

**The United Nations Micronesia
Nauru National Study
2024/25**



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Abbreviations and Acronyms

5Ps	Five pillars
ADB	Asian Development Bank
AML	Anti-money laundering
AOSIS	Alliance of Small Island States
AusAID	Australian Agency for International Development
CFT	Combating the financing of terrorism
CIP	Country implementation plan
CRC-OP-AC	Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict
CRC-OP-SC	Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography
CROP	Council of Regional Organisations of the Pacific
CSO	Civil society organization
DAC	Development Assistance Committee
DRR	Disaster risk reduction
EEZ	Exclusive economic zone
ENSO	El Niño-Southern Oscillation
ESCAP	Economic and Social Commission for Asia and the Pacific
EV	Electric vehicles
FDI	Foreign direct investment
FFA	(Pacific Island) Forum Fisheries Agency
FSM	Federated States of Micronesia
GEF	Global Environment Facility
GSP	Generalized system of preferences
ICCPR	International Covenant on Civil and Political Rights
ICERD	International Convention on the Elimination of All Forms of Racial Discrimination
IFI	International financial institution
IMF	International Monetary Fund
ISA	International Seabed Authority
ITC	International Trade Centre
IUU	Illegal, unreported and unregulated (fishing)
LDC	Least developed country
LGBTQIA+	Lesbian, gay, bisexual, transgender, queer, intersex, asexual and others
MVI	Multidimensional vulnerability index
M&E	Monitoring and evaluation
MCO	(United Nations) Multi-Country Office
MSME	Micro, small and medium-sized enterprise
NCD	Non-communicable disease
NIANGO	Nauru Island Association of Non-Governmental Organisations
NPRT	Nauru Phosphate Royalties Trust
NSDS	National Sustainable Development Strategy
ODA	Official development assistance
OEC	Observatory of Economic Complexity

OECD	Organisation for Economic Co-operation and Development
PACER	Pacific Agreement on Closer Economic Relations
PICTA	Pacific Island Countries Trade Agreement
PICTs	Pacific Island countries and territories
PIF	Pacific Islands Forum
PNA	Parties to the Nauru Agreement
PPP	Public-private partnerships
PSDCF	Pacific Sustainable Development Cooperation Framework
RMNCH	Reproductive, maternal, new-born and child health
RPC	Regional Processing Centre
SDGs	Sustainable Development Goals
SIDS	Small island developing States
SOE	State-owned enterprise
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SPC	Secretariat of the Pacific Community
SPREP	South Pacific Regional Environmental Programme
TVET	Technical and vocational education and training
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNPS	United Nations Pacific Strategy
UNSDG	United Nations Sustainable Development Group
UNU-EHS	United Nations University Institute for Environment and Human Security
UN IGME	United Nations Interagency Group for Child Mortality Estimation
UN OHRLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
US	The United States of America
VDS	Vessel Day Scheme
WASH	Water, sanitation and hygiene
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Executive Summary

This national study for Nauru aims to provide an impartial, collective assessment of the development situation and challenges in Nauru. It is intended to inform the United Nations priorities for supporting the country's sustainable development vision and achievement of the 2030 Agenda and Sustainable Development Goals (SDGs).

Nauru is the world's smallest republic, with a population of around 12 000. It faces significant geographic isolation and a heavy reliance on a small number of revenue streams. Key development issues and sustainability constraints include (but are not limited to): declining phosphate mining, the conclusion of hosting Australia's refugee centre, a high dependence on imports, inadequate infrastructure, vulnerability to climate change and health issues arising from non-communicable diseases (NCDs).

Nauru has a youthful population pyramid that reflects a high fertility rate, with a median age of 27 years. Nearly all citizens have access to electricity, and around 86 per cent have access to basic sanitation facilities. Less than two per cent live below the national poverty line, but 24 per cent live below the basic needs threshold, with women and marginalized groups more economically vulnerable. High population density on usable land drives household overcrowding.

Limited employment opportunities have led to a heavy economic reliance on the public sector. Private sector development is constrained by the extremely small market size, high transportation costs and few viable industries. Around 10 per cent of Nauruans migrate abroad, chiefly for labour and education opportunities. Inward remittances provide important income for residents.

The country has an extremely high rate of NCDs, with the world's highest per capita level of obesity, and second-highest diabetes prevalence. Limited healthcare capacity, poor diet stemming from a reliance on imported processed foods and socioeconomic barriers have helped drive these poor health outcomes. Endemic cultural acceptance of domestic and sexual violence leaves women and girls especially vulnerable.

Nauru has a narrow economic base, with a GDP of around \$130 million. Key revenue sources are volatile and/or in decline, including phosphate mining, fishing licences and the Australian-funded Regional Processing Centre (RPC), used to temporarily host asylum seekers. The RPC was transitioning to an "enduring capability" in 2023, signifying reduced fiscal intake.

The economy clearly lacks economies of scale and diversification. Nauru runs persistent trade deficits due to the heavy reliance on key imports like food, fuel and manufactured goods. However, Nauru's graduation to high-income status has ended its eligibility for various concessionary assistance. Public debt has declined in recent years, but still Nauru's fiscal management remains vulnerable. The island's infrastructure is out-dated, with limited connectivity. Strategic economic priorities for Nauru include: fiscal strengthening, public financial management reforms, diversification into sectors like fisheries and tourism, improving the business-enabling environment, expanded ICT connectivity and aid graduation planning.

Nauru's phosphate reserves once contributed tremendous wealth, making it known as the "Kuwait of the Pacific." However, decades of mining have rendered over 80 per cent of the landscape

uninhabitable due to environmental contamination. The remaining usable land is threatened by waste build-up and droughts, of up to three years in length, during periodic “El Niño-Southern Oscillation” (ENSO) climate cycles. Environmental degradation, declining real incomes and an inadequate response to the impacts of climate change do carry some potential risk for domestic instability over the long-term. Developing local institutional capacities and engines of sustainable growth would help in mitigating these risks.

The country bears little responsibility for bringing about man-made climate change but faces acute threats stemming from climate change. Sea levels are rising faster than the global average, while extreme weather threatens food and water security. Ocean warming and acidification place additional strain on the vital fisheries sector. Coral ecosystem health is also declining. Strategic environmental priorities include: expanded renewable energy adoption to 50 per cent of power generation, climate-conscious infrastructure development, sustainable tourism, ecosystem preservation, water access and security improvements, waste management, climate adaptation and resilience building, among others.

As a Pacific micro-state, Nauru has limited defence capabilities or internal security challenges. External partnership is instead vital for socioeconomic and national security, and key development partners provide critical budgetary support, infrastructure investment and technical assistance. In regional affairs, Nauru is an active member of multilateral Pacific institutions, such as the Pacific Island Forum. Diplomatic overtures between China and the Taiwan Province of China have also shaped foreign policy recently. Nauru is one of few nations recognizing the disputed territories of Abkhazia and South Ossetia.

Development partner support is instrumental to Nauru, given its narrow domestic revenue options, and the country utilizes aid amounting to \$2 700 per capita. Australia, Asian Development Bank, Taiwan Province of China¹ and Japan have tended to lead such assistance volumes. The United Nations utilizes concessionary funding modalities, where possible to do so, despite Nauru’s higher income ranking. Effectively leveraging external partnerships across government, multilaterals and the private sector will be key in overcoming inherent capacity and resource limitations, given Nauru’s unique reconciliation of growth needs with extreme climate and environmental vulnerability.

Cross-cutting development priorities for Nauru centre on economic diversification to reduce its reliance on volatile and/or declining income streams, increased climate change resilience to protect lives and livelihoods and human capital development to upgrade the skills base. This national study concludes with a proposed integrated framework that spans eight “strategies,” namely:

- Healthcare improvements, such as expanded facilities and staffing, clean water and sanitation access, nutrition education and local food production goals, to reduce imported dietary reliance.
- Educational improvements that encompass infrastructure, learning materials, educator skills upgrading and curriculum alignment with socioeconomic strategy and labour market needs.
- Tourism development, such as niche eco-friendly offerings, public-private partnerships to fund upgrades and regional marketing and post-pandemic expansion of international air routes.

¹ China is expected to replace the role of the Taiwan Province of China quickly after the change of Nauru’s diplomatic tie with China in January 2024.

- Economic resilience through improved public financial management, state-owned enterprise reforms, economic diversification beyond mining, fishing and the RPC and international cooperation on climate-conscious ocean stewardship.
- Climate adaptation, including resilient infrastructure, early warning systems, renewable energy transition, regional data sharing and forecasting systems.
- Environmental action on issues such as mining rehabilitation, sustainable agriculture, marine preservation, water access and security and waste management.
- Infrastructure upgrades to enhance connectivity, especially ICT and sea and air transport, given Nauru's geographic isolation.
- Partnership management that continues the strategic balancing of external assistance, especially climate financing, with domestic ownership and priorities.

1. Introduction

The Nauru National Study is both an assessment of the current situation and an analysis of gaps, challenges and opportunities for sustainable development in the country. It is an impartial, collective and independent analysis to determine the United Nations' priorities in helping to realize the country's development vision and achieving the 2030 Agenda for Sustainable Development or the Sustainable Development Goals (SDGs). The national study aims to ensure that the United Nations' support to the host government is relevant to national development priorities, as well as within its normative role, as mandated by the United Nations Sustainable Development Group (UNSDG) and as guided by the United Nations member States.²

As a basis for the structure of this national study for Nauru, the five pillars (or 5Ps) of the 2030 Agenda have been used, spanning: people, prosperity, planet, peace and partnerships. Within these five pillars, the 17 SDGs are posited (see figure 1 below). The study concludes by identifying the most likely and damaging risks to the development process and discussing key challenges and opportunities that have the most catalytic impact on achieving the SDGs in the country.

² The United Nations Sustainable Development Group (UNSDG), established in 2008 and formally called the United Nations Development Group (UNDG), unites 31 United Nations funds, programmes, specialized agencies, departments and offices that play a role in promoting change and innovation to deliver together on sustainable development.

Figure 1
SDGs and their five pillars



Source: United Nations.³

The “Sustainable Development Report 2022” tracks Nauru’s progress across ten of the 17 SDGs.⁴ Of these ten, Nauru has yet to achieve any of the SDGs. Moderate challenges are said to remain for four SDGs: (i) quality education; (ii) affordable and clean energy; (iii) reduced inequalities; and (iv) climate actions. Significant challenges pertain to two SDGs: (v) industry, innovation and infrastructure; and (vi) sustainable cities and communities. And major challenges exist for a further four SDGs: (vii) zero hunger; (viii) gender equality; (ix) clean water and sanitation; and (x) life below water. Insufficient information is available for the remaining seven SDGs, as they relate to Nauru. Also, see figure 2 below.

³ United Nations Sustainable Development Group (UNSDG) (2022). *Key Features and Principles of the 2030 Agenda: Towards sustainable development for all*, see: https://sdgs.un.org/sites/default/files/2022-04/4.Ms_.%20Carol.Pollack-Key%20features-and-principles-of-the-2030-Agenda_CP%2027%20March%20Version.pdf.

⁴ Sachs, J., Lafortune, G., Kroll, C., Fuller, G. and Woelm, F. (2022). *From Crisis to Sustainable Development: the SDGs as Roadmap to 2030 and Beyond: Sustainable Development Report 2022*. Cambridge. Cambridge University Press.

Figure 2
Nauru's progress in the SDG implementation



Source: Sachs, et al.⁵

In 2016, the Government of Nauru reviewed the National Sustainable Development Strategy (NSDS) to better align it with the 2030 Agenda. The review identified key national priorities in four areas: economic, social, infrastructure and cross-cutting issues. This led to the identification of seven national development goals intended to respond to multi-sectoral challenges, as follows:

- (i) Stable, trustworthy, fiscally responsible government;
- (ii) Quality education, both formal and non-formal;
- (iii) Improved health and wellbeing;
- (iv) Enhanced social, infrastructure and utilities services;
- (v) Economic development based on multiple revenue sources;
- (vi) Enhanced resilience against the impacts of climate change, rehabilitating and restoring degraded lands; and
- (vii) Increased food security through domestic food production.

More work is needed to better align these national priorities and the SDGs targets and indicators. Further, the government and development partners face the challenge of limited empirical data collection and limited capacity to assess the performance of policies and measures on the SDGs.⁶

⁵ Ibid.

⁶ A substantive limitation is on producing disaggregated and time series data, given difficulties with the national census and other data collection processes.

2. Regional and National Contexts

This section provides some contextual information on regional and national development issues pertinent to Nauru's sustainable development. More specifically, it covers: (i) a brief profile of Pacific Island countries and territories; (ii) a brief Nauru country profile; (iii) some historical background; (iv) key geopolitical dynamics; and (v) an overview of the United Nations in Nauru.

2.1. Pacific island countries and territories

Pacific island countries and territories (PICT) comprise 13 small island developing States (SIDS) and an Australian territory (Tokelau) (figure 3). They have a cumulative population of slightly less than 2.5 million people and span 15 per cent of the world's surface. Nine PICTs are ranked in the Human Development Index.⁷ Palau (80th), Fiji (99th) and Samoa (111th) are in the high human development category. Tuvalu (130th), Marshall Islands (131st), the Federated States of Micronesia (FSM) (134th), Kiribati (136th), Vanuatu (140th) and Solomon Islands (155th) are in the medium category. No PICT is ranked in the very high or low human development category. Kiribati, Solomon Islands and Tuvalu are classified as least developed countries (LDCs).

Figure 3
Pacific island countries and territories (PICTs)



Source: United Nations.⁸

⁷ United Nations Development Programme (UNDP) (2023). *Human Development Report, Human Development Index (HDI)*, See: https://hdr.undp.org/data-center/human-development-index?utm_source=EN&utm_medium=GSR&utm_content=US_UNDP_PaidSearch_Brand_English&utm_campaign=CENTRAL&c_src=CENTRAL&c_src2=GSR&gclid=CjwKCAiA3KefBhByEiwAi2LDHNgLKMegHzAxrm0mPrO7ux7NjgpS8ivD0S0qQ2E57g83DGJo74tHyxoCbsoQAvD_BwE - /indicies/HDI.

⁸ The United Nations in the Pacific (2022), p. 9.

While the specific profiles of 14 PICTs, including Nauru, vary considerably, they share some common denominators, such as their relative remoteness, limited landmass, small populations and economies and high exposure and vulnerability to external environmental and socioeconomic shocks.⁹ This characterisation of PICTs is also broadly pertinent to Nauru.

PICT economies commonly depend on the primary sector, tourism, inward remittances, foreign development assistance¹⁰ and imported food, as well as other commodities. But they can also host important food systems that contribute to global food supply chains, such as tuna and copra. Although almost no cereals are grown, wheat-based foods and rice have come to play a significant role in the diets of their citizens, substituting traditional staple foods like taro, breadfruit and cassava.¹¹ Indeed, PICTs increasingly depend on international trade, due to shifting consumption patterns and economic growth, making them vulnerable to supply chain disruptions that can impact import and export activities.

PICTs typically have some of the highest rates of non-communicable diseases (NCDs) in the world, due to a range of sociocultural and dietary factors, and their food systems are also highly vulnerable to climate change and subsequent weather volatility, as well as rising sea-levels, thereby further impacting livelihoods and food security. PICTs also tend to possess a narrow resource base and host small domestic markets, which deprives them of economies of scale and creates limited opportunities for private sector development. Most of them rely on the export of a few primary commodities, which makes them highly vulnerable to external shocks. They face a combination of being far from export markets and resources and must cope with low and irregular international traffic volumes. This translates into high costs for infrastructure, transportation, energy and communications (especially on a per capita basis). During the recent pandemic, for example, the cost of shipping rose considerably. PICTs have tended to suffer from a vicious cycle of low productivity, sparse investment and a narrow fiscal space.¹² Partly as a result, they have experienced volatility in their economic growth trajectories. PICTs may also face an increased incidence of natural hazards, with a relatively low resilience capacity to respond to such calamities and other external shocks.¹³

The COVID-19 pandemic (2020-2023) also illustrates the vulnerability of PICTs to exogenous shocks, leading to near-total economic paralysis in some cases, with far-reaching ramifications for

⁹ ESCAP (2022). *Asia-Pacific Countries with Special Needs Development Report 2022: Financing a Sustainable Recovery from COVID-19 and Beyond*. Bangkok: United Nations.

¹⁰ PICTs' reliance on official development assistance (ODA) is the highest globally. For details, see World Bank (2023a). *World Development Indicators*.

¹¹ For example, see Nakamura, S. Iida, A., Nakatani, J., Shimizu, T., Ono, Y., Watanabe, S., Noda, K. and Kitalong, C. (2021). "Global land use of diets in a small island community: a case study of Palau in the Pacific," *Environmental Research Letters*, 16(6), 1-9.

¹² ESCAP (2022).

¹³ ESCAP (2020). *The Disaster Riskscape across the Pacific Small Island Developing States: Key Takeaways for Stakeholders*. Bangkok: United Nations.

agriculture and food security.¹⁴ Indeed, the pandemic had a disproportionate impact on PICTs, with significant effects on human health through the social and economic effects of both the virus and the necessary containment policies in response.¹⁵ The lack of domestic financial resources, elevated debt levels and fragile health systems present severe socioeconomic challenges. What was ostensibly a health crisis has caused far-reaching impacts on education, food security and sustainable development in the longer term. The conflict in Ukraine has also adversely impacted PICTs, notably relating to inflation in the food and energy sectors in the post-COVID period.¹⁶ All these characteristics act as further structural impediments to PICTs' long-term development, and in this regard, Nauru is no exception.

Box 1. Blue Pacific Continent

The PICTs signed the 2050 Strategy for the Blue Pacific Continent at the Pacific Islands Forum (PIF) in 2022.¹⁷ The strategy consists of seven themes, comprising: (i) political leadership and regionalism; (ii) resources and economic development; (iii) climate change; (iv) oceans and natural environment; (v) people-centred development; (vi) technology and connectivity; and (vii) peace and security. The strategy is intended to guide how the PICTs navigate various challenges confronting the region, including the impacts of climate change, slow economic growth, poor health and education outcomes and significant ocean and land-based environmental degradation. It also aims to leverage their collective strengths, including culture and traditions, a youthful population and significant island and ocean resources.

2.2. Country profile

Nauru is the world's smallest island nation and the planet's smallest republic, with a population of around just 12 000. The landmass of the island is a mere 21 square kilometres. Nauru is located between Hawaii and Australia, 40 kilometres south of the equator in the Pacific Ocean and has an exclusive economic zone (EEZ) of around 308 000 square kilometres. Nauru has a hot and humid tropical climate, with temperatures ranging between 22 Celsius and 35 Celsius. Nauruan is the official language spoken by 93 per cent of the population, although English is also widely spoken and is used for governmental and commercial purposes.

¹⁴ Food and Agriculture Organization (FAO) and World Food Programme (WFP) (2022). *Pacific Island countries: Impact of rising costs of food, feed, fuel, fertilizer and finance Bulletin, November 2022 | Issue #1*. Suva: FAO and WFP.

¹⁵ ESCAP (2020).

¹⁶ Monteiro, A. (2023). World Bank Cuts 2023 Forecasts and Warns of Global Recession. *Bloomberg: Economics*, 11 January, accessed at: https://www.bloomberg.com/news/articles/2023-01-10/world-bank-cuts-2023-forecasts-and-warns-of-global-recession?cmpId=google&utm_medium=cpc_search&utm_campaign=NB_ENG_DSAXX_DSAXXXXXXXXXXX_EV_G_XXXX_XXX_Y0469_EN_EN_X_BLOM_GO_SE_XXX_XXXXXXXXXX&gclid=CjwKCAiA3KefBhByEiwAi2LDHPHYqj_9YrAq5dbZHYtUxU_YxBrSQU4_v18hjJl3VxogCsh88ciqaxoCucYQAvD_BwE&gclidsrc=aw.ds

¹⁷ Pacific Islands Forum Secretariat (2022). *2050 Strategy for the Blue Pacific Continent*. Suva, Fiji: Pacific Islands Forum Secretariat. <https://www.forumsec.org/wp-content/uploads/2022/08/PIFS-2050-Strategy-Blue-Pacific-Continent-WEB-5Aug2022.pdf>.

Nauru's small size and remoteness pose challenges for economic growth. Nauru's major sources of revenues are few, and in recent years have stemmed mainly from: (i) hosting the offshore Australian immigration detention facilities for refugees and asylum seekers (also see Box 2); (ii) fishing licences; and (iii) residual phosphate mining.¹⁸ Declining phosphate revenues and weak management of public finances have contributed to Nauru's economic decline, including the depletion of the Nauru Phosphate Royalties Trust (NPRT), the closure of the Bank of Nauru and the insolvency of various state-owned enterprises (SOEs). Economic and public service activities have been substantially supported by financial assistance provided by key development partners.¹⁹

Box 2. Regional processing centre

Nauru's single largest revenue source has been Australia's regional processing centre (RPC) for asylum-seekers and refugees. The RPC gives detainees to have the same rights as Nauruans, including the right to work and establish and operate businesses. Asylum seekers and refugees are granted free education, healthcare services and travel abroad under the non-refoulement principle.²⁰ The RPC has operated from 2001 to 2008, from 2012 to 2019 and from 2021 to 2023. The RPC is to close in 2023, although the facilities will remain for potential future use.²¹

The RPC has raised some concerns over human rights violations. It was reported that the forced offshore confinement in which asylum seekers and refugees were maintained constituted cruel, inhuman and degrading treatment or punishment, according to the standards of international human rights law.²² Women and girls who live in the migrant detention facility are particularly vulnerable to physical and sexual violence, with multiple reports of sexual assault or harassment, including explicit threats, demands for sex and attempted rape.²³ All necessary protection and social support should be provided to asylum-seekers and refugees against human rights abuses.

As a result of phosphate mining, which rendered the central plateau unsuitable for habitation or agriculture, most of the population is concentrated around the narrow coastal areas, thereby increasing Nauru's vulnerability to the effects of climate change. Nauru has a quite unusual land tenure system, and individuals and family groups own all land on the island. As the government and corporate entities do not own any land, they must enter leases arrangement with landowners. Non-

¹⁸ Revenues from fishing licence fees (administered under the Parties to the Nauru Agreement (PNA) Vessel Day Scheme which, before COVID-19, contributed 29 per cent of the government revenue) tend to be volatile, while mining revenues have been in protracted decline. See: Republic of Nauru (2020). *Budget Paper 2020-21*. Nauru: The Republic of Nauru Department of Finance.

¹⁹ The leading ones have been Australia, New Zealand and the United Kingdom.

²⁰ United Nations Human Rights Council (2021). *Report of the Working Group on the Universal Periodic Review*, 12 April. *Nauru*. A/HRC/47/17. Also see: <https://www.ohchr.org/sites/default/files/Documents/Issues/Migration/GlobalCompactMigration/ThePrincipleNon-RefoulementUnderInternationalHumanRightsLaw.pdf>.

²¹ Based on a hearing at the Department of Finance in May 2023.

²² United Nations Human Rights Council (2017). *Report of the Special Rapporteur on the human rights of migrants on his mission to Australia and the regional processing centres in Nauru*, 24 April.

²³ United Nations Children's Fund (UNICEF) (2017). *Situation Analysis of Children in Nauru*. Suva.

Nauruans cannot own land on the island. Limited land availability has also contributed to a heavy reliance on imported food and the high incidence of NCDs.

Nauru is a republic with a parliamentary system of government. The President is both the Head of State and Head of Government and depends on parliamentary confidence to remain in the post. The 19 Members of Parliament are elected every three years, and the Parliament elects the President from its members. The President appoints a cabinet of five to six members. Nauru has no formal structure for political parties, and candidates typically stand for office as independents.

The High Court of Australia was removed as Nauru's highest appellate court in 2018, and a Nauru Court of Appeal was established. Sedition laws were passed in 2020, which raised some concerns about an apparently illiberal stance adopted by the government during the pandemic.²⁴

Despite facing various challenges, Nauru has made progress in a number of areas. In 2015, the government established a trust fund intended to maintain fiscal sustainability by saving windfall income and allowing future revenue-generating initiatives. Banking services were also re-established in 2015 (after almost 15 years without a functioning financial institution), and almost all adults now have access to a bank account.²⁵ Reforms at the Nauru Utility Corporation have improved the reliability of water and electricity provision. Infrastructure projects, such as constructing a new port and laying new undersea cables, will facilitate trade, communications and economic activities. While those functions need to be developed further, improving education and health outcomes is now a priority for the government.

Following the end of the pandemic, Nauru returned to standard procedures for international travel and transport in early 2023. With the increase in people and trade flows, Nauru has experienced a degree of economic recovery, commencing in the second half of 2022. Although the inflation caused by increased prices of food, energy and transportation in the post-COVID period has hampered the country's economy, its economic growth is expected to continue in 2023-24.²⁶

2.3. Historical background

Nauru was first inhabited by Micronesians and Polynesians at least 3 000 years ago. There were traditionally 12 clans or tribes in Nauru, as represented in the twelve-pointed star on the country's

²⁴ Smith A.M., Yim, C. and Kahloon M. (2022). *The Crime of Sedition: At the Crossroads of Reform and Resurgence*. New York City: Columbia Law School Human Rights Institute.

²⁵ International Monetary Fund (IMF) (2020). *Republic of Nauru Staff Report. Country Report No. 20/31 2019*, January. The Bendigo Bank Agency, the sole financial institution and provider of financial services in Nauru, has helped reestablish trust in the financial sector, improving financial inclusion and payment services. The agency opened its first US correspondent bank account in 2019. It has 11 200 accounts and has installed 11 ATMs, processing up to 36 000 transactions per month. About 9 000 ATM cards have been issued – roughly the same as the number of smartphones in Nauru. Although the economy remains heavily cash-based, greater use is being made of online transaction facilities. For example, most large taxpayers make online tax payments. The agency is starting to install Point of Sale (POS) terminals in strong demand. However, the bank has announced the closure of its operations in Nauru by the end of 2024. See: RNZ Pacific (2023). *Pacific news in brief for November 17*, 18 November. <https://www.rnz.co.nz/international/pacific-news/502661/pacific-news-in-brief-for-november-17>.

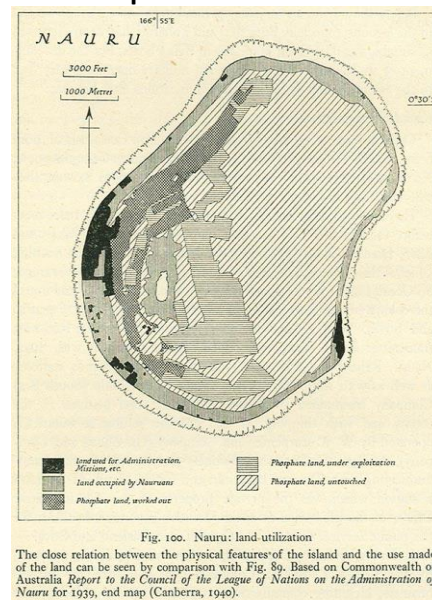
²⁶ Asian Development Bank (ADB) (2023). *Asian Development Outlook 2023*, September. Manila.

flag. The yellow line represents the equator, which protects Nauru from the effects of tropical cyclones. Nauruans trace their descent matrilineally.²⁷

From the 19th Century, Nauruans regularly contacted Europeans on whaling and trading ships who called in for provisions and fresh drinking water. Around this time, deserters from European ships began to live on the island. The islanders traded food for alcoholic palm wine and firearms. The firearms were used during the 10-year Nauruan Civil War of 1878-88. After an agreement with the United Kingdom, Nauru was annexed by Germany in 1888 and incorporated into Germany's Marshall Islands Protectorate.²⁸ The arrival of Germany ended the civil war, and kings were established as island rulers. Germany then administered Nauru for almost three decades.

Phosphate, commonly used in the production of fertilizer, was discovered in Nauru in 1900. Eighty per cent of the island was rich in phosphate from lime (also see figure 4), and the Pacific Phosphate Company began to exploit the reserves in 1906. In 1914, following the outbreak of World War I, Nauru was captured by Australian troops. The Nauru Island Agreement, forged in 1919 between the Governments of the United Kingdom, Australia and New Zealand, provided the island's administration, and extraction of the phosphate deposits was conducted by an inter-governmental British Phosphate Commission. By the early 1920s, Nauru was exporting 200 000 metric tons of phosphate a year, and two decades later, it was more than four times that figure, but priced well below the world average to subsidize farmers in Australia, New Zealand and the United Kingdom.²⁹

Figure 4
Phosphate lands in Nauru



Source: Williams and Macdonald.³⁰

²⁷ McDaniel, C. N. and Gowdy, J. M. (2000). *Paradise for Sale: A Parable of Nature*. Berkeley: University of California Press.

²⁸ Ibid.

²⁹ Williams, M. and Macdonald, B. (1985). *The Phosphaateers*. Melbourne: Melbourne University Press.

³⁰ Ibid.

In 1923, the League of Nations gave Australia a trustee mandate over Nauru, with the United Kingdom and New Zealand as co-trustees. During World War II, Japan occupied the island and deported 1 200 Nauruans to work as labourers in Chuuk, which was also occupied by Japan. Nauru was “liberated” in 1945, and arrangements were made to repatriate the Nauruans who survived Japanese captivity in Chuuk. At the war’s end, a quarter of Nauruan people had died, with fewer than 600 Nauruans remaining on the island.³¹

In 1947, a trusteeship was established by the United Nations, with Australia, New Zealand and the United Kingdom as trustees, establishing a joint administering authority. However, in practice, administrative power was exercised by Australia alone. In 1964, Australia proposed to relocate the entire population of Nauru to Curtis Island, off the coast of Queensland. By then, the extensive mining led to a belief that the island would be uninhabitable by the 1990s. The Australian government’s offer included acquiring all the land on Curtis Island (considerably larger than Nauru), freehold titles for Nauruans and Australian citizenship. Nauru rejected the proposal, instead choosing to become an independent nation.³² Thus, Nauru became self-governing in 1966, and following a two-year constitutional convention, it became formally independent in 1968. In the 1970s, Nauru had the highest GDP per capita in the world, and by the early 1990s, the NPRT held reserves of more than \$710 000 per capita.

In 1989, Nauru took legal action against Australia in the International Court of Justice over Australia’s administration of the island, and in particular, Australia’s failure to remedy the environmental damage caused by phosphate mining. The lawsuit led to an out-of-court settlement to rehabilitate the mined-out areas of Nauru, with Australia agreeing to pay \$40 million in 1994 as well as another \$35 million over the next 20 years. Later, the United Kingdom and New Zealand each contributed \$8.5 million to reduce Australia’s financial burden.³³

Through the 1990s, phosphate exports were in steady decline, and while in 2000 Nauru managed to export 500 000 metric tons, by 2005 phosphate exports fell to a record low of 8 000 metric tons. From 1968 to 2002, phosphate earned Nauru around \$2.5 billion in foreign exchange, with about \$1.26 billion in profits.³⁴

2.4. Geopolitical dynamics

The United States has recently increased its efforts to reshape its influence over the Pacific, including Nauru and its neighbouring Micronesian countries, by increasing trade, development assistance and a military presence (also see figure 5, below). The United States’ “Indo-Pacific Strategy,” released in February 2022, articulates the United States’ goals in the Pacific, and focuses on: (i) building climate

³¹ Ibid.

³² Ibid.

³³ McDaniel and Gowdy (2000).

³⁴ Dauvergne, P. (2019). “A Dark History of the World’s Smallest Island Nation.” *The MIT Press Reader*, 22 July.

resilience; (ii) addressing needs in the areas of digitalization; and (iii) protecting fisheries.³⁵ In June 2022, the Partners in the Blue Pacific was launched, intended as an informal mechanism by which the United States, Australia, New Zealand, Japan and the United Kingdom would support the Pacific's development priorities effectively and efficiently.³⁶ In September 2022, the United States unveiled its Pacific Partnership Strategy at a summit with 14 PICTs, held in Washington D.C.³⁷ Its four stated objectives, which closely link with the Indo-Pacific Strategy, comprise: (i) a strong US-Pacific partnership; (ii) a united Pacific connected to the world; (iii) a resilient Pacific prepared for the climate crisis and other 21st century challenges; and (iv) empowered and prosperous Pacific islanders.³⁸

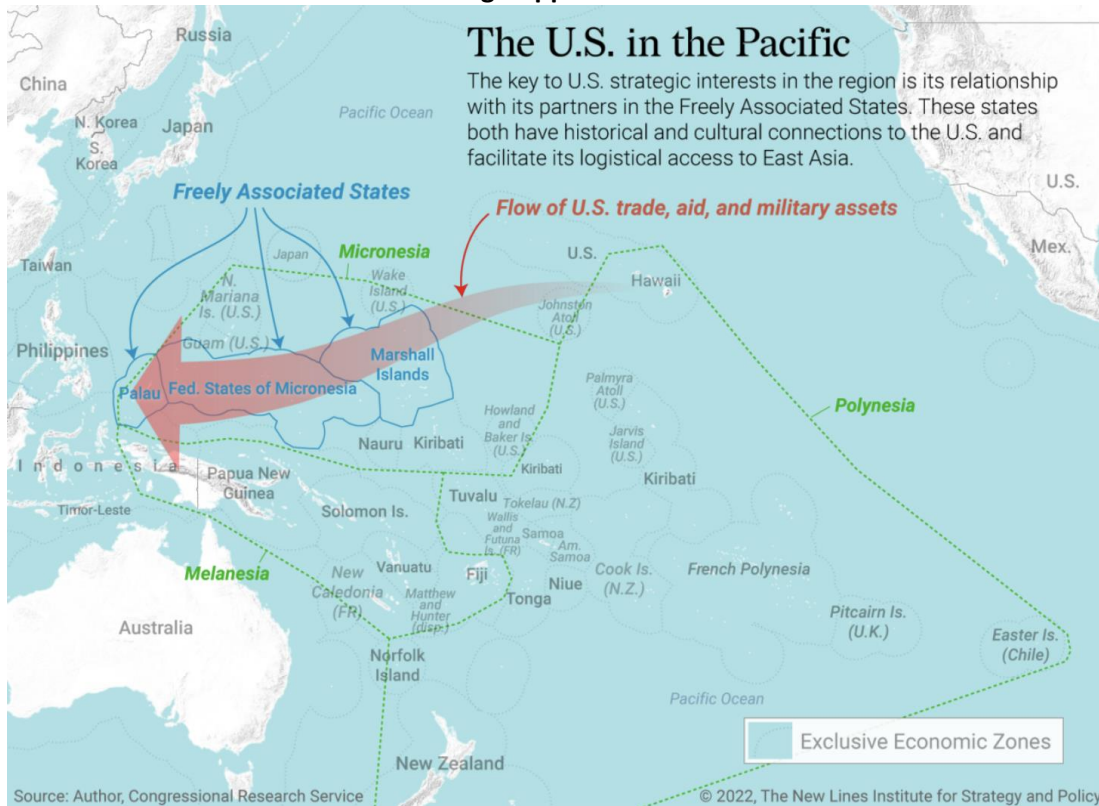
³⁵ For more on the US Indo-Pacific Strategy, see: <https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf>; <https://gpilondon.com/publications/the-usa-indo-pacific-strategy-2022>; and <https://www.eastasiaforum.org/2022/10/30/blind-spots-in-washingtons-indo-pacific-strategy>.

³⁶ The White House (2022a). *Statement by Australia, Japan, New Zealand, the United Kingdom, and the United States on the Establishment of the Partners in the Blue Pacific (PBP)*, 24 June. See: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/24/statement-by-australia-japan-new-zealand-the-united-kingdom-and-the-united-states-on-the-establishment-of-the-partners-in-the-blue-pacific-pbp>.

³⁷ The White House (2022b). *Pacific Partnership Strategy*, September. See: <https://www.whitehouse.gov/wp-content/uploads/2022/09/Pacific-Partnership-Strategy.pdf>.

³⁸ The “strong US-Pacific partnership” objectives include increasing US commitments to the region and building up US capacity support. The objectives of the “united Pacific connected to the world” include bolstering Pacific regionalism, elevating it in the regional architecture and coordinating with allies and partners. The “resilient Pacific prepared for the climate crisis and other challenges” objectives include building climate resilience, supporting marine conservation, maritime security and sovereign rights, and supporting good governance and human rights. And the “empowered and prosperous Pacific islanders” objectives include creating economic opportunities and forging connectivity, bolstering health and health security and partnering with Pacific islanders to strengthen ties and seize 21st Century opportunities. See: The White House (2022c). *Fact Sheet: President Biden Unveils First-Ever Pacific Partnership Strategy*, 29 September. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/29/fact-sheet-president-biden-unveils-first-ever-pacific-partnership-strategy/>.

Figure 5
The US strategic approach in the Pacific



Source: The New Lines Institute for Strategy and Policy.³⁹

Nauru is a member of the United Nations (1999), the Commonwealth of Nations (1999) and the Asian Development Bank (1991). Nauru became the 189th member of the International Monetary Fund (IMF) in 2016. Nauru changed its diplomatic tie from the Taiwan Province of China to China in January 2024.⁴⁰

2.5. The United Nations in Nauru

The United Nations' activities in Nauru are coordinated through the United Nations Multi-Country Office (MCO) for Micronesia, which was established in Kolonia, Pohnpei, Federated States of Micronesia (FSM), on 1 October 2021 and serves four other North Pacific small island states, namely: Palau, FSM, Marshall Islands and Kiribati. Together with the MCO, the UNCT for Micronesia is empowered with supporting the Micronesian governments including Nauru, in meeting national

³⁹ New Lines Institute for Strategy and Policy (2022). *A New U.S. Approach to the Pacific Island Countries*, 13 October, see: <https://newlinesinstitute.org/strategic-competition/a-new-u-s-approach-to-the-pacific-island-countries/>.

⁴⁰ Davidson, H. and Hawkins, A. (2023). "Nauru to sever diplomatic ties with Taiwan in favour of China: Nauru become first ally to switch allegiances to Beijing after weekend's presidential elections in Taiwan," *The Guardian*, 15 January. <https://www.theguardian.com/world/2024/jan/15/nauru-to-sever-diplomatic-ties-with-taiwan-in-favour-of-china>.

development priorities and achieving the SDGs.⁴¹ Nauru is also one of 14 PICTs that form the United Nations PSDCF 2023-27, which aims to promote the SDGs implementation in the PICTs, aligned with respective national development priorities (to be funded by domestic resources, debt, bilateral or multilateral development assistance, including on concessional terms, as well as national and international private financing).⁴² Presently, there is only one resident United Nations agency and nine non-resident United Nations entities supporting the United Nations' work in Nauru. The MCO has established a satellite office in Nauru with a full-time Country Coordination Officer to assist in coordinating United Nations support in-country.⁴³

Nauru remains a partner country under several United Nations joint programmes and initiatives. Joint initiatives of the United Nations system bring together two or more United Nations agencies, under a single programmatic framework, with a shared results framework and mutual responsibility for achievement of planned results. This approach enhances national access to multidimensional expertise of the United Nations system to tackle complex development challenges and allows more coherent policy advice and support tailored to the national context. It is anticipated that in the long term this approach enhances value for money, reduces transaction costs (efficiency) and improves development effectiveness in Nauru.⁴⁴

⁴¹ United Nations Multi-Country Office Micronesia (MCO) (2023). *Nauru: United Nations Country Implementation Plan (CIP), January 2023 – December 2024*.

⁴² The United Nations in the Pacific (2022). *United Nations Pacific Strategy (UNPS) 2018-2022: Final Evaluation Report, April 2022*.

⁴³ MCO (2023).

⁴⁴ Ibid.

3. People

This section of the national study focuses on social development in Nauru. It addresses: (i) population; (ii) education; (iii) labour and migration; (iv) food and nutrition; (v) health and sanitation; (vi) gender and inclusion; and (vii) human rights.

3.1. Population

According to its most recent census, Nauru's population was 11 550 in 2019.⁴⁵ The majority of the population are Nauruans – 95.4 per cent, followed by i-Kiribati (2.1 per cent), Fijians (0.7 per cent), Tuvaluans (0.4 per cent), Chinese (0.3 per cent), Australians and New Zealanders (0.2 per cent) and other nationalities (0.8 per cent).⁴⁶ Between 2009 and 2019, the total population of Nauru increased by about 16 per cent. Nauru has a youthful demographic profile, with approximately 37 per cent being below the age of 15 years, a quarter between 15–29 years old, and only 3.1 per cent aged 60 or more. Its pyramid-shaped population suggests high fertility and a growing population. The median age has been slowly increasing, from 25 in 2005 to 27 in 2020. According to the 2011 national census, approximately 95 per cent of the population is Christian.⁴⁷

Nauru is one of the world's most densely populated countries, with an average population density of 616 people per square kilometre.⁴⁸ There are just over 1 895 households in Nauru, with an average size as high as 6.7 people, and with some overcrowded households (of 16 people and more). All Nauruans have access to electricity. The proportion of the population using basic drinking water services was 99.5 per cent in 2017.⁴⁹ Less than 1.5 per cent of the population is living below the international income poverty line of PPP \$2.15 a day.⁵⁰ In 2012-13, approximately 24 per cent of the population (17 per cent of households) lived below the national basic needs poverty line.^{51 52} A

⁴⁵ Nauru Bureau of Statistics (2019). "Demographic and Household Characteristics fact sheet, Nauru - Population and Housing Census 2019," *Mini-Census 2019, (PHC 2019)*.
<https://microdata.pacificdata.org/index.php/home>.

⁴⁶ Ibid.

⁴⁷ Republic of Nauru (2011). *National Report on Population and Housing Census 2011: Count Me in, Ang Kadat Memak, 30th October*,
https://pacificdata.org/data/dataset/spc_nru_2011_phc_v01_m/resource/8b110eda-b752-41b7-a50e-ddc9b4f8725e?inner_span=True.

⁴⁸ World Bank (2023b). *Population density (people per sq. km of land area) - Nauru*,
<https://data.worldbank.org/>.

⁴⁹ Department of Economic and Social Affairs (DESA), Statistics (2021). *UNdata: A World of information*,
<https://unstats.un.org/UNSDWebsite/>.

⁵⁰ World Bank (2023c). *Poverty and Inequality Platform (PIP)*, <https://pip.worldbank.org/country-profiles/NRU>.

⁵¹ Basic needs poverty line is an estimated cost of a minimum nutritional dietary intake, plus non-food essential basic needs to achieve an acceptable standard of living, including: clothing, shelter, education, transport, communication, water, sanitation and health services.

⁵² Moustafa, A. (undated). *Nauru Hardship and Poverty Report: Analysis of the 2012/13 Household Income and Expenditure Survey*. Nauru: Government of Nauru National Statistics Office and UNDP Pacific Centre.

further 28 per cent are considered vulnerable of falling into poverty. Such risks and vulnerabilities are greater for marginalized groups, including women, children and those with disabilities. Nauru's level of criminality was ranked 192nd out of 193 assessed countries, after Tuvalu.⁵³ Net migration in 2021 was estimated to be just -0.6 per cent.⁵⁴

The “demographic dividend” is a key strategy for building a better future for Nauru, although failure to invest in youth will result in greater unemployed, underemployed, those lacking decent work and outward migration. Factors which limit youth empowerment include: low employability levels, lack of appropriate skills and experience, low educational attainment, poor socioeconomic conditions, poor health status and disabilities, discrimination against women and high adolescent pregnancy.

Box 3. Data discrepancies

Various entities, including the Government of Nauru, international organizations and independent research institutes, have presented demographic statistics with some variance. According to Nauru's government, its population was 11 550 in 2019.⁵⁵ The World Bank reports 12 132 in the same year, while the IMF estimates 12 700.^{56 57} The World Bank's most recent figure is 12 511 for 2021.⁵⁸ The Central Intelligence Agency (CIA) reports the population as 9 770 and 9 852 in 2021 and 2023, respectively.⁵⁹ “Countryreports,” a web database, also suggests 11 000 in 2023.⁶⁰

Another example of data discrepancies pertains to estimates of life expectancy. According to the World Bank, the average life expectancy in Nauru was 67.6 years in 2018, while the United Nations Population Division reports a lower life expectancy of 63.2 years for the same year, and the Asian Development Bank (ADB) cites 66.7 years.^{61 62} Data provided by the Nauru Bureau of Statistics, World Health Organization (WHO) and CIA also differ.⁶³ In Nauru, detailed or disaggregated statistics usually available for larger countries are absent or infrequently updated.

⁵³ Global Organized Crime Index (2023), <https://ocindex.net/country/nauru/tuvalu>.

⁵⁴ World Bank (2023d). *Nauru*, <https://data.worldbank.org>.

⁵⁵ Nauru Bureau of Statistics (2019).

⁵⁶ World Bank (2023d).

⁵⁷ IMF (2023). *Republic of Nauru*, <https://www.imf.org/en/Countries/NRU#>.

⁵⁸ World Bank (2023d).

⁵⁹ CIA (2023). *The World Fact Book - Nauru*, <https://www.cia.gov/the-world-factbook/countries/nauru>.

⁶⁰ CountryReports (2023). *CountryReports – Nauru Demographics*. <https://www.countryreports.org/country/Nauru/population.htm>.

⁶¹ The United Nations (2023). *UN Population Division Data Portal*, <https://population.un.org/dataportal/>.

⁶² ADB (2023) *Key Indicators Database – Nauru*, <https://kidb.adb.org/>.

⁶³ CIA (2023); Nauru Bureau of Statistics (2019); WHO (2023). *Nauru Health data overview for the Republic of Nauru*, <https://data.who.int/countries/520>.

These data discrepancies are quite significant, given Nauru's small size, and the causes are multi-faceted. One major factor is the absence of comprehensive and regularly updated official data collection in Nauru. The most recent census was conducted in 2011 and subsequently updated by a mini-census in 2019. This led to reliance on projections and estimations, which can be imprecise and subject to errors. Another factor is the inconsistent methods employed for data collection and reporting in Nauru. For instance, databases treat certain demographic groups, such as migrant workers and refugees, differently. Similarly, different criteria for citizenship status may result in variations. The Bureau of Statistics' limited capacity also hampers the quality of the data.

Such inconsistency in key statistics can have implications. Inaccurate data may result in misallocating resources, such as for education and healthcare funding, as well as inefficiencies in policymaking, such as responding to the impacts of climate change and economic shocks on Nauru's population.

3.2. Education

Nauru has focused on education as a key driver in reducing poverty, fostering socioeconomic development and achieving gender equality and inclusiveness, while reducing the country's reliance on expatriate workers.⁶⁴ The government recognizes that youth and adults without adequate skills and knowledge necessitates measures and interventions intended to address both formal and non-formal education, from early childhood to higher education, including technical and vocational education and training (TVET), life-long learning and studying overseas.

Nauru mandates free and compulsory education for children aged 4 to 18. The government provides free basic materials, transportation and lunch to students, including those with disabilities. Teachers are required to uphold a policy of non-discrimination. The government also provides grants for teachers and staff to acquire higher academic qualifications.⁶⁵ Nauru is one of the few PICTs to make early childhood education (i.e., playschool, preschool and preparatory school) compulsory. However, the pre-primary school gross enrolment ratio is only 32 per cent (in 2020), which is lower than the regional and income group averages.⁶⁶

While low school attendance has been a pervasive issue in Nauru, the government has committed to improving it. Nauru's primary schools have a high and relatively stable attendance level, with a 2019 gross enrolment ratio of 101 per cent (table 1). The secondary school gross attendance rate is

⁶⁴ Republic of Nauru (2022). *2022-23 Budget, Budget Paper No.1*, 31 May. Minister for Finance of the Republic of Nauru.

⁶⁵ Ibid.

⁶⁶ World Bank (2022). *Human Capital Country Brief – Nauru*, October, Human Capital Project. <https://thedocs.worldbank.org/en/doc/7c9b64c34a8833378194a026ebe4e247-0140022022/related/HCI-AM22-NRU.pdf>.

put at 71 per cent (2019); still low, but higher than the regional average.^{67 68} Secondary school attendance had recently experienced a steady increase, but then dropped sharply in 2020 due to COVID-19 related issues and concerns. The attendance rate in the 2022 school year was reported to have improved by 15 per cent, while the retention rate was put at over 60 per cent.⁶⁹

Table 1
Gross school attendance in Nauru, 2019

	Population			Attending school			Gross attendance ratio %			Gender parity index
	Total	Male	Female	Total	Male	Female	Total	Male	Female	(GPI)
Early childhood (age 4–5)	636	335	301	357	184	173	56%	55%	57%	1.04
Primary (age 6–11)	1,769	925	844	1,787	945	842	101%	102%	100%	0.98
Secondary (age 12–17)	1,376	723	653	980	461	519	71%	64%	79%	1.25
Tertiary/TVET (age 18–22)	1,083	549	534	174	86	88	16%	17%	17%	1.00

Source: SPC.⁷⁰

The percentage of qualified teachers has increased since 2014, reaching an average teacher-to-student ratio of one teacher to 32 students in 2022. However, educational outcomes for primary and secondary students still remain low. According to a report prepared by the Department of Education in 2017, 30 per cent of students do not meet school readiness in communication skills and early numeracy, contributing to poor academic performance and low transition and retention.⁷¹ Children in Nauru also face a number of challenges putting them at greater risk of being left behind. Poverty has been found to particularly affect children and young people in their academic attainment.⁷² Parental neglect, most commonly manifested in unsupervised children, is also a significant issue, sometimes resulting in violence, injuries, bullying and dropping out of school.⁷³

Box 4. Higher education in Nauru

⁶⁷ The gross attendance ratio is defined as the number of students attending a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education.

⁶⁸ World Bank (2022).

⁶⁹ Republic of Nauru (2022).

⁷⁰ SPC (undated). *Education and Economic Activity in Nauru*, p. 2.

https://spccfpstore1.blob.core.windows.net/digitalibrary-docs/files/e9/e9c44211fd47f44f8898d55704d2f8a6.pdf?sv=2015-12-11&sr=b&sig=jObz065zcQs1YPM77uP3gUPsjsRxaH4pVHr3KrAO8Io%3D&se=2024-09-02T01%3A16%3A02Z&sp=r&rsc=public%2C%20max-age%3D864000%2C%20max-stale%3D864000&rsc=application%2Fpdf&rscd=inline%3B%20filename%3D%22Nauru_2020_Mini_Census_FS_Education_Labour_Force.pdf%22

⁷¹ Clear Horizon Consulting (2018). *Nauru Improved Education Investment End-of-Term Review, Prepared for the Australian High Commission Nauru*, 2 October.

⁷² Republic of Nauru (2014). *Nauru Household Income and Expenditure Survey (HIES) 2012/2013 Main analytical report*, April, Bureau of Statistics, Department of Finance Republic of Nauru.

⁷³ Ministry of Home Affairs and UNICEF (2016). *Review of the Child Protection System in Nauru*; UNICEF (2017).

Since 1987, students in Nauru can attend the University of the South Pacific, which has a satellite campus on the island. The campus offers both in-class and online courses for formal degrees, and continuing education in various subjects, such as business, tourism and hospitality, arts and humanities and science, technology and the environment.

Figure 6
The Nauru satellite campus of the University of South Pacific



Source: The University of the South Pacific.

3.3. Labour and migration

Limited private sector employment means that the government is the largest single employer in Nauru, when combining the civil service and state-owned enterprises (SOEs), followed by the RPC, the mining sector and smaller private sector operators. Over ninety per cent of households earn income from formal employment.⁷⁴ Prior to the pandemic, the unemployment rate was 18 per cent in 2019.⁷⁵

Nauru's private sector is small, whether measured by the number of firms or employees. Some potential job opportunities available to other PICTs, such as tourism and fish processing, are limited in Nauru. However, there are businesses operating in construction, security and cleaning, food and restaurants and retailing. Other sectors, such as arts and crafts, also offer limited employment opportunities. The most immediate source of private sector employment tends to relate to mining and land rehabilitation. See table 2 for details.

Table 2
Employment in Nauru, 2019

	Male	Female	Total	Male per cent	Female per cent
Government	629	762	1,391	45.2	54.8
State-owned enterprises (SOEs)				67.4	32.6

⁷⁴ Republic of Nauru (2014).

⁷⁵ Nauru Bureau of Statistics (2019).

Nauru Regional Processing Centre (RPC)	105	66	171	61.4	38.6
Eigigu Corporation Group	151	124	275	54.9	45.1
RONPHOS	175	34	209	83.7	16.3
Nauru Rehabilitation Corporation	73	31	104	70.2	29.8
Nauru Utilities Corporation	107	27	134	79.9	20.1
Nauru Airlines	49	37	86	57	43
Private sector	893	436	1,329	67.2	32.8
Not specified	878	1,426	2,304	38.1	61.9
Other groups	27	28	55	49.1	50.9
Child dependents (0-14 years)	2,264	2,042	4,306	52.6	47.4
High school dependents (15-18 years)	400	430	830	48.2	51.8
Elderly dependents (60 years or above)	120	236	356	33.7	66.3
Total	5,871	5,679	11,550		

Source: Nauru Bureau of Statistics.⁷⁶

The labour force participation rate decreased from 82 per cent for men and 57 per cent for women in 2013, to 72 per cent and 52 per cent in 2019.^{77 78} Women are mainly employed in the services sector, such as public administration, community and social works (56 per cent), as well as finance (14 per cent); they are also active in trade, wholesale, retail and repairs (eight per cent) and hospitality, including accommodation and food services (seven per cent).⁷⁹ However, women working in the private sector are not entitled to maternity leave. Also, no current legislation addresses sex-based discrimination in the workplace. A lack of eldercare and childcare and limited employment opportunities create a difficult employment environment for women in Nauru.⁸⁰ Youth unemployment is also a policy issue. The youth in Nauru are overrepresented in vulnerable employment, often unpaid and excluded from unemployment measures.⁸¹ Conversely, they tend to be underrepresented in formal, waged labour markets, which they often find difficult to access.

In Nauru, roughly 10 per cent of people (and one-third of households) experienced outward migration between 2005 and 2015. The leading destination was Fiji (45 per cent), followed by Australia (24 per cent). Labour migration comprised roughly 21 per cent of all migration, while educational migration accounted for approximately half (51 per cent) of all migrants, particularly departures to Fiji.⁸² Nauruan resident overseas communities are small, at around 500 people in

⁷⁶ Ibid.

⁷⁷ The labour force participation rate measures the proportion of an economy's working-age population that is economically active.

⁷⁸ Nauru Bureau of Statistics (2019).

⁷⁹ United Nations (2020). *Nauru Demographic, Economic and Gender Profile*, August.

⁸⁰ Ibid.

⁸¹ Nauru Bureau of Statistics (2019).

⁸² World Bank (2023d).

Australia, 270 in New Zealand and 150 in the United States and elsewhere in the Pacific.⁸³ Remittances are sent to Nauru, contributing 5.3 per cent of GDP,⁸⁴ but only one per cent of households receive such inward remittances. The mean per capita income for households receiving remittances from overseas labour migrants is more than three times the average income for people who do not receive remittances, indicating the significance of these modest overseas communities for some.⁸⁵

3.4. Food and nutrition

In Nauru, food and nutrition security is in need of urgent attention, as the country imports nearly 90 per cent of its requirements.⁸⁶ In order to address food and nutrition security, a means of increasing local food production has to be established.^{87 88} Nauru's declining mining income has encouraged domestic food production, through aquaculture (primarily milkfish farming), animal husbandry (household pigs and chickens) and kitchen gardens as different sources of income. However, a lack of relevant education and training has hindered food production. Only six per cent of households are involved in food production, which needs to be developed on a larger and more commercial scale.⁸⁹ Artisanal sea-fishing has been more extensive, with about 80 small, motorized boats and outrigger canoes that target mainly tuna and tuna-like species, for which local fishers currently face no quota restrictions. There is also some inshore fishing of species such as snapper. However, the sector needs to make improvements in safety, as well as increase the efficiency of the catch and production.⁹⁰

Nauru has shown limited progress towards achieving its diet-related NCD targets, and no improvement in obesity, with an estimated 65.6 per cent of adult women and 61.4 per cent of adult men living with NCDs.⁹¹ Nauru's obesity prevalence is markedly higher than the regional average of 31.7 per cent for women and 30.5 per cent for men, and is currently ranked first in the world for its prevalence of obesity, with 61.0 per cent of its citizens classified as obese and 88.5 per cent of all

⁸³ Bedford, R. (2014). "Population mobility in the Pacific region in the 21st century: trends and prospects," *Paper presented at the 17th Biennial Conference of the Australian Population Association*, Hobart, December.

⁸⁴ World Bank (2023d).

⁸⁵ Bedford (2014).

⁸⁶ Government of the Republic of Nauru and Pacific Community (2021). *Nauru Climate Smart Agriculture Plan (NaCSAP): 2021-2025*, May. Suva: SPC's Suva Regional Office.

⁸⁷ Republic of Nauru (2021a). *Nauru National Agriculture Strategy*.

⁸⁸ Republic of Nauru (2021b). *Nauru National Food Systems Pathway. United Nations Food Systems Summit 2021*. Department of Commerce, Industry, Trade and Environment.

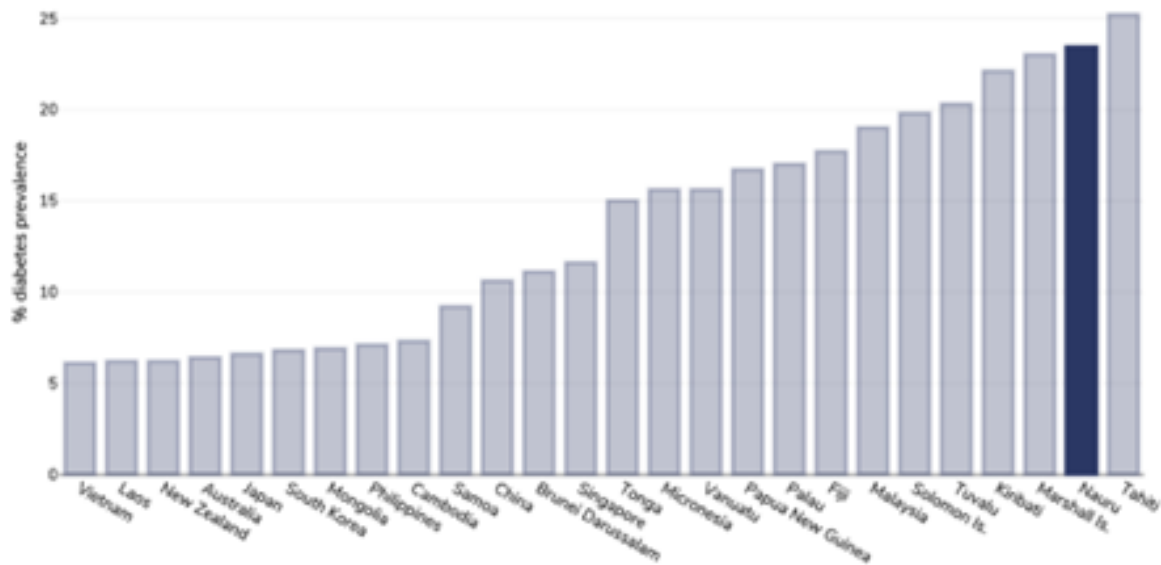
⁸⁹ Nauru Bureau of Statistics (2019).

⁹⁰ SPC (undated). *Fish aggregating devices (FADs)*, <https://spc.int/resource-centre/publications/fish-aggregating-devices-fads>.

⁹¹ Global Nutrition Report (2022). *Country Nutrition Profiles - Nauru*, <https://globalnutritionreport.org/resources/nutrition-profiles/oceania/micronesia/nauru/>

adults deemed overweight.⁹² Factors behind the high degree of obesity include sociocultural issues and practices, such as insufficient physical activity, high-salt and fat food imports and less fruit and vegetable consumption.⁹³ This, in turn, contributes to Nauru’s ranking as having the second-largest diabetes prevalence in the world, after Tahiti (figure 7).

Figure 7
Diabetes prevalence in the world, adults, 2021



Source: International Diabetes Federation.⁹⁴

Nauru needs to acquire greater skills and knowledge in agriculture and fisheries to adopt best practices and innovative approaches to enhance food security. Such developments can be further accelerated with systematic approaches in capacity building.⁹⁵

3.5. Health and sanitation

Nauru’s health indicators are below those of other PICTs, principally due to the high incidence of NCDs. The government provides healthcare services to all citizens, spending a relatively substantial proportion of its public expenditure budget on curative healthcare (figure 8). However, health standards remain poor.⁹⁶ The Nauru Public Health Centre and the Republic of Nauru Hospital

⁹² WHO (2023). *Body Mass Index (BMI)*, https://www.who.int/data/gho/data/themes/topics/topic-details/GHO/body-mass-index?introPage=intro_3.html.

⁹³ World Obesity (2023). *Global Obesity Observatory Drivers: Nauru*, 27 July. <https://data.worldobesity.org/country/nauru-150/drivers.pdf>.

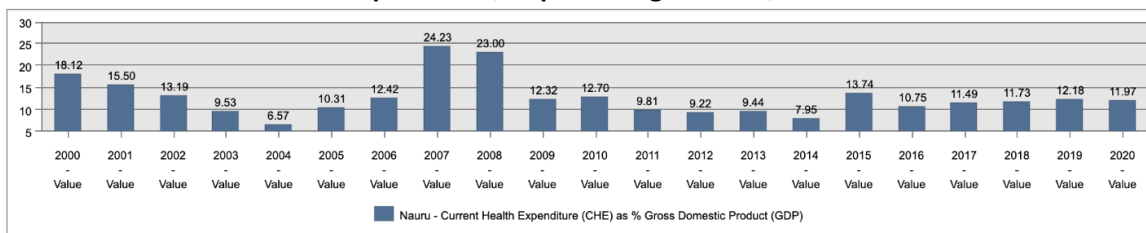
⁹⁴ International Diabetes Federation (2021). *IDF Diabetes Atlas, 10th edition 2021*. Brussels: International Diabetes Federation, <http://www.diabetesatlas.org>.

⁹⁵ SPC (undated), *Nauru Training Needs and Gap Analysis Report*, European Union Pacific Technical and Vocational Education and Training Project, https://prdrse4all.spc.int/sites/default/files/nauru_0.pdf.

⁹⁶ Government of the Republic of Nauru, (2019). *Voluntary National Review (VNR) on the Implementation of the 2030 Agenda*. United Nations High-Level Political Forum on Sustainable Development 2019.

provide primary healthcare services to citizens, under the supervision of the Division of Public Health.

Figure 8
Health expenditure, as percentage of GDP, 2000-2020



Source: WHO.⁹⁷

NCDs are the leading cause of premature mortality and morbidity and reduced life expectancy. The four main risk factors are: (i) tobacco use; (ii) alcohol use; (iii) unhealthy diet; and (iv) lack of physical activity, leading to obesity, diabetes and raised blood pressure. Preventive and curative health services have had difficulty coping with NCDs. Annual expenditure for diabetes alone accounts for approximately 20 per cent of the government’s healthcare budget.⁹⁸ The lack of agricultural production in Nauru, the prohibitive costs of importing fresh and healthy food and a lack of awareness of the importance of nutrition all contribute to the poor diet of the general population.

Although Nauru is on track to meet its targets in reproductive, maternal, newborn and child health (RMNCH), its child mortality rate, of 18.3 per 1 000 live births, is one of the highest among PICTs.⁹⁹ One of the main reasons is limited postnatal care for newborns and mothers.^{100 101} The high incidence of tobacco and alcohol abuse among children and the relatively high rate of teenage pregnancy are also of concern. There is also a lack of health literacy, while medical records require strengthening. To achieve more effective health service delivery, Nauru’s healthcare needs to be improved in terms of quantity, quality and diversity. The government has worked on increasing local capacity and investing in the healthcare workforce, including medical doctors, nurses and specialists, and online healthcare services.¹⁰²

Providing clean water and sanitation for all Nauruan still needs improvement in adverse conditions, including droughts, due to a lack of surface freshwater and unreliable utilities. While all Nauruan households currently benefit from access to basic water services, freshwater resources are limited to rainwater, groundwater and open brackish ponds. In times of drought, Nauru has significantly

⁹⁷ WHO (2023). *Global Health Expenditure Database*. <https://apps.who.int/nha/database>.

⁹⁸ Republic of Nauru (2022).

⁹⁹ Sachs, *et al.* (2022).

¹⁰⁰ United Nation Interagency Group for Child Mortality Estimation (UN IGME) (2019), *Level & Trends in Child Mortality Report 2019*.

¹⁰¹ Sachs, *et al.* (2022).

¹⁰² Government of the Republic of Nauru (2019).

less than WHO's recommendation of 50-100 litres of daily clean water per person.¹⁰³ Water, sanitation and hygiene (WASH) facilities are far from universally available, and open defecation continues to be a practice for many Nauruans, in the absence of adequate sanitation. Nauru is also in need of enhanced water resources monitoring and management and the building of waste-water treatment facilities.¹⁰⁴

3.6. Gender and inclusion

Nauru identifies women and girls as the most vulnerable in the community.¹⁰⁵ Traditionally, Nauru is a matrilineal society, where women have a strong voice at both the family and community levels, although patriarchal values are evident in laws and policies. Social norms and perceived gender roles underpin the unfair distribution of assets and resources (especially land), unbalanced labour force participation, disparity in unemployment, cultural tolerance for gender-based violence, low representation of women in the government (10.5 per cent) and much greater representation in the unpaid informal economy (especially in subsistence food production and home care).¹⁰⁶

Women's health conditions in Nauru demonstrate the lack of adequate sexual and reproductive health services, limited access to contraceptives, limited ability to decide on reproductive health issues, high early marriage and pregnancy and the absence of health data.¹⁰⁷ ¹⁰⁸ Furthermore, there is a high dropout rate of girls from school as a result, among other things, of early pregnancy.¹⁰⁹ The lack of sexual and reproductive health education intensifies this issue.

Violence against women, including domestic and sexual violence, is relatively common in Nauru, with nearly half of ever-partnered women (48.1 per cent) having experienced physical and/or sexual violence by a partner at least once in their lifetime, and 22.1 per cent have experienced such violence within the 12 months.¹¹⁰ Discriminatory stereotypes typically prevent women from

¹⁰³ Campbell, J., Oakes, R. and Milan, A. (2016). *Nauru: Climate change and migration – Relationships between household vulnerability, human mobility and climate change*. Report No.19. United Nations University Institute for Environment and Human Security (UNU-EHS).

¹⁰⁴ Republic of Nauru (2017). *Nauru Water and Sanitation Master Plan*. Nauru Department of Commerce, Industry and Environment

¹⁰⁵ Republic of Nauru (2019).

¹⁰⁶ The only recent affirmative action policy in Nauru requires at least one woman to serve on each SOE board. ADB (2017). *Poverty, Social and Gender Assessment. Project Number: 48480, April. Nauru Port Development Project* (financed by the Asian Development Fund).

¹⁰⁷ Ibid.

¹⁰⁸ Since 2017, the statutory minimum marriage age for girls has been 18 (up from a previous minimum age of 16).

¹⁰⁹ United Nations Committee on the Elimination of Discrimination against Women (CEDAW) (2016). *Initial and second periodic reports of States parties due in 2016: Nauru, CEDAW/C/NRU/1-2*, Convention on the Elimination of All Forms of Discrimination against Women, June.

¹¹⁰ Nauru Ministry of Home Affairs (2014). *Nauru Family Health and Support Study (NFHSS). An exploratory study on violence against women*, October. Department of Women's Affairs, United Nations Population Fund (UNFPA) and Australian Agency For International Development (AusAID).

reporting such violent experiences, and the authorities have limited capacity or seeming determination to investigate and respond adequately to allegations.¹¹¹ Given such conditions, the Nauru Police Department has recently created a domestic violence unit.¹¹²

In Nauru, women have a disproportionate care burden for people with disabilities, who typically remain permanently at home. Women with disabilities may be particularly exposed to physical, emotional and economic abuse, including within the family and have very limited employment opportunities. Furthermore, girls with disabilities are not included in the regular education system.¹¹³ Up to 14 per cent of the Nauru population live with a disability of some kind. In 2020, 84.6 per cent of people with a severe disability received a disability social protection benefit, high compared to Fiji (20.1 per cent) and Tonga (20.2 per cent).¹¹⁴

Nauru has not granted equal rights to LGBTQIA+ persons, although homosexuality was decriminalized in 2016, overcoming a history of legal discrimination. LGBTQIA+ men and women nevertheless experience high levels of state and societal marginalization and factual discrimination.

3.7. Human rights

Nauru's legal system is a combination of common law and customary law. Its judicial institutions comprise the Supreme Court, District Court and Family Court. In 2017, the government revoked the 1976 High Court Appeals Act, which had allowed appeals to the Australian High Court of decisions by the Nauruan Supreme Court in civil and criminal matters.¹¹⁵ The Crimes Act adopted in 2016 has created new criminal offences for "unlawful vilification" and "criminal defamation." The law also criminalized criticizing any witnesses, judicial officers or legal representatives in a pending court matter; a judgment of the court; "scandalizing" a judge or judicial officer; and "scandalizing" or undermining the authority of the courts of the justice system.¹¹⁶

¹¹¹ Ibid.

¹¹² Nauru Police Force (2021). *Facebook*, 22 February, <https://www.facebook.com/NauruPoliceForce/photos/a.105271657635386/273672494128634/?type=3>.

¹¹³ CEDAW (2016).

¹¹⁴ SPC (2021). *Stat of the week: It is estimated that 84.6% of people in Nauru living with a severe disability collect disability social protection benefits*, 17 October, <https://www.spc.int/updates/blog/did-you-know/2021/10/stat-of-the-week-it-is-estimated-that-846-of-people-in-nauru>.

¹¹⁵ Fabricus, W. (1992). *Nauru: 1888-1900: An account in German and English based on official records of the Colonial Section of the German Foreign Office held by the Deutsches Zentralarchiv in Potsdam*. Division of Pacific and Asian History, Research School of Pacific Studies, Australian National University, Canberra.

¹¹⁶ The Human Dignity Trust (2022), *Reform of Discriminatory Sexual Offences Laws in the Commonwealth and Other Jurisdictions - Case Study of Nauru*, 20 February, https://www.humandignitytrust.org/wp-content/uploads/resources/HDT-Nauru-Report_web.pdf.

Nauru does not have a military force. The State's police force was established by the Police Force Act of 1972, which lays down the structure of the force and recruitment rules. Nauru's police force currently comprises approximately 150 officers and a small volunteer reserve contingency.

Despite having signed and ratified some international human rights treaties, the legal protection of human rights in Nauru remains relatively weak.¹¹⁷ This is primarily due to poor incorporation of the relevant human rights commitments into domestic law and a lack of domestic legislative provisions for human rights protection. Nauru has signed but not yet ratified the International Covenant on Civil and Political Rights (ICCPR), the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), the Optional Protocol to the Convention on the Rights of the Child on the involvement of Children in Armed Conflict (CRC-OP-AC) and the Optional Protocol to the Convention on the Rights of the Child on the Sale of Children child prostitution and child pornography (CRC-OP-SC).

Nauru has no trade unions and only limited labour protection laws, while the right to strike and collectively bargain is not protected by law. Religious groups must register with the government to operate in an official capacity, which requires having at least 750 enrolled members, land and a building in the country and leadership by a Nauruan member of the clergy who must reside in the country.¹¹⁸ The Nauru Island Association of Non-Governmental Organisations (NIANGO) is the recognized NGO umbrella body in the country.¹¹⁹ The enactment of the Registration of Associations Act provides legal recognition for domestic and foreign NGOs, allowing them to be formally registered and lawfully operate in Nauru. However, some civil society groups in Nauru have claimed that their participation in the development process is minimal, with no mechanism in place for regular dialogues and engagement.¹²⁰ The State owns all media and exercises editorial control over content.

¹¹⁷ Those ratified treaties comprise: the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW); the Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment (CAT); the Convention on the Rights of the Child (CRC); the Convention on the Rights of Persons with Disabilities (CRPD); and the first Optional Protocol to the ICCPR and the Optional Protocol to CAT.

¹¹⁸ United States Department of State (2017). *2016 Report on International Religious Freedom - Nauru*, 15 August, <https://www.refworld.org/docid/59b7d86d13.html>.

¹¹⁹ Commonwealth Network (2023). *Find Civil Society expertise in Nauru*, 2020 Nexus Partnerships Limited, https://www.commonwealthofnations.org/sectors-nauru/civil_society/.

¹²⁰ The authors' interviews with civil society representatives in Nauru in May 2023.

4. Prosperity

Nauru's economic size is small, at \$133 million in 2021, as measured by nominal GDP.¹²¹ Real GDP growth slowed in the years before and during the COVID-19 pandemic but did remain positive. GDP growth in Nauru was estimated at 1.8 per cent in 2023, raising to 2.2 per cent in 2024.¹²² Nauru is deemed to be a high-income country with a GNI per capita (Atlas method) of \$16 920 in 2021, while the same year's GDP per capita was US\$ 10 648 in current US dollars.¹²³ Given the recent pandemic's prolonged detrimental impact and the government's limited revenue sources, Nauru's economic outlook is somewhat uncertain. The government has determined to enhance economic stability, improve infrastructure and support essential service deliveries, such as health, education and housing. Provision has also been made to invest in a sovereign trust fund and resolve legacy domestic debt.¹²⁴

4.1. Macroeconomic overview

Due to limited options to diversify the economy, Nauru faces long-run challenges in maintaining fiscal sustainability and ensuring economic growth. The country expects significant vulnerability to climate change, most notably impacting sea-level rise and tuna stock reduction. The economy has been impacted by frequent fuel, power and water shortages, while the cost of living has increased.¹²⁵ As a result, Nauru's economy has relied in part on foreign development assistance, most notably from Australia, New Zealand and the Taiwan Province of China.

Nauru's primary income sources are fishing fees and revenues from the RPC for asylum-seekers, in addition to declining phosphate mining income.¹²⁶ Taken together, these sectors demonstrate the country's narrow income streams, despite having a high per capita income. Economic growth and public revenues have therefore been predominantly reliant on the RPC, phosphate mining, fishing and, to a certain extent, offshore banking activities, which are not free of risks to the economy.¹²⁷ Economic diversification is needed to support the nation's development agenda in the post-phosphate era. This has become more urgent since the RPC is in wind-down phase. Nauru presently faces the combined challenges of reduced fiscal revenues, inadequate infrastructure, limited public and financial services and outdated land management.

The most recent budget indicates the RPC will likely transit to an "enduring capability" arrangement in 2023-2024, whereby Nauru will receive a hosting fee from Australia for maintaining the facility

¹²¹ ADB (2023a). *Key Indicators Database - Nauru*, <https://kidb.adb.org/>.

¹²² ADB (2023b). *Asian Development Outlook April 2023*. Manila: Asian Development Bank.

¹²³ World Bank (2023d).

¹²⁴ The government has invested 10.1 per cent of annual domestic revenue in the sovereign trust fund. Republic of Nauru (2022).

¹²⁵ ADB (2023b).

¹²⁶ Republic of Nauru (2022).

¹²⁷ ADB (2022). *Key Indicators for Asia and the Pacific 2022, Economy Table -Nauru*, August, <https://www.adb.org/sites/default/files/publication/530246/pacific-finance-sector-nauru.pdf>.

and keeping it ready to reopen when necessary.¹²⁸ However, this down-scaling of the RPC and the resulting decline of RPC-related revenues may constrain Nauru's near-term growth development.¹²⁹

¹³⁰

Nauru has been less severely affected by the COVID-19 pandemic than most of its tourism-dependent neighbours, thanks to its relative economic isolation and the dominance of the public sector in the economy. Nauru's sizable spending on the COVID-19 response and associated stimulus measures helped maintain its economy, although it has faced fiscal pressures and the inflation rate has been elevated.¹³¹ ¹³² The economy expanded moderately by 0.7 per cent, 1.5 per cent and 1.2 per cent in 2020, 2021 and 2022, respectively. The inflation rate increased from 1.2 per cent in 2021 to 2.3 per cent in 2022, with a projected increase of 2.5 per cent in 2023.¹³³ See figure 9.

¹²⁸ Republic of Nauru (2022).

¹²⁹ ADB (2023b).

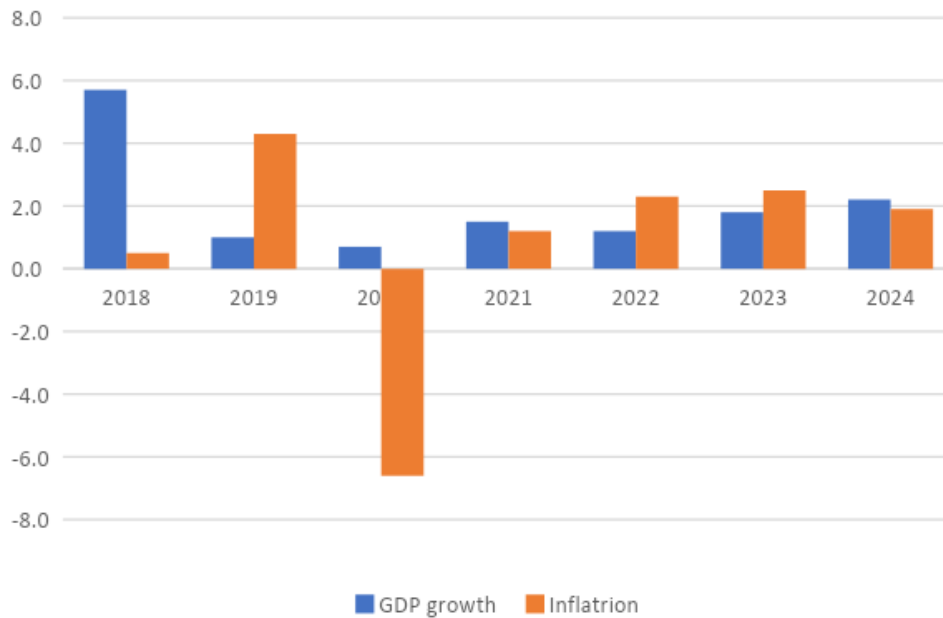
¹³⁰ Australia transferred 11 asylum-seekers and additional 12 to Nauru in September and November 2023, respectively. Refugee Council of Australia (2024). *Offshore processing statistics*, 1 March 2024. <https://www.refugeecouncil.org.au/operation-sovereign-borders-offshore-detention-statistics/2/>.

¹³¹ In addition to health and quarantine spending, such as securing vaccines, distributing personal protective equipment and scaling up healthcare facilities, the government implemented a stimulus package to support vulnerable businesses and households (equivalent to around eight per cent of GDP). This included liquidity injections to keep the national airline and shipping company running, thereby ensure the movement of essential commodities and services to the country and to keep other SOEs afloat. United Nations Development Programme (UNDP) (2020). *Rapid Appraisal Assessment of COVID-19*; World Bank (2021a). *Macro Poverty Outlook. Country-by-country Analysis and Projections for the Developing World, Spring Meeting 2021*. Washington D.C.: International Bank for Reconstruction and Development, <https://www.theprif.org/sites/default/files/documents/WB%20Macro%20Poverty%20Outlook%2C%20June%202021.pdf>.

¹³² To cushion the impact of inflation on households and businesses, the government reduced import duties on diesel and gasoline in 2022. It also maintained subsidies for SOEs in 2023 to contain import costs and prevent consumer prices from rising drastically. The government also released ex-gratia payments for public employees.

¹³³ ADB (2023b).

Figure 9
Economic growth and inflation, in percentage, 2018-2024



Source: ADB.¹³⁴

4.2. Trade and investment

Nauru has limited export potential due to its remoteness, small economy and high transportation costs. With declining phosphate mining, Nauru has experienced increasingly pronounced trade deficits (for goods and services) since 2013 (see figure 10). In 2021, the trade deficit, which was equivalent to 70 per cent of GDP, was primarily due to fuel imports (43 per cent of GDP) and a pandemic-induced decline of inbound visitors to Nauru. The trade balance, however, is expected to shift to a smaller deficit over the medium term, with increased visitor numbers in the post-pandemic period and the opening of solar farms (which is expected to reduce the need for diesel imports to power generators). Greater Internet connectivity will also mitigate the effects of Nauru's remoteness on trade and tourism. Nauru graduated from the Generalized System of Preferences (GSP) in January 2021, due to its classification as a high-income country.^{135 136}

¹³⁴ Ibid.

¹³⁵ World Bank (2023d).

¹³⁶ The GSP is the most extensive global trade preference programme for developing countries, instituted in 1971 under the aegis of the United Nations Conference on Trade and Development (UNCTAD). UNCTAD (undated). *Generalized System of Preferences*. <https://unctad.org/topic/trade-agreements/generalized-system-of-preferences>.

Figure 10
Nauru's trade balance, in million Australian dollars



Source: ADB.¹³⁷

Since 2018, Thailand has been the largest export partner for Nauru, due to its strong performance in the fisheries sector. In prior years, the key drivers for Nauru's export earnings had been fish and phosphates, which still provided steady figures in 2021 (table 3).

Table 3
Nauru's merchandise trade partners and goods, 2021

EXPORTS			IMPORTS		
Country	Million US dollar	Per cent	Country	Million US dollars	Per cent
Thailand	100.3	47.8	Australia	52.7	47.0
Saudi Arabia	26.3	12.5	Taiwan Province of China	15.4	13.7
Philippines	22.9	10.9	China	11.3	10.1
Republic of Korea	17.8	8.5	Japan	10.9	9.7
India	17.2	8.2	Nigeria	6.6	5.9
Ecuador	8.4	4.0	Fiji	5.9	5.2
France	4.8	2.3	The Philippines	1.5	1.3
Japan	3.1	1.5	United States	1.3	1.2
Australia	2.8	1.4	New Zealand	1.1	1.0
United States	2.3	1.1	Republic of Korea	0.7	0.6

EXPORTS		IMPORTS	
Merchandise	US million dollars	Merchandise	USD mln
Non-fillet frozen fish	123.0	Refined petroleum	15.5
Calcium phosphates	31.7	Tug boats	8.0
Cars	23.0	Rolled tobacco	7.2
Delivery trucks	2.8	Cars	3.4
Low-voltage protection equipment	1.6	Large construction vehicles	3.4

¹³⁷ ADB (2022).

Sources: International Trade Centre (ITC).¹³⁸

Nauru is not a member of the World Trade Organization (WTO). Nauru also has no bilateral investment protection agreements, nor is it a member of any free trade associations. However, Nauru is a member of several regional trade agreements, comprising: the Pacific Agreement on Closer Economic Relations (PACER) Plus (2020); the Pacific ACP-EC Economic Partnership Agreement (2014); the Pacific Island Countries Trade Agreement (PICTA) (2003); and the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) (1981).¹³⁹ Nauru also joined the World Intellectual Property Organization (WIPO) in 2020.

Foreign investment is rare in Nauru. The Nauruan authorities require a license for any business owned by a non-Nauruan, while noting that the enabling business environment is key to private sector development. Nauru would benefit from streamlining its business registration procedures, reducing high business visa fees, developing a credit act and reintroducing insurance services. Legislation that discourages non-citizens from investing should also be reviewed and amended. There is also a need to improve the quality and timeliness of macroeconomic data for monitoring and surveillance.¹⁴⁰

4.3. Business sectors

The COVID-19 pandemic and associated trade and travel disruptions affected Nauru's supply chains, further compounding challenges the country faces due to its small size, distance from markets and dependence on imports.¹⁴¹ While the fisheries sector has secured some additional income, Nauru's economic outlook will depend in part on a revival of the tourism sector, along with investments in improved infrastructure.

Agriculture

Agricultural development can enhance food and nutrition security and help bring about more resilient communities.¹⁴² However, the agriculture sector's constraints in Nauru are significant, and principally pertain to: (i) limited production potential; (ii) shallow and calcareous soils; (iii) frequent droughts and water shortages; (iv) coastal inundation; and (v) geographic isolation.^{143 144} The scarcity of full-time farmers and unskilled agricultural labour force adds to the challenges faced.¹⁴⁵

¹³⁸ International Trade Centre (ITC) (2023). *Trade Map*. <https://www.trademap.org/Index.aspx>.

¹³⁹ Various sources.

¹⁴⁰ IMF (2022). "Republic of Nauru 2021 Article IV Consultation – Press Release; Staff Report; Informational Annex; and Statement by the Executive Director for Nauru," *IMF Country Report No. 22/28*, February.

¹⁴¹ ADB (2021). *Asian Development Bank and Nauru: Fact Sheet, 2020*, April.

¹⁴² Republic of Nauru and Pacific Community (2021).

¹⁴³ Food and Agriculture Organization of the United Nations (FAO) (2017). *Multi Country Programming Framework for the Pacific Islands, 2018-2022*, October.

¹⁴⁴ Republic of Nauru (2019).

¹⁴⁵ Republic of Nauru (2022). *2022-23 Budget, Budget Paper No.2*, 31 May. Minister for Finance of the Republic of Nauru.

The prevailing welfare support and “hand-out mentality” tends to hinder transitioning from semi-subsistence to commercial agricultural production. Furthermore, eighty per cent of the land is degraded and uninhabitable due to phosphate mining, which has created pollution issues, particularly with regard to cadmium residues and phosphate dust.¹⁴⁶ Larger-scale agricultural production, such as orchards or small plantations, is also constrained by complications around customary land tenure and ownership. Land is rarely sold per se, but rather inherited, gifted or exchanged instead. No activity, agricultural or otherwise, can be undertaken without the consent of the customary landowners.

Irregular rainfall and extended periods without rain are natural hazards that also significantly affect agricultural production on the island. With annual rainfall ranging widely, from less than 300 millimetres to over 4 500 millimetres per year – and a whole year or more without worthwhile rain is not unknown – Nauru frequently experiences droughts that pose a substantial risk to agriculture, food security and the overall wellbeing of its inhabitants.¹⁴⁷ (While rooftop storage tanks are present, they collect rainwater solely for household use.) Additionally, water generated from the desalination plant is deemed not acceptable for irrigation.

In 2019, small numbers of Nauru’s private households engaged in livestock (5.2 per cent) and aquaculture activities (0.5 per cent).¹⁴⁸ Livestock production, predominately pigs and poultry, is mainly for subsistence, with only 20 per cent of households raising livestock partly for sale.¹⁴⁹ Nauru’s veterinary services are limited. Effective border biosecurity control and protection are also necessary to prevent incoming animal diseases (such as “swine flu”) which have the potential to devastate the livestock sector and food security in Nauru. Diversifying livestock breeds, feed formulation using local materials to reduce dependency on imports, livestock waste management and climate-smart livestock adaptation and mitigation are all key to ensuring livestock production becomes more sustainable and resilient.

As an aggregate result of the issues identified above, agriculture currently occupies 20 per cent of the island's total land area and yet contributes only about 1.2 per cent to total GDP (see figure 11).¹⁵⁰

¹⁴⁶ UNICEF (2017).

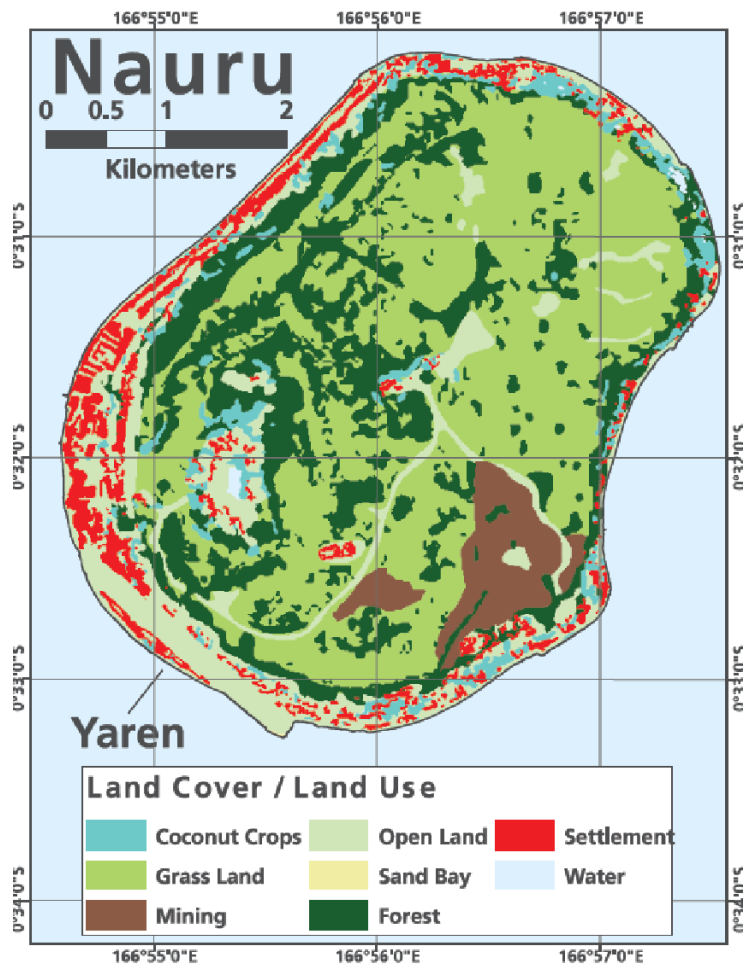
¹⁴⁷ World Bank (2021b). *Climate Risk Country Profile: Nauru*. Washington, D.C.: The World Bank Group, https://climateknowledgeportal.worldbank.org/sites/default/files/country-profiles/15819-WB_Nauru%20Country%20Profile-WEB.pdf.

¹⁴⁸ Nauru Bureau of Statistics (2019). *Livestock & Aquaculture in Nauru, Mini-Census 2019, (PHC 2019)*.

¹⁴⁹ Ibid.

¹⁵⁰ ADB (2022).

Figure 11
Nauru's land use



Source: The Government of Nauru.

Fisheries

Offshore tuna fishing is a crucial economic activity for Nauru, accounting for a significant portion of the government's revenues.¹⁵¹ Indeed, the annual tuna license fee for Nauru for 2015-2018 was an average of \$29.5 million, equivalent to 31.2 per cent of the government's total revenues.¹⁵² Fishing license revenues grew to \$73 million but then declined to \$60 million in fiscal 2019/20 and 2020/21, respectively.¹⁵³ Foreign fishing fleets dominate the tuna catch in Nauru's EEZ.¹⁵⁴ Currently, Nauru

¹⁵¹ Bell, J. D., *et al.* (2015). "Diversifying the Use of Tuna to Improve Food Security and Public Health in Pacific Island Countries and Territories," *Marine Policy*, 51, 584–591.

¹⁵² Bell, J. D., *et al.* (2021), "Pathways to Sustaining Tuna-Dependent Pacific Island Economies During Climate Change," *Nature Sustainability*, 4, 900-910.

¹⁵³ Republic of Nauru (2022a).

¹⁵⁴ Bell, *et al.* (2015; 2021).

only has 12 tuna “purse seiners” under its flag.¹⁵⁵ Nauru’s coastal fishing is primarily for subsistence, or sold in local markets, with tuna being the main target species due to the limited “fringing reef” flat. Coastal fishing plays a significant role in providing food for the local population.

The Parties to the Nauru Agreement (PNA) implemented the Vessel Day Scheme (VDS) in 2010, transitioning from permitting a total number of purse seine vessels in the region, to permitting a total allowable effort in the number of purse seine fishing days. The VDS limits fishing efforts in the combined EEZ of the eight-member nations.¹⁵⁶ Given the volume, value and multi-jurisdictional nature of these fisheries activities, the VDS is arguably one of the most complex fishery management arrangements yet enacted.¹⁵⁷ One crucial issue under the scheme is to tackle illegal, unreported and unregulated (IUU) fishing in Nauru's waters effectively, ensuring adequate surveillance.¹⁵⁸

Tourism

The island a good destination for deep-sea fishing and offers a white sand beach at Anibare Bay, abundant fresh seafood and several World War II historical heritage sites. However, Nauru’s tourism sector is currently very modest. It only employed 77 Nauruans in 2014, equivalent to 2.5 per cent of Nauru’s total employment.¹⁵⁹ Nauru received 2 991 tourists in 2016.¹⁶⁰ Travel distances and a lack of flight options to Nauru pose a significant hurdle to attracting inbound tourists. Prior to the COVID-19 pandemic, a discrete stream of business travellers visiting Nauru was the primary source of tourism receipts.

Nauru presently has regular air connections with Brisbane (Australia), Kolonia (FSM), Majuro (Marshall Islands), Nadi (Fiji), Palau and Tarawa (Kiribati), with several “island hopper” services, all of which the government-owned Nauru Airlines operates. The lack of adequate infrastructure and key tourism services (such as banking and insurance services, healthcare and hospitality services, travel agencies, Internet connections, as well as a professional hospitality culture) adds to the challenges posed for tourism sector development in Nauru. Promoting business travellers and accommodating customary land rights are two of the avenues to develop the tourism industry in Nauru, which could be followed by the deployment of niche tourism offerings, such as eco-tourism and astro-tourism.

¹⁵⁵ Nauru Fisheries and Marine Resources Authority (NFMRA) (2023). *News about NFMRA*, <https://nfmra.blogspot.com/2020/03/nauru-becomes-flag-fishing-state.html>.

¹⁵⁶ Webb, J. (2020). “Kiribati Economic Survey: Oceans of Opportunity.” *Asia and the Pacific Policy Studies*, 1(7), 5-26.

The member states comprise FSM, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands and Tuvalu.

¹⁵⁷ The VDS system is creating competition for a limited number of days, thereby increasing the value of each day. In practice, the value of a fishing day before the VDS was roughly \$1 350, but it increased to about \$6 000 in 2019, and days were sold in 2020 for over \$12 000.

¹⁵⁸ Republic of Nauru (2022a).

¹⁵⁹ Pacific Tourism Organisation (SPTO) (2019). *2018 Annual Review of Visitor Arrivals Report*. Suva.

¹⁶⁰ The Nauru Bureau of Statistics has not published official arrival figures since 2016. Visit: *Pacific Data Hub*, <https://stats.pacificdata.org/>.

4.4. Fiscal management and financial assistance

Nauru's fiscal management has improved in the last decade or so. A series of tax reforms (in 2014), banking services' resumption (in 2015) and the Nauru Trust Fund's establishment (in 2016) were key drivers for this trajectory. State-owned enterprise reforms intended to enhance their financial sustainability are also ongoing.¹⁶¹ The public debt level has decreased significantly in recent years, with external debt contracting from 34 per cent of GDP in 2017 to 15 per cent in 2021.¹⁶² Although those improvements have brought about some cautious optimism, Nauru's fiscal management remains vulnerable. Nauru's 2023/24 budget projects revenues 21.5 per cent lower than in the 2022/23 fiscal year and expenditure 17.1 per cent lower.¹⁶³

Along with the decrease in phosphate mining and transition to the inactive phase of the RPC, Nauru is actively searching for additional revenue sources that can contribute to its economic sustainability.¹⁶⁴ While fishing licenses have recently produced significant revenues, the refugee centre's decline is prompting Nauru to develop new revenue sources that can help bring about greater sovereign fiscal stability.¹⁶⁵ In this vein, the government admits the growing complexity of the situation, given the uncertainties in the post-COVID-19 era and the war in Ukraine (e.g., global inflation and supply chain disruptions).¹⁶⁷ Its limited resources and institutional capacities have also caused an elevated dependence on foreign development assistance (both technical and financial) in fiscal management.¹⁶⁸ Successful domestic revenue efforts have helped ease fiscal pressures, while reducing dependency on foreign assistance.¹⁶⁹

In 2016, the government founded the Inter-generational Nauru Trust Fund in a bid to secure financial sustainability for the island's future. The trust fund is co-managed and financed by the government and its key bilateral development partners with annual contributions. The trust fund operates under an initial build-up phase, set at 20 years, during which no withdrawals are permitted, although this excludes the possibility of financing development programmes in the medium term.¹⁷⁰

¹⁶¹ IMF (2020).

¹⁶² Ibid.

¹⁶³ Republic of Nauru (2022a).

¹⁶⁴ Dauvergne, P. (2018). *Environmentalism of the Rich*. Cambridge: The MIT Press.

¹⁶⁵ Morris, J. C. (2023). "Bitter Money,' *Asylum and Extraction in the Republic of Nauru*," *MIT Press Scholarship Online*, 23 September.

¹⁶⁶ Towner, N. and Taumoepeau, S. (2019). "Tourism Development in the South Pacific: The Cases of Nauru and Tuvalu," *The Journal of Pacific Studies*, 1(39).

¹⁶⁷ Republic of Nauru (2022a).

¹⁶⁸ ADB (2019). *Pacific Finance Sector Briefs: Nauru*, October.
<https://www.adb.org/sites/default/files/publication/530246/pacific-finance-sector-nauru.pdf>.

¹⁶⁹ Crivelli, E. and Gupta, S. (2014). "Resource Blessing, Revenue Curse? Domestic Revenue Effort In Resource-rich Countries," *IMF Working Papers*, 5(14), 1.

¹⁷⁰ The Republic of Nauru, Department of Finance (2020). *Intergenerational Trust Fund*.
<https://naurufinance.info/intergenerational-trust-fund/>.

Like most PICTs, Nauru relies considerably on external sources of finance and technical assistance.¹⁷¹ In 2022, Australia (accounting for over 30 per cent), ADB and the Taiwan Province of China¹⁷² were the largest sources of financial assistance to Nauru, followed by Japan, New Zealand, the United Nations, the European Union, the Republic of Korea, India, the Russian Federation, Canada, Italy and the United Arab Emirates (also see table 4). On average in 2021, the PICTs receive \$639 per capita in Official Development Assistance (ODA), while Nauru received considerably more, at \$2 698 per capita.¹⁷³

Table 4
Development partners' priorities

Development partners	Priorities	Total projections for 2022-23, in Australian million dollars
Australia	RPC operations; improving public sector management; investing in nation-building infrastructure, such as submarine cable connection; and supporting human development, with a particular focus on health and education.	25.5
ADB	Sustainable urban development; connectivity project (Aiwo port); solar power project; and electricity supply security.	29.1
Taiwan Province of China	Solar energy generating system; multifunctional patrol vessels; a digital opportunity centre; human resource training; and anti-pandemic supplies.	17.8
Japan	COVID-19-related assistance – medical and health equipment and supplies; fisheries (community boat harbour); improvement of community water access and supply; submarine cable connection.	6.7
New Zealand	Strengthened environmental sustainability and climate resilience; strengthened, well-governed and resilient economy; improved commitment to effective domestic and regional governance.	3.4
United Nations	Renewable energy and energy efficiency technologies; resilient health systems; ecosystem restoration and sustainable land management; gender equality; food and nutrition security; education; and human rights.	5.0

Sources: Various.¹⁷⁴

¹⁷¹ Republic of Nauru (2022a).

¹⁷² Although Nauru and the Taiwan Province of China signed joint communiqué to reaffirm their diplomatic relations highlighting their close tie in November 2022, Nauru changed its official relation to China in January 2024.

¹⁷³ World Bank (2023d).

¹⁷⁴ Australian Government Department of Foreign Affairs and Trade (2023). *Nauru Development Corporation Factsheet May 2023*, <https://www.dfat.gov.au/sites/default/files/development-cooperation-fact-sheet-nauru.pdf>; Taiwan Province of China (2023). *Ministry of Foreign Affairs, Republic of China (Taiwan)*, https://en.mofa.gov.tw/News_Content.aspx?n=1329&s=99133; Ministry of Foreign Affairs of Japan (2021). *Japan- Nauru Leaders Video Teleconference Meeting*, https://www.mofa.go.jp/a_o/ocn/nr/page3e_001122.html; and New Zealand Foreign Affairs and Trade (2021). *Nauru Four Year Plan*, October, <https://www.mfat.govt.nz/assets/Aid/4YPs-2021-24/Nauru-4YP.pdf>.

In 2020, immediately prior to the pandemic, most development assistance to Nauru was oriented towards governance and sectoral development (e.g., agriculture, forestry and land restoration, fishing, infrastructure and transport). Some assistance flows have also gone to the energy, education, health and water sectors. It is noteworthy that in recent years Nauru has channelled a relatively large share of ODA towards developing a blue economy (approximately 20 per cent).¹⁷⁵

Australia financially supports the operation of the RPC in Nauru, and the centre employed 15 per cent of the country's entire workforce in the 2019-20 period. Australia also supported Nauru Airlines' rehabilitation and revitalized the previously stalled East Micronesia Cable project, which will connect Nauru by a submarine cable, in cooperation with Japan and the United States.¹⁷⁶ Direct United States' assistance to Nauru is restricted, based on the latter's recognition of Abkhazia and South Ossetia.¹⁷⁷ However, the United States provides financial contributions to international and regional organizations that assist Nauru and helps Nauru generate income from fishing licenses via the regional Forum Fisheries Agency (FFA) operations.¹⁷⁸ Nauru also partners with some international financial institutions (IFIs), most notably ADB, which provides concessional financial support in infrastructure and essential services (e.g., port development, disaster and pandemic responses, sustainable energy and Internet connectivity). Further areas of focus include strengthening fiscal sustainability and improving the performance of SOEs.¹⁷⁹ However, Nauru does not currently have access to World Bank funding because of the country's high-income status.¹⁸⁰

Nauru's relatively narrow development partner base and recent reclassification as a high-income country (based on GNI per capita) have further limited its access to concessional funding from development partners. In 2019, Nauru exceeded the high-income threshold under the Development Assistance Committee's (DAC) rules for ODA recipients.¹⁸¹ The Organisation for Economic Co-operation and Development (OECD) has recommended Nauru's graduation from the aid recipient category, citing the country's improving economic and social indicators and capacity to mobilize

¹⁷⁵ United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN OHRLLS) (undated). *Financing For Development of Small Island Developing States Report - Advance Unedited*. https://www.un.org/ohrls/sites/www.un.org.ohrls/files/financing_for_development_for_sids_report_advance_unedited.pdf.

¹⁷⁶ Australian Government Department of Foreign Affairs and Trade (undated). *2021-22 Nauru Development Program Progress Report*. <https://www.dfat.gov.au/sites/default/files/2021-22-nauru-development-program-progress-report.pdf>.

¹⁷⁷ Hill, B. (2018). "What's the deal with Nauru backing the disputed territories of South Ossetia and Abkhazia?" *ABC News*, 13 May. <https://www.abc.net.au/news/2018-05-13/why-is-nauru-backing-south-ossetia-and-abkhazia/9751660>.

¹⁷⁸ US Department of State. (2020). *U.S. Relations With Nauru*, 27 February. <https://www.state.gov/u-s-relations-with-nauru/>.

¹⁷⁹ Republic of Nauru (2022a).

¹⁸⁰ IMF (2020).

¹⁸¹ OECD (2022). *States of Fragility 2022*. Paris: OECD Publishing.

domestic resources.¹⁸² Nauru's graduation from the aid recipient category will intensify the need to further diversify its economic revenues base and seek to address resource constraints and governance issues in order to help better ensure long-term sustainable growth. DAC has deferred the decision of Nauru's graduation to 2026.¹⁸³

To help substantiate the need for some continuation of ODA for Nauru, the government can refer to the multi-dimensional vulnerability index (MVI).¹⁸⁴ By developing the MVI, the United Nations aims to increase the eligibility of SIDS like Nauru to mobilize greater resources to address their vulnerabilities principally due to the challenges posed by climate change. MVI, which uses multi-dimensional factors (i.e., economic vulnerability, environmental vulnerability and structural constraints) to assess the unique vulnerabilities of SIDS, seeks to provide a more holistic approach that can assist in developing financial strategies to address the specific challenges faced by these countries. As a SIDS, Nauru may benefit from considering the MVI as a tool to identify priority areas for development financing.

A key issue is to manage windfall income effectively, so as to build a sustainable economic future and reduce Nauru's economic vulnerability. Reforms should ensure significant new investments in infrastructure and help bring about greater fiscal stability. By investing in domestic infrastructure, creating domestic value, improving accountability and promoting transparency, Nauru can seek to create a better future for its island and citizens. In future cycles, the government should also seek to diversify exports, so as to reduce its heavy dependence on traditional sectors and less vulnerable to external shocks, such as a sudden price rises and supply chain disruptions seen in recent years.

Some observers have argued that instead of prioritizing saving all current revenues, for instance in trust funds, Nauru should invest more in its real economy.¹⁸⁵ To a lesser or greater extent, this issue stems in part from one crucial dilemma, that is: Nauru has come to depend significantly on foreign external inputs and knowledge, while at the same time steadily diminishing its valuable domestic assets (whether they be ocean resources, minerals, capital, human, tangible or intangible in form) to others. This vicious cycle has been the result of historical sovereign development and geopolitical and socioeconomic settings around Nauru. Figure 12, below, depicts the challenge for Nauru in the form of a simplified value chain.

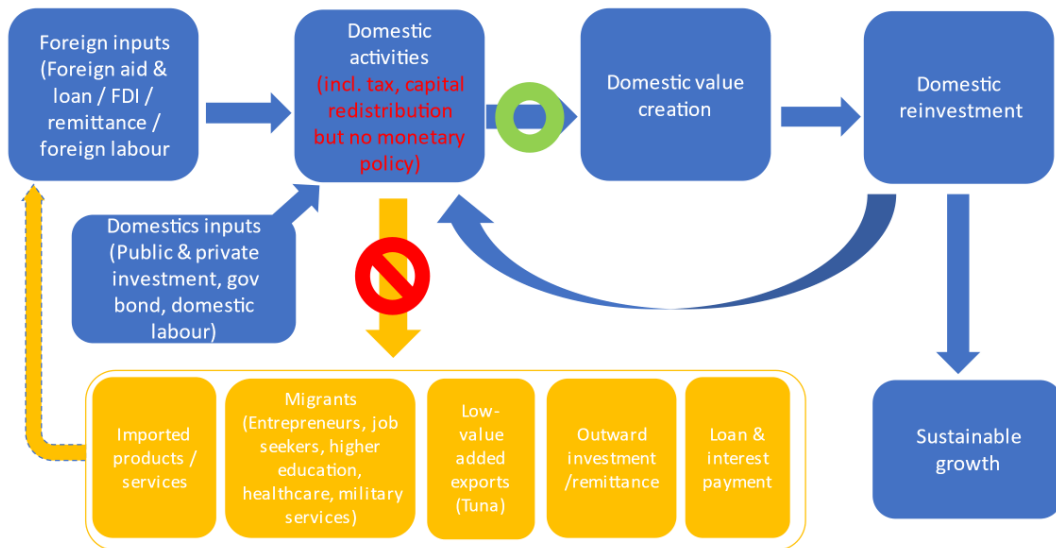
¹⁸² OECD (2023). *DAC List of ODA Recipients*. <http://oe.cd/dac-list-oda-recipients>.

¹⁸³ Ibid.

¹⁸⁴ Sachs, J., Massa, I., Marinescu, S. and Lafortune, G. (2021). "The Decade of Action and Small Island Developing States: Measuring and addressing SIDS' vulnerabilities to accelerate SDG progress," *Working Paper 12 July*. Sustainable Development Solutions Network; the United Nations (2021). *Multidimensional Vulnerable Index: Potential Development and Uses—Analysis and Recommendations*. October. New York.

¹⁸⁵ Collier, P., Van Der Ploeg, R., Spence, M. et al. (2010). "Managing Resource Revenues in Developing Economies," *IMF Economic Review*, 57, 84–118. <https://doi.org/10.1057/imfsp.2009.16>.

Figure 12
Simplified value chain in Nauru



Source: The authors.

In partnership with stakeholders, including other PICTs, bilateral development partners, multilateral development agencies, IFIs and others (e.g., civil society organizations (CSOs) and the private sector), Nauru should consider developing and implementing a holistic development framework designed to comprehensively break out of the vicious cycle, and strengthen its socioeconomic fundamentals. Such a strategy would seek to develop and maintain the domestic value-creation systems within the island, while encouraging international cooperation with other countries and entities. It would also seek to bring about greater economic resilience, as well as attain a more environmentally sustainable growth trajectory.

Box 5. Nauru's fiscal mismanagement and recovery

Nauru was once known as the “Island of Wealth” and the “Kuwait of the Pacific,” due to its phosphate reserves, which have been mined and exported for profit.¹⁸⁶ However, Nauru subsequently became an example of fiscal mismanagement, as the country failed to invest in key infrastructure, institutions and human assets, in favour of a portfolio of overseas investments, resulting in a gradual decline in socioeconomic development. Funds were often “lost” in loss-making SOEs and politically linked private companies, due in part to inadequate governance structures and opacity around public spending.¹⁸⁷

¹⁸⁶ Deliciously (undated). The smallest state of Nauru. population and placement. Administrative divisions of Nauru, <https://deliciously.ru/en/travel-abroad/samoe-malenkoe-gosudarstvo-nauru-chislennost-i-razmeshchenie.html>.

¹⁸⁷ Connell, J. (2006). “Nauru: The first failed Pacific State?” *The Round Table: The Commonwealth Journal of International Affairs*, 95 (383), 47-63.

Some unfortunate decisions even gained the attention of international media. For example, the now-defunct Nauru Phosphate Royalties Trust invested in numerous offshore property projects, totalling Australian \$1.3 billion at its peak in 1990, spanning Australia, Fiji, Guam, India, New Zealand, the Philippines, Samoa, the United Kingdom and the United States (including the Nauru House in Australia, the Grand Pacific Hotel in Fiji and the Pacific Star Building in the Philippines).¹⁸⁸

The fall in phosphate exports in the 1990s brought about fiscal deficits, as government revenues fell, while expenditures continued to increase. The government also borrowed, at relatively high-interest rates, to help finance public expenditure. The Nauru Phosphate Royalties Trust was practically insolvent by 2004, and Nauru's offshore property portfolio was seized by receivers in 2006.¹⁸⁹ Creditors started to take legal action against the nation, including seizing its entire real estate assets and Air Nauru's only aircraft. In addition to "booking" investment losses, phosphate revenues were lost to low-quality procurement and expenditure decisions, rather than investments intended to increase physical and human capital and thereby improve productivity. By 2009, Nauru's public debt had risen to Australian \$869 million, equivalent to around 30 times of its GDP.¹⁹⁰

Nauru once had an offshore financial sector, offering a tax haven and attracting offshore banking services. However, its lenient banking regulatory framework exposed the industry to money-laundering activities, and in June 2000, the inter-governmental Financial Action Task Force identified Nauru as one of the "non-cooperative" countries in the fight against international money laundering. The government revoked the licenses of numerous offshore banks registered in the country and closed the Bank of Nauru in 2006. The country then operated as a purely cash economy for multiple years, with residents essentially relying on personal storage for the safe-keeping of their savings.¹⁹¹

In 2015, the government re-established banking services on the island, after roughly a decade of absence, with the Australian Bendigo and Adelaide Bank as its sole vendor. Despite the resumption of banking services, financial limitations remain challenging in Nauru, with restricted flows of funds in and out of the international financial system.¹⁹² Nauru also established the Nauru Trust Fund, intended to save windfall gains over the long term. Nauru settled with a US-based hedge fund, Firebird, thereby lowering Nauru's external debt by about 83 per cent, and repaying domestic debt related to the liquidation of the Bank of Nauru. But the government is obliged continue with its efforts to strengthen its anti-money laundering (AML) framework and thwart the financing of terrorism, so as to regain an adequate level of trust in the international

¹⁸⁸ Ibid.

¹⁸⁹ Ibid.

¹⁹⁰ Cox, J. (2019). "The money pit: an analysis of Nauru's phosphate mining policy," *Pacific Economic Bulletin (1991-2010)*, 174-186.

¹⁹¹ Ibid.

¹⁹² Bendigo and Adelaide Bank (2016). *Response to our Bank's presence in Nauru*, 21 April, <https://www.bendigobank.com.au/media-centre/response-to-our-banks-presence-in-nauru/>.

financial system and key actors in it.¹⁹³ In November 2023, however, the Bendigo Bank expressed to ceasing its operations in Nauru by December 2024.¹⁹⁴

4.5. Infrastructure and digitalization

Nauru's infrastructure sector is in pressing need of renovation and upgrading. Infrastructure development of ports, airfields, roads, hospitals, schools and other buildings has been neglected for extended periods, primarily due to a lack of adequate funds and in-country coordination. As a result, government agencies and SOEs responsible for managing infrastructure have struggled to meet their obligations and have tended to respond only when near breakdowns of assets or services have occurred.¹⁹⁵ The supply of electricity has improved in recent years. However, the target of achieving 50 per cent of renewable energy by 2015, primarily by decreasing dependency on imported fossil fuels, was not reached.¹⁹⁶ Extreme weather events and sea-level rise also put energy-related infrastructure at risk.

Nauru seeks to improve the quality of water supplies to meet international standards. Most groundwater is contaminated due to mining, poor sewerage systems and waste dumps. A solar-powered reverse osmosis plant has improved water quality, although it has yet to meet WHO standards. Land ownership issues have created difficulties in using groundwater, and currently, there is no waste-water facility on the island.¹⁹⁷ Waste management is another key issue, constrained by the limited availability of suitable landfills and a shortage of appropriate facilities and infrastructure. The excessive costs also limit liquid disposal and chemical and hazardous waste.¹⁹⁸ Domestic investment to promote environmental restoration and land rehabilitation is also desirable, as evidenced in Nauru's degraded landscape from phosphate mining. The government has undertaken a programme to protect and conserve 30 per cent of Nauru's total land area.¹⁹⁹ A

¹⁹³ ADB (2019); Bendigo and Adelaide Bank (2016); Gould, M. (2014), *Managing manna from below: sovereign wealth funds and extractive industries in the Pacific*. Australian Government the Treasury, 13 March. <https://treasury.gov.au/publication/economic-roundup-issue-1-2010/economic-roundup-issue-1-2010/managing-manna-from-below-sovereign-wealth-funds-and-extractive-industries-in-the-pacific#footnote4>.

¹⁹⁴ Bendigo and Adelaide Bank (2023). *Joint statement from Bendigo Bank and the Government of Nauru*, 14 November. <https://www.bendigoadelaide.com.au/media-centre/joint-statement-from-bendigo-bank-and-the-government-of-nauru/>.

¹⁹⁵ Republic of Nauru (2019). *Nauru Integrated Infrastructure Strategic Plan*, November. https://www.theprif.org/sites/default/files/documents/Nauru%20NIISP%202019_0.pdf.

¹⁹⁶ ADB (2024). *Nauru and ADB, Nauru: Projects and Results*. <https://www.adb.org/countries/nauru/projects-results>.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

¹⁹⁹ Onorio, K. and Deuye, T. (2016). *Nauru's Biodiversity Strategy and Action Plan*. Government of the Republic of Nauru. <https://nauru-data.sprep.org/system/files/nr-nbsap-01-en.pdf>.

high-ground initiative also aims to relocate homes and critical infrastructure away from low-lying coastal areas, facing sea level raising.²⁰⁰

Nauru has steadily improved ICT access and services. In 2009, the international mobile operator Digicel set up Digicel Nauru (with a 20 per cent government shareholding), to provide telecom services for 15 years (through to 2024). Besides Digicel, the sole telecom operator, CENPAC (under the Ministry of Telecommunications and Media) operates an Internet cafe, manages Nauru's national domain name (.NR) and has deployed a fibre-optic backbone for the government.²⁰¹ Around 84 per cent of the population has access to the Internet in Nauru, which has one of the highest penetration rates in the Pacific.²⁰² Mobile coverage rates also remain one of the highest in the region, with 98 per cent of the population covered by cellular networks and 3G Internet. However, 4G Internet access is available to only 30 per cent of the population (table 5). Also, Nauru's ICT costs are significantly higher than average in the Asia-Pacific region. Fixed broadband Internet access is limited and offered mainly to the government and businesses. The government should consider preparing a digitalization roadmap, potentially including a G5 Internet transition and a national cybersecurity strategy.²⁰³

Table 5
Digital connectivity in Nauru, 2021

Connectivity parameter	Nauru	Asia and the Pacific average
Individuals using the Internet (per cent of the population)	84	60
Mobile cellular network (per cent of the population)	98	98
3G coverage (per cent of the population)	98	96
4G coverage (per cent of the population)	30	94
Mobile cellular subscription (per 100 inhabitants)	80	109
Mobile broadband subscription (per 100 inhabitants)	32	84

Source: ITU.²⁰⁴

²⁰⁰ Republic of Nauru (2022). *Nationally Determined Contributions (NDCs)*, 2 June. <https://unfccc.int/sites/default/files/NDC/2022-06/Nauru%20Updated%20NDC%20pdf.pdf>.

²⁰¹ International Telecommunication Union (ITU) (2017). *Measuring the Information Society. Report. Volume 2. ICT country profiles*. Geneva: ITU International Telecommunication Union.

²⁰² ITU (2022). *Digital Development Dashboard (DDD). Nauru*. <https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/Digital-Development.aspx>.

²⁰³ Lee, Y. B. (2014). "E-Government for Promoting Sustainable Development in Small Island Developing States (SIDS)," *Background paper for the 69th session of the United Nations General Assembly Second Committee*.

²⁰⁴ ITU (2022).

The country relies entirely on Medium Earth orbit satellite (O3b) links for digital connectivity and has yet to connect with any international submarine cable.²⁰⁵ ²⁰⁶ However, the East Micronesia Cable, which will connect Nauru, FSM and Kiribati, has received support from the Australian Infrastructure Financing Facility, in partnership with Japan and the United States.²⁰⁷ Nauru currently has limited expertise and gaps in the legal framework of data protection, and a strong policy commitment is desirable to sustain successful digital initiatives.²⁰⁸

²⁰⁵ O3b is a satellite constellation in Medium Earth Orbit (MEO) owned and operated by SES, a Luxembourg-headquartered telecom corporation, designed to provide low-latency broadband connectivity to remote locations for mobile network operators and Internet service providers, including maritime, aviation, government and defence. O3b originally stood for "other three billion" people who, at the time, did not have stable Internet access. The O3b MEO constellation began offering services in 2014.

²⁰⁶ UNCTAD (2023). *Digital Economy Report Pacific Edition 2022*. New York: United Nations. https://unctad.org/system/files/official-document/dtlecdc2022d4_en.pdf.

²⁰⁷ Republic of Nauru (2023). *Nauru Bulletin, Issue 3, 2023/252*, 3 March. http://www.naurugov.nr/media/192339/nauru_bulletin__03_3march2023__252_.pdf.

²⁰⁸ Lee (2014).

5. Planet

Nauru has a unique climate, with steady temperatures and humidity all year round, but large deviations in annual rainfall. Nauru's climate is strongly influenced by ENSO which drives droughts and floods.²⁰⁹ Nauru's government has referred to climate change as a national security issue.²¹⁰ Rising sea-levels, coral bleaching and volatile weather events all pose risks to the country's ecology and society. Further, a potential decline in near-shore fisheries and uncertainty around deep-sea fisheries may worsen Nauru's economic vulnerability. In this context, there is a pressing (and well understood) need for Nauru to address the impacts of climate change stridently and effectively.

5.1. Climate change

Climate change is projected to alter the country's biophysical environment, through an altered rate and distribution of rainfall, sea-level rise, increased frequency of storm surges, higher air and ocean temperatures and increasing ocean acidification.²¹¹ The sea-level around Nauru has risen faster than the global average and is projected to increase further throughout this century.²¹² As a consequence, Nauru's population and socioeconomic infrastructure are vulnerable, particularly in low-lying coastal areas where the large majority of the island's citizenry reside.

Despite being significantly impacted by climate change, Nauru is one of the world's least responsible nations for its human cause, with levels of CO₂ equivalent emissions estimated at just 0.000054 gigatons in 2021, or 0.00016 per cent of global emissions.²¹³ Nonetheless, coupled with its limited natural resources and economic options, Nauru has pledged to achieve carbon neutrality by 2050.²¹⁴ In this context, Nauru will need to further strengthen its fiscal framework that enhances resilience to climate change, incorporating projects into multi-year budget plans.²¹⁵ One such project is transitioning to clean energy sources, such as renewable energy, rather than relying on traditional imported fossil fuels. A substantial part of the existing diesel generation capacity can be replaced by a large-scale grid-connected solar photovoltaic (PV) system which would assist in reducing

²⁰⁹ World Bank (2021b).

²¹⁰ Sheikh, S. E. (2022). *Nauru laments failure and lack of care from "those with real power,"* 15 November. Secretariat of the Pacific Regional Environment Programme (SPREP). See: <https://www.sprep.org/news/nauru-laments-failure-and-lack-of-care-from-those-with-real-power>.

²¹¹ Australian Government (2012). *Pacific Climate Change Science. Report: Climate Change in the Pacific: Scientific Assessment and New Research. Volume 2. Chapter 8. Nauru.* <https://www.pacificclimatechangescience.org/wp-content/uploads/2013/09/Nauru.pdf>.

²¹² World Bank (2021b).

²¹³ Ritchie, H. and Roser, M. (2020). "CO₂ and Greenhouse Gas Emissions," *Our World in Data.* <https://ourworldindata.org/co2/country/nauru>

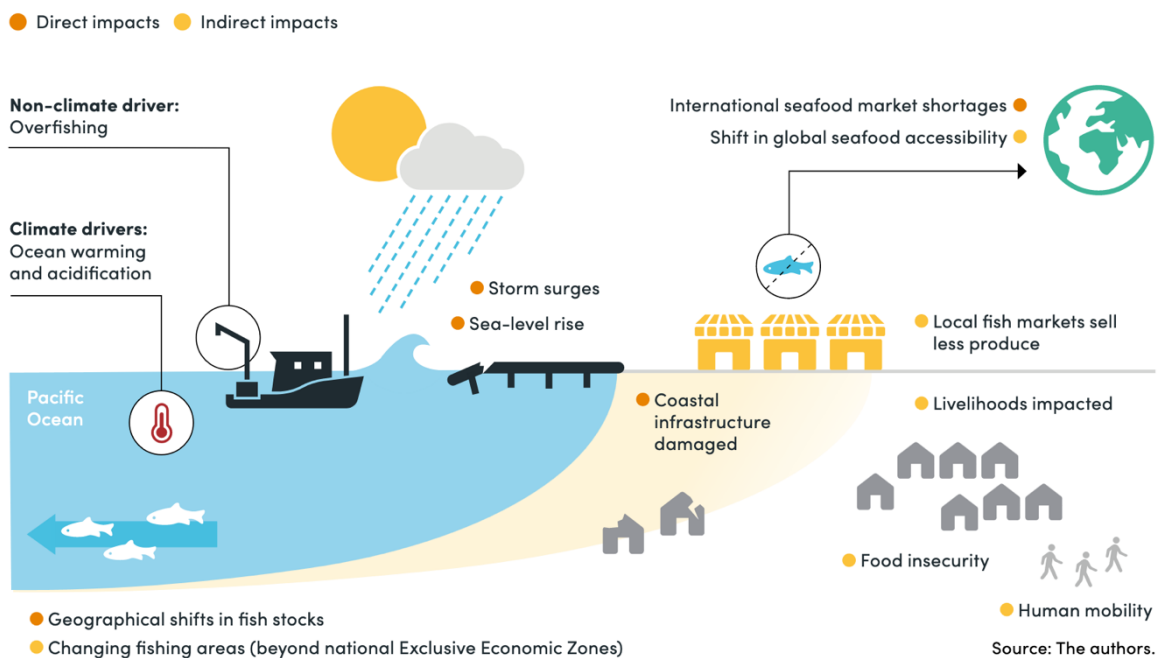
²¹⁴ ESCAP, United Nations Environment Programme (UNEP), UN Women and The greenwerk, Climate Advisory Network, Germany (2021). *Is 1.5°C within Reach for the Asia-Pacific Region? Ambition and Potential of NDC Commitments of the Asia-Pacific Countries.* New York: United Nations and the greenwerk.

²¹⁵ IMF (2020).

emissions.²¹⁶ Nauru is aiming to shift over to renewable sources for up to 50 per cent of its power generation and achieve an additional 30 per cent in energy savings.²¹⁷ Nauru’s priority actions to increase resilience to climate change also cover water supply and sanitation, food production and land rehabilitation. The modest agriculture sector also plays an important role in building Nauru’s resilience to the impacts of climate change, including in the field of improved food security.

Climate change is also causing various trans-boundary issues, such as geographical shifts in high-value fish species. Ocean warming is driving tuna further east, leading to fish redistribution and decline among some EEZs.²¹⁸ These spatial dynamics stemming from climate change suggest subsequent cascading impacts on local markets, jobs and industries, while impacting international seafood supply chains and markets (see figure 13).

Figure 13
Impacts of fish stock shifting as a consequence of climate change



Source: Anisimov and Magnan.²¹⁹

²¹⁶ Republic of Nauru (2015). *Intended Nationally Determined Contribution (iNDC) Under the United Nations Convention on Climate Change*. <https://www.fao.org/faolex/results/details/fr/c/LEX-FAOC191054/>.

²¹⁷ Republic of Nauru (2022).

²¹⁸ Kroodsmma, D. A., *et al.* (2018). “Tracking the global footprint of fisheries,” *Science*, 359(6378), 904-908; Pinsky, M. L., *et al.* (2018). “Preparing ocean governance for species on the move,” *Science*, 360(6394), 1189-1191.

²¹⁹ Anisimov, A. and Magnan, A. K. (2023). *The Global Transbound-Any Climate Risk Report*. Institute for Sustainable Development and International Relations (IDDRI) and Adaptation Without Borders.

5.2. Biodiversity

The impact of a century of phosphate mining has significantly degraded Nauru's biodiversity. Changes in temperature on land are also having major impacts on several terrestrial species. As temperatures increase, the ability of a species to migrate to more suitable conditions is greatly limited on a small island like Nauru.²²⁰ Further, Nauru's management of the forest cover and biodiversity has been inadequate, generating a negative impact on endangered species. The island is notable for a number of endemic plants, but Nauru's extensive phosphate mining could further cause the loss of numerous species. To date, Nauru has been unable to devote the necessary resources to restore the lands scarred by mining, and better protecting forests is one of the national priority conservation actions.

There are several species of wide-ranging geckos and skinks, but no mammals native to Nauru. Nesting seabirds are common and once dominated the island ecosystem. Migratory shorebirds utilize the island for feeding and resting in large numbers. Resident land birds are uncommon with just nine species at most. There were two endemic species: the extinct Wake Island rail and the Nauru reed-warbler. But predation by introduced species – black rats and feral cats – led to the Wake Island rail extinction and the killing of nesting seabirds in great numbers. The plants *Merremia peltata* and *Wedelia trilobata*, the long-legged crazy ant and the red-vented Bulbul are other problematic invasive species. Additionally, unsustainable hunting of Micronesian pigeons and coconut crabs seriously threatens these local populations.²²¹

There is limited available research on the ecological situation in Nauru, but sufficient historical evidence of its abundant marine biodiversity.²²² Compared to other Pacific reefs, Nauru's coral reefs are in relatively good ecological health.²²³ However, climate change is adversely impacting coral diversity in the region. Changes in water temperatures and acidity can make the environment inhabitable for many species. Species living in and around coral reefs, either permanently or in their juvenile period, and particularly larger species, face an extinction threat.²²⁴ Due to changes in average temperatures, dissolved oxygen and levels of acidity, the maximum catch potential of currently resident species is likely to be negative in Nauru, but research specifically focusing on the island's local fish population is currently lacking.²²⁵

²²⁰ Taylor, S. and Kumar, L. (2016). "Global Climate Change Impacts on Pacific Islands Terrestrial Biodiversity: A Review," *Tropical Conservation Science*, 9(1), 203–223.

²²¹ Olson, D. (2024). *Eastern Micronesia Tropical Moist Forests*.
<https://www.oneearth.org/ecoregions/eastern-micronesia-tropical-moist-forests/>.

²²² Allen, G. R. (2008). "Conservation hotspots of biodiversity and endemism for Indo-Pacific coral reef fishes," *Aquatic Conservation: Marine and Freshwater Ecosystems*, 18(5), 541–556.

²²³ Hanich, Q., Wabnitz, C. C. C., Ota, Y., Amos, M., Donato-Hunt, C. and Hunt, A. (2018). "Small-scale fisheries under climate change in the Pacific Islands region," *Marine Policy*, 88, 279–284.

²²⁴ Mellin, C., Mouillot, D., Kulbicki, M., McClanahan, T. R., Vigliola, L., Bradshaw, C. J. A. and Caley, M. J. (2016). "Humans and seasonal climate variability threaten large-bodied coral reef fish with small ranges," *Nature Communications*, 7(1), 10491.

²²⁵ Asch, R. G., Cheung, W. W. L. and Reygondeau, G. (2018). "Future marine ecosystem drivers, biodiversity, and fisheries maximum catch potential in Pacific Island countries and territories under climate change," *Marine Policy*, 88, 285–294.

Nauru faces an uphill task in restoring its environment damaged by such relatively extensive mining. By replacing and enriching lost inland, escarpment and coastal forests, including mangroves, and conserving and developing better agroforestry and food systems, Nauru can seek to restore ecosystem services and improve the prospects for food and economic security and health for its people. A small area (68 hectares) of tall, closed forest around Buada Lagoon has the best potential for forest conservation. Table 6 summarizes Nauru’s biodiversity strategy and action plan.²²⁶ However, its implementation remains challenging, primarily due to various funding and institutional capacity constraints.

Table 6
Thematic areas and targets in Nauru’s National Biodiversity Strategy and Action Plan

Area	Target
Mainstreaming biodiversity	Integrate rehabilitation, conservation and sustainable use of biodiversity into national sectoral and cross-sectoral plans, policies and programmes.
Ecosystems management	Enhance the conservation and rehabilitation of biodiversity and ecosystems to increase Nauru’s protected and conserved areas from two per cent of total land to 30 per cent by 2025.
Species management	Promote the conservation of Nauru’s native and other important species and provide mechanisms for their sustainable use.
Community	Encourage the 12 districts of Nauru to protect, conserve and sustainably use and manage biodiversity.
Access and benefit sharing from the use of genetic resources	Make genetic resources accessible for utilization and share benefits equitably among the stakeholders.
Biosecurity	Protect native biodiversity from impacts of alien invasive species and imported earth materials, through effective border control, effective quarantine and eradication programmes.
Agrobiodiversity	Conserve agrobiodiversity to ensure its contribution to national development, preserving traditional knowledge and practices and food and health security.
Financial resources and mechanisms	Secure long-term sustainability of all conservation and biodiversity-related programmes by way of access to funding mechanisms from local and international sources.

Source: Government of Nauru.²²⁷

Nauru is at high risk of coastal flooding, at medium risk of tsunamis and low risk of urban flooding.²²⁸ INFORM ranks Nauru 109th out of 191 countries on exposure to natural hazards, implying a roughly

²²⁶ Government of Nauru. (2019). *Sixth Annual Report of Nauru. Convention on Biological Diversity*, October, Department of Commerce, Industries and Environment. <https://www.cbd.int/doc/nr/nr-06/nr-nr-06-en.pdf>.

²²⁷ Ibid.

²²⁸ The Global Facility for Disaster Reduction and Recovery (GFDRR) (2023), *Think Hazard – Nauru Profile*.

average level of exposure by global standards.²²⁹ The World Risk Report 2022 ranked Nauru as the lowest risk class, in 180th place out of 192 countries, due to its location away from cyclone and earthquake zones, unlike most PICTs.²³⁰ However, Nauru is exposed to storm surges and long droughts.²³¹ During ENSO events, droughts can last up to three years, while during the wet season (from November to April), high winds and heavy rainfall cause flooding and tidal storm surges that increase coastal erosion.²³² Much of Nauru's infrastructure does not have adequate early warning and response networks for dealing with various natural disasters, such as the onset of drought, fire hazards or storms.²³³

5.3. Blue economy and deep-sea mining

With an EEZ of more than 300 000 square kilometres, ocean resources are critical assets for Nauru. The nation is also a signatory to the United Nations Convention on the Law of the Sea, the United Nations Fish Stocks Agreement and the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean. Nauru is also a party to the Nauru Agreement (1982), which controls about 50 per cent of the global supply of skipjack tuna for canning. However, as noted earlier, the anticipated climate change-induced tuna stock migration could signify a threat to the country's revenues.²³⁴

In this context, the “blue economy” represents a promising development strategy for Nauru. This approach aims to achieve socioeconomic progress simultaneously with attaining ocean environmental protection and sustainable maritime resource extraction.²³⁵ It entails the sustainable use of ocean resources for economic growth, improved livelihoods and job creation, while preserving the health of the ocean ecosystem and spans such activities as fisheries, tourism, maritime transport, aquaculture, seabed extractive activities, marine biotechnology and bio-prospecting.²³⁶ It is a relatively new strategy, and largely adopts the “green economy” concept in

²²⁹ INFORM is a collaboration of the Inter-Agency Standing Committee Reference Group on Risk, Early Warning and Preparedness and the European Commission. See: <https://drmkc.jrc.ec.europa.eu/inform-index>.

²³⁰ Bündnis Entwicklung Hilft (2022). *World Risk Report 2022*. Bündnis Entwicklung Hilft, Ruhr University Bochum – Institute for International Law of Peace and Conflict (IFHV). <https://weltrisikobericht.de/weltrisikobericht-2022-e>.

²³¹ Australian Strategic Policy Institute (ASPI) (2020). *A Pacific Disaster Prevention Review*. Barnes, P. (eds.), June. <https://www.aspi.org.au/report/pacific-disaster-prevention-review>.

²³² Ibid.

²³³ Ibid.

²³⁴ Bell, et al, (2021).

²³⁵ Srinivasan, M., Kaullysing, D., Bhagooli, R. and Pratt, S. (2022). “Marine tourism and the blue economy: Perspectives from the Mascarene and Pacific Islands,” in Urban, E. R., and Ittekkot, V. (eds.), *Blue Economy*. Springer.

²³⁶ A useful taxonomy of the blue economy can be found in the World Bank Group and the United Nations (2017). *The Potential of the BLUE ECONOMY Increasing Long-term Benefits of the Sustainable Use of Marine Resources for Small Island Developing States and Coastal Least Developed Countries*. Washington D.C.:

the maritime context. The blue economy's greatest challenge is reconciling two competing interests: (i) opportunities for local development and growth; and (ii) protection of vulnerable and threatened spaces.²³⁷ In recent years, numerous PICT governments and agencies have taken a close interest in the blue economy approach.²³⁸ In the specific case of Nauru, it has tended to focus most on blue economy-based development in sectors like fisheries and deep-sea mining.

In a slight echo of its past experience mining phosphates on the land, Nauru's government has expressed a strong interest in exploring deep-sea mining as an option for economic diversification.²³⁹ The island is one of four PICTs engaging in exploration activities beyond their national jurisdiction,²⁴⁰ working with a sponsor company that has a 15-year exploration contract with the International Seabed Authority (ISA).^{241 242} Nauru plans to explore the abyssal plains of the Clarion-Clipperton Zone which is reported to contain billions of tons of nickel, cobalt, copper and manganese; enough to address growing global supply shortages of these key resources, as the shift away from fossil fuels accelerates (figure 14).^{243 244}

International Bank for Reconstruction and Development/The World Bank, pp. vii-viii. A matrix of blue economy sectors and the targets under SDG 14 is provided on pp. 28-33.

²³⁷ Srinivasan, *et al.* (2022); Lee, K. H., Noh, J. and Khim, J.S. (2020). "The Blue Economy and the United Nation's sustainable development goals: Challenges and opportunities," *Environment International*, 137, 105528.

²³⁸ Pacific Islands Forum (2022). *The 2050 Strategy for the Blue Pacific Continent*. <https://www.forumsec.org/2050strategy/>.

²³⁹ Republic of Nauru (2023) *Gazette No. 103*, 6 June.

²⁴⁰ Other three PICTs include: Cook Islands, Kiribati and Tonga.

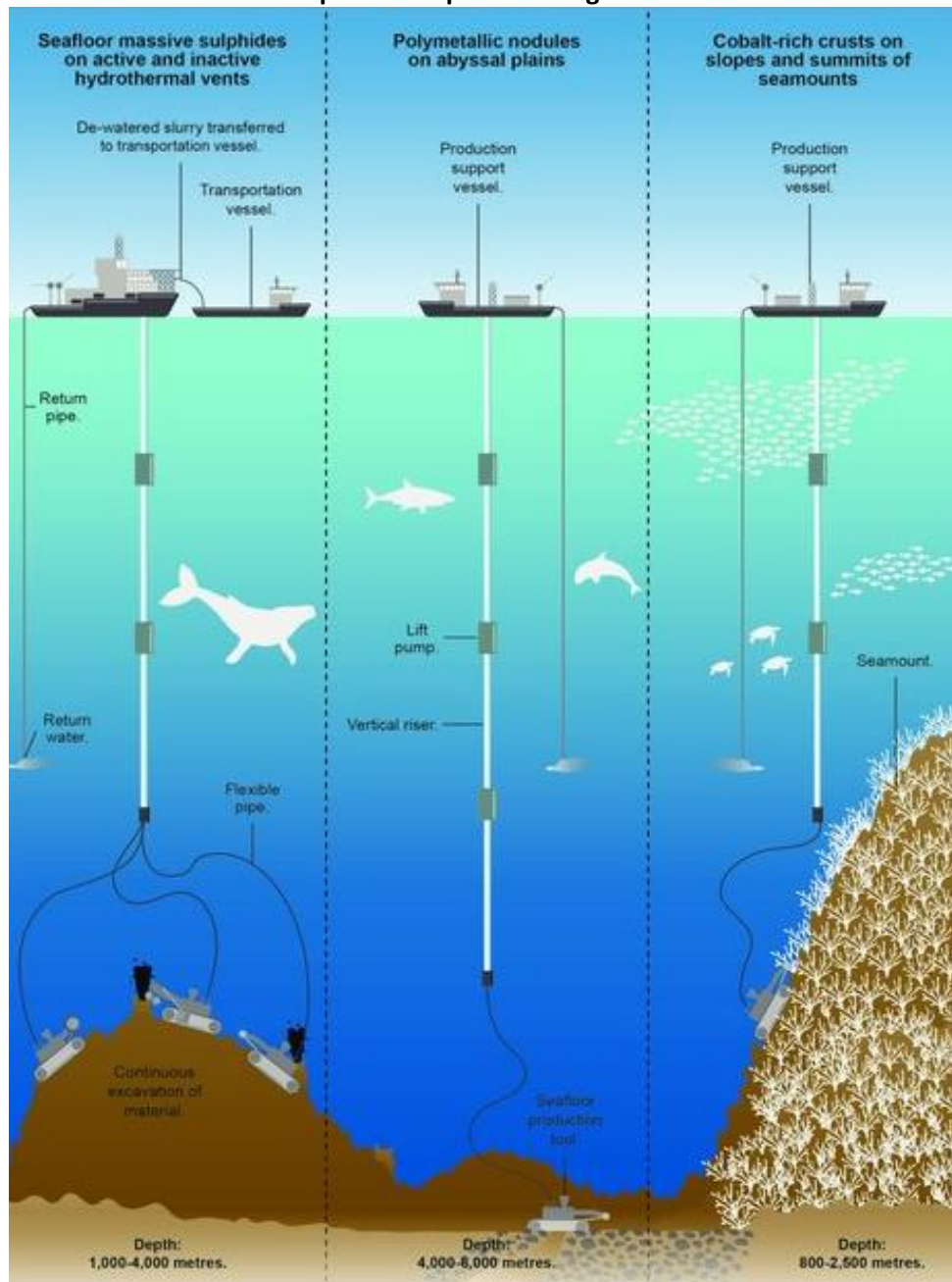
²⁴¹ The company referred to is The Metals Company. See: <https://metals.co>.

²⁴² Singh, P. A. (2021). "What Are the Next Steps for the International Seabed Authority after the Invocation of the 'Two-year Rule'?" *The International Journal of Marine and Coastal Law*, 37(1), 152-165.

²⁴³ Katona, S., *et al.* (2023). "Land and deep-sea mining: the challenges of comparing biodiversity impacts," *Biodiversity and Conservation*, 32, 1125–1164.

²⁴⁴ Hein, J. R., Koschinsky, A. and Kuhn, T. (2020). "Deep-ocean polymetallic nodules as a resource for critical materials," *Nature Reviews Earth and Environment*, 158–169.

Figure 14
Simplified deep-sea mining scheme



Source: Miller, *et al.*²⁴⁵

However, this has raised environmental concerns for the oceanic ecosystems of the Pacific. Deep-sea mining requires particularly robust social and environmental safeguards and appropriately trained human resources, while its potentially harmful impacts on the ocean have not been fully assessed. There is also serious scepticism within parts of the international scientific community that

²⁴⁵ Miller, K., Thompson, K., Johnston, P. and Santillo, D. (2018). "An Overview of Seabed Mining Including the Current State of Development, Environmental Impacts, and Knowledge Gaps," *Frontiers in Marine Science*, 4, 418.

deep-sea mining can be undertaken without damage to the oceans and their long-term sustainability.²⁴⁶

In this vein, international efforts have been invested in the development and adoption of specifically designed legal frameworks for this evolving sector of the blue economy. In 2021, Nauru triggered the so-called “two-year rule” at the ISA to fast-track the adoption of regulations for deep-sea mining.²⁴⁷ Should ISA not comply within two years, Nauru will be allowed to launch deep-sea extraction activities under existing and largely non-protective regulations. When the regulations are non-existent, Nauru may not wish to take on potential liability under international law or even reputational harm. Nauru already faced a blow when the A.P. Moller-Maersk, a leading global shipping company, withdrew from the deep-sea mining space.²⁴⁸ Deep-sea mining firms have come under concerted pressure over legitimate worries that such commercial activities will have lasting harm to the seabed environment.

The United Nations in the Pacific does not promote a mineral resources-intensive economic diversification strategy.²⁴⁹ Extreme caution needs to be exercised in this sector, especially by Nauru as a sponsoring and licensing state. However, the United Nations is cognizant of the existence of these resources and participates in the debate on the advisability of their exploitation, while being aware of the limited alternative growth options Nauru has at its disposal and expressing a strong preference for new approaches to socioeconomic development toward a greener, more inclusive and sustainable future. Nauru is therefore strongly advised to evaluate the potential costs and benefits, where they are currently known, and consider the known risks cited by the resistant global community towards deep-sea mining initiatives.

²⁴⁶ European Academies Science Advisory Council (EASAC) (2023). *Leading Scientists Urge Moratorium on Deep-Sea Mining: Explore Recycling and Terrestrial Resources First*, 8 June. <https://easac.eu/news/details/deep-sea-mining-press-release>.

²⁴⁷ Research Institute for Sustainability (RIFS) Discussion Paper (2023). *What if" revisited: Open legal questions in light of the two-year rule at the International Seabed Authority (ISA)*, March. https://www.rifs-potsdam.de/sites/default/files/2023-03/RIFS%20Discussion%20Paper%20-%20What%20If%20Revisited_0.pdf.

²⁴⁸ Khan, Y. (2023). “Shipping Giant Maersk Drops Deep Sea Mining Investment. Maersk is selling its stake in The Metals Company, the latest big name to divest itself of its seabed mining interests,” *The Wall Street Journal*, 3 May. <https://www.wsj.com/articles/shipping-giant-maersk-drops-deep-sea-mining-investment-c226df39>.

²⁴⁹ United Nations in the Pacific (2022).

6. Peace and partnerships

Nauru desires peace and has experienced the impact that comes from its absence. The island was of minor strategic value for the colonial powers until the early 1900s when the Australian geologist Albert Ellis discovered that 80 per cent of the entire island was rich in phosphate of lime.²⁵⁰ In less than 50 years, control over the resource-rich country changed several times, switching from Australia to Germany, back to Australia and then to Japan. By the end of WWII, fewer than 600 Nauruans remained on the island and a quarter of the Nauruan people had died. In 1946, with their numbers depleted by almost 500, 737 Nauruans were returned home from Truk (now Chuuk) where they had served as forced labourers on Japanese military installations.²⁵¹ In 1947, the United Nations put Nauru under a “trusteeship” of Australia, New Zealand and the United Kingdom, with Australia once again administering the island.

It took until 1968 for Nauru to become independent, and in 1999 Nauru was admitted as the 187th member state of the United Nations. Nauru is a member of the Pacific Islands Forum (PIF), the South Pacific Regional Environmental Programme (SPREP), the Secretariat of the Pacific Community (SPC) and the Alliance of Small Island States (AOSIS). As of mid-2023, Nauru hosted only two diplomatic missions: Australia and the Taiwan Province of China, and had its own diplomatic representations in Australia, Fiji, India, the Taiwan Province of China and Thailand. In 2002, Nauru severed diplomatic recognition with the Taiwan Province of China and signed an agreement to establish diplomatic relations with China. This move followed China's promise to provide over \$130 million in aid. But in 2005, Nauru re-established diplomatic ties with the Taiwan Province of China, ending its relationship with China. In 2007, Nauru opened its embassy in Taipei. In January 2024, Nauru again changed its diplomatic tie from the Taiwan Province of China to China.²⁵²

As China's influence has risen in parts of the Pacific, the United States has been seeking to reinforce its strategic importance among the islands of concern, and relations between Nauru and the United States are depicted as cordial. Historically, Nauru has actively engaged with Australia and New Zealand, traditional allies of the United States. However, the United States has no consular or diplomatic offices in Nauru; the US embassy in Fiji is concurrently accredited to Nauru and the ambassador makes periodic visits. In 2009, Nauru recognized Abkhazia and South Ossetia, the two so-called “breakaway” provinces (or disputed territories) of Georgia that are supported by the Russian Federation; the only Pacific country to do so.²⁵³ The United States prohibits the provision of financial assistance to the few countries which recognise these breakaway regions.

²⁵⁰ Williams and Macdonald (1985).

²⁵¹ Fabricus (1992).

²⁵² Davidson and Hawkins (2023); also see: <https://www.reuters.com/world/asia-pacific/china-nauru-re-establish-diplomatic-ties-state-media-2024-01-24/>.

²⁵³ The only other countries that formally recognise these two provinces, apart from the Russian Federation, are: Nicaragua, Venezuela and Syria. Also see: Hill, B. (2018). “What's the deal with Nauru backing the disputed territories of South Ossetia and Abkhazia?” *ABC News*, 13 May. <https://www.abc.net.au/news/2018-05-13/why-is-nauru-backing-south-ossetia-and-abkhazia/9751660>; and Harding, L. (2009). “Tiny Nauru struts world stage by recognising breakaway republics,” *The Guardian*, 14 December. <https://www.theguardian.com/world/2009/dec/14/nauro-recognises-abkhazia-south-ossetia>.

In 2021, Nauru, along with four other Micronesian nations – Palau, FSM, Marshall Islands and Kiribati – announced its intention to leave the PIF, which had previously had a significant influence on member states' policies and relationships. This came after tensions grew over the appointment of a new general secretary to the PIF. However, two days before the exit was to take formal effect, the Micronesian countries decided to "temporarily rescind" their withdrawal because of "reforms" pledged by the forum, and by early 2023 all the Micronesian states had formally returned to the PIF.

Nauru has benefitted from long-term partnerships with ADB, Global Environment Facility (GEF) and United Nations Development Programme (UNDP), among other international organizations. The government is also implementing measures aligned with the Addis Ababa Action Agenda, including: (i) committing to transparent budgeting and public procurement; (ii) strengthening international cooperation in taxation through strengthening the anti-money laundering/combating the financing of terrorism (AML/CFT) framework; (iii) enhancing policy coherence in designing trade and investment agreements; and (iv) integrating the economic, social and environmental dimensions of sustainable development into development plans and policies. The Nauru government aims to further diversify its external relations and partnerships and thereby reduce its reliance on any one partner. Nauru has also sought support from development partners to build its own capacity.

Nauru is seen an important player in the geostrategic competition that has grown in the Pacific in recent years. Should superpower rivalry in the Pacific increase in intensity in the future, Nauru will need to find a means of successfully navigating that dynamic in a way that ensures its desire for peace.

7. Attaining the 2030 agenda: the 6Ps development strategy

This final section of this national study seeks to identify key gaps and challenges posed for Nauru in attaining its SDGs, emanating from the observations cited in the previous sections of this national study. This is not an exhaustive checklist, nor does it seek to go into great depth. Rather, it seeks to delineate and prioritize some of Nauru's most pressing challenges that could be the basis for further policy advocacy for Nauru. There are clearly considerable overlaps and interlinkages between the 17 SDGs, as well as the challenges posed in attaining them in Nauru. While it is useful to clearly define each of these for clarity and a strategic allocation of resources, pursuing these goals necessitates taking a holistic – rather than a silo – approach.²⁵⁴

This study suggests that Nauru would indeed benefit from a holistic development approach to address various overlapping social, economic and environmental challenges confronting the island. Those challenges have the potential to limit Nauru's policy options, lessen the effectiveness of the government's day-to-day operations and undermine the long-term fiscal wellbeing of the island economy. With competing demands for finite funds and resources, as well as limited institutional capacity, effective and strategic prioritization becomes critical in seeking to achieve the greatest net positive impact.

With the above in mind, this study employs a Mandala chart to propose Nauru's strategic development priorities, stemming from the observations in the previous sections of this report.²⁵⁵ The Mandala chart starts from a defined focal point of Nauru's sustainable development goal at the centre of the thinking process, which is then supported by eight strategic priorities necessary to attain that goal. The Mandala proposes that those strategic priorities are: (i) enhanced healthcare services; (ii) improved education system; (iii) tourism promotion; (iv) resilient economy; (v) climate change actions; (vi) environment preservation; (vii) infrastructure development; and (viii) enhanced partnerships. Those eight strategic priorities are also supported by eight tactical areas requiring specific policy interventions (see figure 15 for the full Mandala chart).

²⁵⁴ For example, NCDs and health issues in Nauru are partly related to a high dependency on imported foods. Not only is there a need for a lifestyle change, but there is also a need to seek economic solutions that lessen Nauru's dependence on imported products containing high fat and salt. But any import substitution programme must overcome the stark reality that most imported produce is typically cheaper than any real or potential home-grown equivalents whose local production is severely constrained by a lack of resources (e.g., land, labour, knowledge and mass market). And there is a need for education and advocacy work as well. Thus, addressing health issues in Nauru also necessitates interventions on the economic and sociocultural fronts.

²⁵⁵ Traditionally, a Mandala (sometimes also called a "yantra") is a geometric image, made up of smaller images or symbols, used in Buddhism and Hinduism to represent the universe, in its ideal form, and its creation signifies the transformation from suffering to happiness. Mandalas have traditionally been used as devices to aid meditation, achieve focus and a tool for (spiritual) guidance. But it can also be employed – as it is here – as a device to map out a development landscape and identify key policy issues that could make up an over-arching strategy, much like a "problem tree" or "decision tree" analysis.

Figure 15
Mandala chart of Nauru’s development strategies

<p>Medical facility expansion and upgrading</p> <p>NCD reduction</p> <p>Improved women, child and eldercare</p>	<p>Increased number of medical professionals</p> <p>ENHANCED HEALTH-CARE SERVICES</p> <p>Digital healthcare services or telemedicine</p>	<p>Education in nutrition and health</p> <p>Sustainable fishing, aquaculture and agriculture to improve food security</p> <p>Import food substitutions</p>	<p>Private sector and MSME development</p> <p>Switch to the Blue-EARTH development model</p> <p>Increased remittance</p>	<p>FDI and PPP promotion</p> <p>RESILIENT ECONOMY</p> <p>Financial stability and capital inflows</p>	<p>Banking service expansion and upgrading</p> <p>Value creation and innovation</p> <p>Expertise and labour force skill development</p>	<p>Maintaining biodiversity</p> <p>External funding support</p> <p>Ecosystem sustainability</p>	<p>Protecting pristine locations</p> <p>ENVIRONMENT PRESERVATION</p> <p>Increased private-sector inputs</p>	<p>Increased advocacy</p> <p>Innovative technical solutions</p> <p>Proper marine and land resource management</p>
<p>Advances in higher education</p> <p>Advances in primary/secondary education</p> <p>Advances in women and youth TVET</p>	<p>Public/development partner support and funding</p> <p>IMPROVED EDUCATION SYSTEM</p> <p>Adult lifelong education</p>	<p>Job creation for graduates</p> <p>Teachers’ training and certificates</p> <p>Creation of a professional education hub for the region</p>	<p>Enhanced healthcare</p> <p>Improved education system</p> <p>More sustainable tourism</p>	<p>More resilient economy</p> <p>NAURU’S SUSTAINABLE DEVELOPMENT</p> <p>Tackling climate change</p>	<p>Environmental advances</p> <p>Improved infrastructure</p> <p>Working with partners</p>	<p>Development partner support</p> <p>Resilience and sustainability</p> <p>Public and private sector inputs and funding</p>	<p>Clean and efficient utility and sanitation services</p> <p>INFRA-STRUCTURE DEVELOPMENT</p> <p>Climate change mitigation and adaptation</p>	<p>ICT and digitalization (e.g., Internet connectivity)</p> <p>Enhanced regional linkages and logistics</p> <p>Circular economy</p>
<p>Strategy for eco-tourism development</p> <p>Protecting pristine locations</p> <p>FDI and private sector inputs</p>	<p>Tourism infrastructure development</p> <p>TOURISM PROMOTION</p> <p>Marketing strategy</p>	<p>Strengthen the capacity of the national airline</p> <p>Transport connectivity and international route development</p> <p>Favourable policies for foreign labour in the tourism sector</p>	<p>Adaptation and mitigation</p> <p>External funding support</p> <p>Increased advocacy</p>	<p>Development partners</p> <p>CLIMATE CHANGE ACTIONS</p> <p>DRR management with impact-based forecasting and early warning systems</p>	<p>Multidimensional vulnerability index (MVI)</p> <p>Resilient infrastructure development</p> <p>Regional cooperation</p>	<p>Strategic partnership management</p> <p>Regional alliances and cooperation</p> <p>Overseas diaspora</p>	<p>Development partners</p> <p>ENHANCED PARTNERSHIPS</p> <p>Cooperation with the United States</p>	<p>Navigating Pacific tensions</p> <p>Cultivating private sector linkages</p> <p>Managing external debt</p>

Hopefully, as the reader goes through the text below, she/he will see the considerable extent to which some of these components are interdependent and overlapping in focus and intent, and that is a good thing, as it suggests there are areas where efficiency gains (“two for the price of one”) can be achieved by adopting a holistic approach. Indeed, they inter-rely on progress attained elsewhere for their progress. This underlines the necessity of what is sometimes referred to as “joined up government,” where state agencies work in close coordination, and resist the temptation to only focus on their own very specific mandates, resulting in “siloed government.” The latter tends to result in duplication of effort, a potential wastage of finite resources and, most importantly, an

inability to make substantive gains across the full spectrum of socioeconomic priorities, as any initiatives undertaken will come up against, and be constrained by, the boundaries of their own respective silo.

Perhaps another way to look at it is to regard this Mandala chart as a depiction of what we might wish to call a “6Ps” development strategy for Nauru, that is: **post-phosphate, post-pandemic and post-(refugee) processing centres.**

The policy recommendations provided below, all emanating from the earlier text and the Mandala chart above, are regarded as valid avenues to pursue in and of themselves, as well as part of a more holistic set of strategic objectives. As such, they can usefully serve as the basis of a new development narrative for Nauru, leveraging its greatest strengths and current opportunities, while seeking to address some of its most disabling weaknesses and in the creation of a sustainable post-pandemic Nauru development strategy.

7.1. Improvements in healthcare services

A renewed effort is necessary to enhance the quality of health outcomes, including combating NCDs, in Nauru. There is a need to fully develop a healthcare development plan, spanning multi-sectoral issues, and integrate the resources needed for its attainment into the fiscal budget over multiple years. This plan could also be used to seek additional funding and technical support from development partners. There is an opportunity to strengthen and/or reorientate existing food system pathways and rejuvenate traditional agrifood systems, so as to alleviate current nutritional deficiencies and counteract the strong prevalence of NCDs in Nauru. The UNCT in Nauru could provide support to assist Nauru in this healthcare system improvement process and should consider spanning (but not necessarily limited to) the following components:

- i. Renovation, expansion and upgrading of existing healthcare facilities;
- ii. An increased number of medical professionals with the appropriate skills and expertise for Nauru’s particular needs in this field;
- iii. Special focus on NCD reduction, notably with regard to obesity and diabetes levels;
- iv. Improvements in women’s healthcare provision, as well as support with childcare and eldercare provision;
- v. Development of digital healthcare services and telemedicine, harnessing recent advances in technology and even potentially leveraging “health-tech”;
- vi. Greater education and public awareness of nutrition and health issues;
- vii. The pursuit of more sustainable fishing, aquaculture and agriculture, so as to improve food security, as well as other positive health outcomes and a reduction in the reliance on highly processed food imports; and
- viii. Import food substitutions with improved nutritious and healthier food production, as part of a wider enhancement in livelihoods.

7.2. Improvements in the education system

There is a need for a higher quality education system, at various levels and fields, spanning: academic (elementary, junior and secondary), vocational and adult/further education. A greater emphasis on quality TVET is particularly recommended, to equip Nauruans – and particularly the youth – with the skills needed to be employable. Respect for human rights, which includes

promoting gender equality, empowering women, and ending violence against women and girls should be mainstreamed as cross-cutting issues within the educational system. Such a reform process would need to encompass improved governance structures, physical facilities and curricula, as well as well-trained educators and administration personnel. The resulting outcomes should include (but not necessarily be limited to) the following components:

- i. Clear and measurable advances made in both adult/further and higher education, both in terms of the quantity and quality of the provision, as well as the take-up from prospective students;
- ii. Clear and measurable advances made in the provision of school – both primary and secondary – education, and in attendance levels achieved, with the aim of creating a better-informed citizenry and the basis for a more sustainable socioeconomic platform on which Nauru can develop;
- iii. Clear and measurable advances made in TVET, particularly focusing on women and youth, so that entry into formal employment is attainable and attractive, which necessitates also focusing closely on the specific kinds of skills training provided, congruent with the country's economic development strategy;
- iv. As with healthcare provision, in order to achieve tangible improvements in education in Nauru, there will probably be a need for a clear commitment to both multi-year public spending and development partner support (spanning both funding and technical assistance);
- v. The development and provision of adult life-long education to better equip Nauru citizens to respond to socioeconomic changes and pursue new economic opportunities, as Nauru pivots parts of its economy in various ways;
- vi. Improved job creation platforms and assistance for both school and post-school graduates, so that the pool of local talent can be better harnessed by businesses, and Nauru youth are better able to find formal and attractive employment opportunities;
- vii. Advances in teacher and educator training, including certification, so as to create a committed, robust and sustainable platform of talent that can implement Nauru's ambitions in education sector development in the coming decade; and
- viii. Consider the creation of a professional education hub for the region, including Nauru, as a means to share and leverage finite resources where there is common interest and thereby avoid duplication of effort, as well as potentially serve as a focal point for development partner assistance.

7.3 Tourist sector development and promotion

Nauru is in economic transition, as the RPC and phosphate mining activities wind down. In this context, tourist sector development provides some immediate opportunities, albeit from a relatively modest base at present. Increasing visitor arrivals through niche tourism could usefully contribute to private sector diversification, increase demand for local businesses and handicrafts, better harness and preserve some local and traditional skill sets, as well as sociocultural resources. Effective tourist promotion requires favourable local conditions and the presence of international hotel operators and marketing agencies to become a recognised destination and thereby attract foreign customers. The tourism industry is in need of significant improvements in accommodation, transport connectivity and professional skills. While the private sector alone might be relied upon to pursue some investment activity, others may require public funding, such as infrastructure and utilities for tourism destinations. But advances in public-private partnership arrangements and

blended finance models could also open promising new avenues for Nauru to explore, and better leverage private sector funds with those of both the public purse and development partners. Nauru may also wish to become a regional air hub with a leading air service provider (similar to the Singapore Airlines model, but smaller scale). Efforts in this space should consider including (but not necessarily limited to) the following components:

- i. The development of a coherent and realistic sustainable tourism strategy for Nauru, including eco-tourism, that can serve as a roadmap for a multi-year push intended to significantly upgrade and expand this sector of the economy, as part of the island's economic diversification process;
- ii. Make a very deliberate commitment to ensure that currently pristine locations are protected, and that some receipts from tourism go towards the rehabilitation of relevant parts of the island impacted by decades of phosphate mining, with an eye to ensuring that Nauru is seen as an attractive location for inbound tourists to visit;
- iii. Develop a strategy to attract foreign direct investment (FDI) and other private sector inputs in the development of the tourism and hospitality sector in Nauru, including the targeted use of blended finance and other public funds to help catalyze and partially derisk commitments made by quality investors that can bring experience and skills to this effort;
- iv. A multi-year commitment of public funds in support of a roadmap for infrastructure and logistics development, including airport rehabilitation and accommodation upgrading, in order to create a conducive enabling environment that private sector actors can then build on to create a robust, resilient and vibrant tourism component to the Nauru economy;
- v. The development of an effective marketing strategy to attract both tourism and hospitality sector investors, but also customers, ostensibly entailing the creation of an alluring branding exercise for Nauru, congruent with its post-pandemic aspirations to pivot the economy and improve the livelihoods and wellbeing of its citizens;
- vi. There is a need to strengthen the capacity of the national airline, which will likely entail bringing in external expertise and finance and therefore may require some kind of outside equity investment;
- vii. There is also a need to improve the current level of transport and communications connectivity for Nauru, and international route development, so that the island becomes more readily accessible to visitors, and its geographic remoteness is mitigated by strong transport and communications links; and
- viii. The creation of a vibrant tourism sector will necessitate the development of favourable policies for foreign labour (and capital) in the tourism sector, at least initially, in addition to efforts made around TVET locally, as the soft and hard skills that go into effective tourism and hospitality cannot be developed in isolation.

7.4. Development of a more robust and resilient economy

In addition to declining phosphate mining and RPC operations, Nauru's revenues depend in large part on tuna stocks (from which it derives income from fisheries earnings and licensing), which are facing climate change-related challenges. Without a diversification of revenue sources, Nauru will face a declining trend in revenue sources quite soon. In this context, the private sector – including micro, small and medium-sized enterprises (MSMEs) – could serve as an additional engine of sustainable economic growth in Nauru and bring various positive effects. These potentially include (but are not necessarily limited to): (i) job creation; (ii) increased competition in the provision of products and services that then benefit consumers and help make firms more productive and

efficient; (iii) diversification of the economy for increased resilience; and (iv) greater innovation and creativity. But this requires a conducive business enabling environment in which private sector firms can readily operate, which in Nauru's case entails a number of enabling environment reforms, including those pertaining to land and streamlining government bureaucracy, amongst others.

In terms of overseas-sourced inputs, Nauru currently relies largely on support from development partners, and inward remittances to a lesser extent. Attracting FDI requires a long-term strategy that can back-stop Nauru as an investment destination. Such a strategy also requires: (i) an enabling environment with a supportive legal and regulatory framework; (ii) institutional capacity building; (iii) potential risk sharing instruments, such as public-private partnerships (PPP) and blended finance; as well as (iv) communications and outreach and exploring financing options. Developing a skilled and educated workforce and streamlining the regulatory processes are also essential. Fiscal reforms might usefully focus on strengthening revenues and public financial management, notably to increase fiscal discipline and governance around public spending/procurement, improving SOE governance and operational efficiency and preventing further debt accumulation. Using advances in fintech to help upgrade financial services in Nauru would be expected to improve financial inclusion, with knock-on benefits for investment and trade (including trade finance) and help Nauru regain trust with international financiers and the financial markets.

Integrating blue economy principles into Nauru's development strategy (i.e., the BlueEARTH development model, also see the appendix) would contribute significantly to the island's sustainable growth prospects. Initiatives might usefully include: offshore renewable energy; decarbonized shipping and climate-resilient ports; adopting circular economy principles in production, processing and services; and sustainable marine food production and processing, among others. Thus, efforts to create a more robust and resilient economy in Nauru might comprise the following components:

- i. The design and implementation of a private sector development strategy, aimed at diversifying the economy and bringing about gains in terms of job creation, revenue generation and a more vigorous domestic economy than is currently the case in Nauru;
- ii. The BlueEARTH model can be adopted and mainstreamed into Nauru's wider socioeconomic development strategy, so as to generate future growth that is sustainable both from the economic/commercial and environmental points of view;
- iii. This would also include a particular focus on greater domestic value creation and retention so that the capital stock, capacities and core skills of the private sector in Nauru could develop in the long-term, thereby bringing about a more resilient and less asymmetric economic profile in Nauru;
- iv. A strategy to attract and retain quality FDI inputs in support of Nauru's economic diversification and growth, using a range of established tried and tested initiatives, from basic promotion activities, through to PPP and blended finance that could help derisk larger investments;
- v. As noted above, there is a need to develop labour force skills through a range of educational initiatives that are well aligned with the needs of businesses, bringing in foreign expertise to assist in this process where there is currently a lack of a domestic pool in those skills; and
- vi. The potential for increased remittances and other inflows of capital from sources currently untapped (including foreign investors) should be explored, congruent with developing the kind of banking and financial sector stability that could benefit both Nauru citizens and help bring back a greater degree of confidence in the island by the international financial markets.

7.5. Initiatives oriented around climate change and its impacts

There is a clear need to develop various initiatives around climate change, spanning adaptation, mitigation and resilience, as well as disaster risk reduction (DRR) advocacy. In this regard, the MVI (multi-dimensional vulnerability index) approach can help prioritize investments in (more resilient) infrastructure improvements and institutional capacity building that aim to reduce Nauru's vulnerability to climate change impacts and natural hazards, while also helping to focus, facilitate and demarcate the engagement and support – both financial and technical – of various development partners. Public awareness programmes and localized technical assistance can also provide communities with better early warning systems, preparedness plans, and even the development of long-term livelihood diversification strategies in response to climate change-driven changes in sources of income and well-being.

Climate change and DRR education in the curriculum for human resource development and capacity-building is recommended, along with designing training programmes for government officials on disaster risk assessments, emergency response planning and post-disaster recovery, as well as establishing emergency protocols among national stakeholders and neighbouring countries. Indeed, regional cooperation on a range of interventions pertaining to climate change and its impacts is strongly recommended. Aligning data-sharing systems with improved ICT infrastructure across multiple countries in the region, as well as government agencies within Nauru itself, would also be expected to be of benefit. Developing and integrating comprehensive risk assessments that include assessing hazards, vulnerability, exposure and adaptive capacity risk, along with impact-based forecasting and early-warning systems, are also needed for climate change and DRR related activities.

7.6. Nauru's natural environment and its preservation

Increasing global attention towards preserving biodiversity should allow Nauru to attract and leverage external support and investment, given its marine life diversity and territorial waters that are home to an array of rare and endemic species. Again, adopting the “blue economy” approach should help Nauru to achieve a more sustainable use of ocean resources for economic growth and development, while preserving the health of marine and land ecosystems. External funding support (including private sector FDI) for promoting more sustainable fishing practices, eco-tourism, sustainable aquaculture and mariculture should be explored and pursued if found to be viable. These activities could also help to diversify Nauru's economic profile and create new income-generating opportunities for local communities, while not adversely impacting the environment or increasing its carbon footprint and GHG emissions. Proper marine and land resource management and advanced technology adaptation, particularly for exploitation, can increase economic outputs to produce food, feed, pharmaceuticals, bioplastics, fertilizers and biofuels while maintaining Nauru's ecosystems, which in turn ensures better health and wellbeing for its residents. Initiatives aimed at improving water quality by reducing pollution, eliminating dumping and minimizing the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reusing should also be pursued, with the necessary public funding and government commitment to ensure success. There is also the scope for considerable innovation and experimentation in this space, such as partly funding the restoration of Nauru's degraded landscape by using commercial revenues generated from exporting the waste rock pinnacles as branded household countertops and pavement stone products.

7.7. Infrastructure development

Improving transport and communications connectivity in Nauru could reasonably be expected to have a significant impact on Nauru's economic growth prospects, its social development and on the livelihoods of its citizens. In this regard, the port infrastructure project and air carrier capacity boost are likely to be key, but not sufficient, interventions. Greater Internet connectivity is likely to be a critical element for sustainable economic growth in the years ahead, which means prioritizing undersea cable connections that can allow Nauru to stop depending on expensive and unreliable satellite connections.

One of the strategies that can boost infrastructure project implementation is the PPP model in support of (public) development partners and (private) FDI inputs. There may also be scope for the use of blended finance. Activities that could attract international private sector funding and other external support include (but are not limited to): onshore and offshore windfarms; solar energy; energy generation from tidal forces; reducing emissions from forestation and sustainable agriculture; biomass and methane from landfills; fuel switching (e.g., shifting land and coastal traffic to electric vehicles (EVs)); waste diversion and recycling; and weatherization.

7.8. Enhancing partnerships

Partnerships with bilateral development partners (such as Australia and New Zealand), regional and international organizations (such as ESCAP), multilateral development banks (such as ADB) and IFIs can all help bring about positive impacts. Harnessing both the financial and non-financial (technical) capacities of these institutions, and their considerable prior experience, is recommended. But within the Pacific itself, partnering with other PICTs to develop joint approaches to regional socioeconomic and environmental issues of mutual concern can also be greatly beneficial, sharing and leveraging resources, and ensuring that “the wheel is not reinvented.” Sharing best practices, lessons learned and the pursuit of innovative approaches to economic development and climate change challenges all help to enhance, not divert, domestic institutional capacity. Further, bilateral and multilateral agreements with neighbouring island countries can help create and strengthen trade and investment ties.

Greater engagement and collaboration with development partners and other stakeholders, including the (admittedly small) Nauru overseas diaspora, can bring about a range of benefits too numerous to list here. It will clearly be important for Nauru to navigate carefully the geostrategic tensions that appear to have increased in the Pacific in recent years, and potentially find a means by which it can benefit from the increased interest of various powers in this once-overlooked part of the globe. For example, Nauru's position on the two breakaway republics of Georgia is not beneficial in its relations with Washington D.C., and any hopes it may have of receiving direct bilateral assistance from the United States.

Finally, given its relatively recent experience, Nauru will need to ensure that it manages its external debt and other overseas financial commitments with care and diligence. The aim should be to regain the confidence of overseas financial markets and their key actors, so as to be seen as a “good risk” in the future, as-and-when the country needs to call on external funding support for key projects and participate in regional initiatives. Such a reputation needs to be earned, and then protected carefully.

Annex: The BlueEARTH Development Model

In partnership with stakeholders, including other SIDS in the Pacific and Micronesia, bilateral donors, multilateral development agencies, IFIs and others (e.g., CSOs and the private sector), Nauru should consider developing and implementing a holistic development framework intended to strengthen its socioeconomic fundamentals. Such a strategy would aim to develop and maintain the domestic value creation systems within Nauru’s borders as much as possible, while encouraging international cooperation with other countries and entities. It should also seek to bring about greater economic resilience, as well as attain a more environmentally sustainable growth trajectory.

In this context, this study proposes a new development model for consideration by Nauru and other PICTs, and potentially adaptable to other SIDS globally, called “BlueEARTH.” The term BlueEARTH denotes a [Blue] economy, [E]ducation, [A]id, [R]emittances, [T]ourism and [H]ealth. The model builds on some of the key concepts and components of previous SIDS development models, such as MIRAB, TOURAB, SHIFT and PROFIT²⁵⁶ but expands it to cover other crucial development issues and challenges that Nauru and other PICTs are currently contending with, as depicted in this study (also table 7). The aim of BlueEARTH is to break the vicious cycle of the past and serve as a vehicle to create a more virtuous cycle of development.

Table 7
The “BlueEARTH” development model

Model	Key elements	Income sources	Enablers
BlueEARTH	[Blue] economy [E]ducation [A]id [R]emittance [T]ourism [H]ealth	Fisheries, foreign development assistance, inward remittances and blue ocean tourism	Improved education and healthcare, a more dynamic private sector, greater international cooperation, better bureaucracy and advances derived from increased digitalization

Source: The authors.

The model’s merits include identifying multiple revenue sources for Nauru, namely: fisheries, foreign development assistance, international remittances and blue ocean tourism. The model also identifies the key enablers: improved education and healthcare, a more dynamic private sector, greater international cooperation, improved capacity of government agencies and economic advances to be derived from increased digitalization. Emerging elements in this model include education and healthcare as key policy issues that Nauru must tackle, as they have significantly contributed to people’s wellbeing in the country.

²⁵⁶ For the details of MIRAB, TOURAB, SHIFT and PROFIT, refer to: Tisdell, C. A. (2016). “Models of the International Economic Dependence of Pacific Microstates: A Critical Review with Important Implications for International Policies and Relations,” *Journal of Self-Governance and Management Economics*, 4(2), 7–27.

This framework can also provide the basis for national and international development cooperation for Nauru, among various stakeholders and development partners, as elaborated in this study. And by mainstreaming environmental sustainability in the pursuit of a robust domestic blue economy, it offers the prospect of genuine sustainability.