential services in the future Baseline: No intergenerational trust fund</p> | <p>Intergenerational trust fund annual report</p> | <p>Assumptions Line ministries collaborate with MOF to implement fiscal discipline measures</p> <p>Government remains committed to eliminating subsidies and transfer to NUC</p> <p>Risks Loss of political support for activities</p> <p>Lack of public understanding and support</p> |

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks |
|---|---|--|---|
| <p>Outputs</p> <p>1. Improved public financial management</p> <p>2. Improved corporate governance of state-owned enterprises</p> <p>3. Support for the vulnerable</p> | <p>Overall improvement by 2014 against the 2011 PEFA assessment Baseline: D (2011)</p> <p>Increased tax collection in real terms greater than population growth for 2011-2014 Baseline: 0.6% (FY2010)</p> <p>Reduced government subsidy to NUC relative to FY2012 Baseline: electricity subsidy \$A3.3 million (FY2012)</p> <p>Increase in dividend payments by RONPHOS by 10% by FY2013 on FY 2011 levels Baseline: \$A1.0 million (FY2011)</p> <p>Real budget allocation to recurrent expenditure on education and health increased by at least 5% by FY2013 on FY2011 levels Baseline: health \$A3.05 million (FY2011) Baseline: education \$A2.6 million (FY2011)</p> | <p>2014 PEFA assessment report</p> <p>Ministry of Finance annual reports</p> <p>Annual NUC financial and operating data, including audit reports and operational reports</p> <p>FY2012 and FY2013 budget documents</p> | <p>Assumptions</p> <p>Development partners continue to provide technical support to implement reform actions recommended under the PFM Action Plan</p> <p>Coordination among development partners and the program's alignment with the government priorities are effective</p> <p>Risks</p> <p>Insufficient qualified and experience counterpart government officials to timely implement the program</p> <p>Unforeseen institutional barriers prevent structural reforms</p> |
| Activities with Milestones | | | Inputs |
| <p>1. Tranche 1 (completed by March 2012)</p> <p>1.1 Commence operation of the FMIS</p> <p>1.2 Establish a revenue office</p> <p>1.3 Adopt the NISIP</p> <p>1.4 Prepare and adopt procurement policy and guidelines</p> <p>1.5 Publish historical national account and balance of payment statistics for 2004ubli</p> <p>1.6 Award contract for bulk procurement of petroleum</p> <p>2.1 Pass legislation for corporatization and legal separation of the NUA</p> <p>2.2 Adopt new corporate structure for RONPHOS, and new CEO in place</p> | | | <p>ADB: grant of \$4.0 million (two tranches: March 2012 and March 2013, \$2.0 million each)</p> <p>Government: meeting of tranche conditions and in-kind support to program implementation</p> |

| Activities with Milestones | Inputs |
|---|---|
| <p>3.1 Submit the ITF bill to the Parliament</p> <p>3.2 Increase real terms of budget allocation to nonpayroll recurrent expenditure to education and health in FY 2012 budget</p> <p>3.3 Pass the Education Act, that requires compulsory primary and secondary education</p> <p>3.4 Accede to the United Nations CEDAW</p> <p>2. Tranche 2 (completed by March 2013)</p> <p>1.1.1 Compile FY2012–2013 budget using FMIS</p> <p>1.1.2 Review and amend financial instructions</p> <p>1.2 Prepare to introduce GST</p> <p>1.3 Commence the NISIP implementation</p> <p>1.4 Implement the procurement procedures according to the new procurement policy and guidelines</p> <p>1.5.1 Publish national account and balance of payment statistics for 2010 and 2011</p> <p>1.5.2 Conduct census and household income and expenditure surveys with sex aggregate data</p> <p>1.6 Undertake preparatory work to position Nauru to become a regional hub for fuel supply</p> <p>2.1 Adopt performance contracting system for Nauru Utilities Corporation management</p> <p>2.2 Amend RONPHOS Act</p> <p>3.1 Fully operationalize the ITF</p> <p>3.2 Attain quantitative targets for primary school enrollments</p> <p>3.3 Issue a policy for education re-entry program that includes empowerment aspects for women</p> <p>3.4 Review legal framework for CEDAW compliance</p> | <p>Australian Agency for International Development: Full-time advisors and technical assistance in the areas of FMIS, revenue policy and administration, and reforms in education and health sectors.</p> <p>Pacific Financial Technical Assistance Center: technical assistance to support financial instruction reforms and balance of payment and national account statistics.</p> <p>Pacific Region Infrastructure Facility: technical assistance to formulate the Nauru Infrastructure Strategy and Investment Plan</p> |

ADB = Asian Development Bank, CEDAW = Convention on Elimination of Discrimination Against Women, CEO = chief executive officer, FMIS = financial management information system, FY = fiscal year, GDP = gross domestic product, GST = goods and services tax, ITF = intergenerational trust fund, MOF = Ministry of Finance, NISIP = Nauru Infrastructure Strategy and Investment Plan, NUA = Nauru Utilities Authority, PEFA = public expenditure and financial accountability, RONPHOS = Republic of Nauru Phosphate, SOE = state-owned enterprise, TA = technical assistance.

Note: The fiscal year ends on 30 June; FY2012 begins on 1 July 2011 and ends on 30 June 2012.

INITIAL POVERTY AND SOCIAL ANALYSIS

| | | | |
|-----------------------------|---|-----------------------|---|
| Country: | <input type="text" value="Nauru"/> | Project Title: | <input type="text" value="Public Financial Management Reform Program"/> |
| Lending/Financing Modality: | <input type="text" value="Policy-based program grant"/> | Department/ Division: | <input type="text" value="Pacific Department / Pacific Liaison and Coordination Office"/> |

I. POVERTY ISSUES

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The Pacific Approach 2010–2014⁷ of the Asian Development Bank (ADB) was approved in November 2009 and includes a dual focus on private sector development and strengthening public sector management. As the previous country strategy is now somewhat dated, ADB is supporting the implementation of Nauru's National Sustainable Development Strategy 2005–2025, which shares this dual focus.

The Pacific Approach recognizes that, in a micro-economy such as Nauru, poor public sector management coupled with a poor climate for doing business has significant opportunity costs that impede development and growth. For this reason, the emphasis on private sector development and the strong need to improve the governance and the performance of the state-owned enterprises (SOEs) that dominate the Nauruan economy is highly appropriate. The proposed program grant is included in the Nauru country operations business plan 2012–2014.⁸

B. Targeting Classification

Select the targeting classification of the program:

- General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

Explain the basis for the targeting classification: The proposed program focuses on public financial and governance reforms for the general budget process and the two largest SOEs. The reform measures do not specifically target groups of beneficiaries by income level or by geographical location. However, the proposed program will indirectly benefit the poor and vulnerable groups because these people rely on services provided by the government as they do not have the financial means to fund the services from private service providers within and outside of the country.

C. Poverty Analysis

1. If the program is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?
Not applicable.

2. What resources are allocated in the project preparatory technical assistance (TA)/due diligence?

There is no project preparatory TA. Due diligence was supported by both staff consultancy work on economic analysis and regional TA projects for Strengthening Governance and Accountability in Pacific Island Countries, Pacific Private Sector Development Initiative, and Public Expenditure Management. Other development partners have been closely consulted. Partners from both the Australian Agency for International Development and Pacific Financial Technical Assistance Center have agreed to peer review the design and documentation of the proposed program.

3. If General Intervention, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)? Please explain.

Yes. The program will contribute to poverty reduction in several ways. Poverty reduction and social development are built into the proposed program through (i) sustainable, equitable, and inclusive long-term economic growth built on improved public financial management and an enabling business environment; (ii) improved service delivery from the Nauru Utilities Corporation; (iii) reduced transfers to SOEs increasing revenue for development and poverty reduction; (iv) strengthened tax administration increasing revenue for development and poverty reduction; (v) the saving of phosphate revenues to fund essential services in the future; and (vi) enhanced job creation with growth of the private sector.

⁷ ADB. 2009. *ADB's Pacific Approach 2010–2014*. Manila.

⁸ ADB. 2011. *Nauru Country Operations Business Plan 2012–2014*. Manila.

| II. SOCIAL DEVELOPMENT ISSUES | |
|--|---|
| A. Initial Social Analysis | |
| Based on existing information: | |
| 1. Who are the potential primary beneficiaries of the program? How do the poor and the socially excluded benefit from the program? | |
| The potential beneficiaries are the general public who benefit from access to social services such as basic health and primary education, both in the period of the program and through the government's long-term commitment to save and fund social services through the intergenerational trust fund. | |
| 2. What are the potential needs of beneficiaries in relation to the proposed program? | |
| There are strong needs for basic health care and primary education. This is because Nauru's progress towards the Millennium Development Goals has been mixed. While progress has been made in areas such as improving maternal health, areas of concern include achieving universal primary education, reducing child mortality, and ensuring environmental sustainability. Education outcomes are improving but are still poor by international standards. There are comparatively few experienced personnel to take on key public sector management roles. Levels of noncommunicable diseases such as diabetes and cancer are among the highest in the world. In addition, energy and clean water production relies on the importation of expensive diesel fuel. | |
| 3. What are the potential constraints on accessing the proposed benefits and services, and how will the program address them? | |
| The major constraint is lack of public funding to finance the services. | |
| B. Consultation and Participation | |
| 1. Indicate the potential initial stakeholders. Nongovernment organizations, church groups, and communities. | |
| 2. What type of consultation and participation (C&P) is required during the project preparatory TA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)? Consultative workshop with stakeholders. | |
| 3. What level of participation is envisaged for program design? <input checked="" type="checkbox"/> Information sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaborative decision making <input type="checkbox"/> Empowerment | |
| 4. Will a C&P plan be prepared during the program design for program implementation? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain. The majority of the reforms are related to public financial management and so no negative effect is anticipated. | |
| C. Gender and Development | Proposed Gender Mainstreaming Category: <u>SGB</u> |
| 1. What are the key gender issues in the sector or subsector that are likely to be relevant to this project or program? | |
| Women face particular challenges in Nauru. At present, there are no specific policies and no national mechanisms geared to provide effective collaboration for Gender Equality and Women's Empowerment. The labor force participation rate for women in 2002 (Nauru Government) was 68%, compared with 85% for men. Of those in the labor force, more women than men were actively looking for work, with unemployment rates of 29.6% for women and 17% for men. Of those who were working, a slightly higher percentage of women (85.8%) engaged in paid formal employment than men (82.5%). Most people attend school in Nauru, but education attainment for both male and female students is poor, with only 11% of male and 15% of female completing secondary education. The program will empower women through improved access to services such as health and education. This will provide Nauruan women with a greater chance to receive education and, hence, improve the ability of Nauruan women to participate in the labor market, both in Nauru and overseas as workers from Nauru are now eligible to participate in the Australia's seasonal employment scheme. Like many other patriarchal Pacific countries, male workers face privileged access to labor market opportunities relative to female workers. Women still face discrimination in the labor market and are expected to work in the home preparing food for the family and taking care of household chores including gardening. One recent development that holds promise in terms of economically empowering Nauruan women is the establishment of a weekly central market where vendors can sell their wares, especially traditional handicrafts where women are the dominant producers. A number of women's groups have formed to produce and sell traditional handicrafts at the market. | |

| <p>2. Does the proposed project or program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please explain. The program includes a requirement for compulsory primary and secondary education for males and females aged 6 to 16. The program also requires a new policy on re-entry program for school dropouts to include elements that empower women such as a focus on single mothers. The program also includes policy actions that require Nauru to accede and prepare for the compliance to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The program also includes a feature to support the general vulnerable population including women and children by providing financial resources to protect funding for education and health expenditures. This will help ensure the delivery of essential social services to women and children. The grant proceeds will be used as seed funding for the establishment of the new intergenerational trust fund, that will serve as social safety net to provide resources for budget expenditures on social services for future generations after phosphate is depleted from the island in an estimated 20 years</p> <p>3. Could the proposed program have an adverse impact on women and/or girls or to widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain. The proposed program aims to (i) improve the government's public financial management, (ii) improve the performance of SOEs, and (iii) guarantee sufficient allocation for social service delivery (health and education) and social safety net for future social service delivery to the general population and the poor in particular.</p> | | | |
|--|--|---|---|
| III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS | | | |
| Issue | Nature of Social Issue | Significant/Limited/ No Impact/Not Known | Plan or Other Action Required |
| Involuntary Resettlement | The program will not involve involuntary resettlement. | No impact. | <input checked="" type="checkbox"/> None |
| Indigenous Peoples | The program will not involve impact on indigenous peoples. | No impact. | <input checked="" type="checkbox"/> None |
| Labor <input checked="" type="checkbox"/> Employment Opportunities <input checked="" type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards | Corporatizing state-owned enterprises will improve employment opportunities as recruitment and promotion become more transparent and performance based. Limited retrenchment in SOEs may be necessary. | Limited. | <input checked="" type="checkbox"/> Other Action |
| Affordability | The program proposes reforms that help enhance efficiency of SOE operations. No measures to increase fees. | No impact. | <input checked="" type="checkbox"/> No Action |
| Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input checked="" type="checkbox"/> Others (conflict, political instability, etc.), please specify | Capacity constraint remains a threat to the implementation of the program | Significant. | <input checked="" type="checkbox"/> Other Action Technical assistance to provide capacity building in coordination with other development partners |
| IV. PROJECT PREPARATORY TA/DUE DILIGENCE RESOURCE REQUIREMENT | | | |
| <p>1. Do the terms of reference for the project preparatory TA (or other due diligence) include poverty, social, and gender analysis and the relevant specialist/s? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No ADB has only recently re-engaged with Nauru. The Pacific Department's social regional TA work has not yet included Nauru.</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the project preparatory TA and/or due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The program team held a consultation workshop on 19 September 2011 with 24 participants from Nauruan civil society comprising church groups, media, business associations, landowners, and other nongovernment organizations. Resources from the staff consultancy budget have been allocated for the analysis.</p> | | | |