



Initial Poverty and Social Analysis

June 2019

Nauru: Improving Public Investment Management Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 21 June 2019)

Currency unit	–	Australian dollar/s (A\$)
A\$1.00	=	\$0.6924
\$1.00	=	A\$1.4443

ABBREVIATIONS

ADB	–	Asian Development Bank
NSDS	–	National Sustainable Development Strategy
SOE	–	state-owned enterprise
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Nauru ends on 30 June. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 30 June 2019.
- (ii) In this report, "\$" refers to United States dollars, unless otherwise stated.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nauru	Project Title:	Improving Public Investment Management Program
Lending/Financing Modality:	Policy-Based Grant	Department/Division:	Pacific Department Pacific Liaison and Coordination Office

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Nauru does not have a national poverty reduction strategy. However, its NSDS, 2005–2015 was developed through a consultative process among various districts, business groups, and development partners. The proposed program is closely aligned with the first and second goals of the NSDS: (i) a stable, trustworthy, and fiscally responsible government; and (ii) provision of enhanced social, infrastructure, and utility services.^a The program will strengthen public investment management through improvements in public expenditure and asset management as well as the governance of SOEs. This is intended to enhance the delivery of social, infrastructure, and utility services while reducing the fiscal risks related with weak public expenditure and asset management, and poor-performing SOEs.

ADB does not currently have a country partnership strategy for Nauru. Instead, ADB's Pacific Approach, 2016–2020, which focuses on managing risks, reducing costs, and creating value, serves as the strategy for Nauru and 10 other Pacific developing member countries.^c Through targeting the improved management of public investments, the proposed program is consistent with ADB's Strategy 2030, which makes the strengthening of governance and institutional capacity an operational priority.^d The program also reflects ADB's focus under Strategy 2030 on improving the business environment, reforming SOEs, and strengthening the quality of public service delivery in small island developing states.

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)
The proposed program will improve public investments, including in infrastructure, social, and utility services, which are critical to reduce poverty. It will improve public investments through reforms to three areas: (i) public expenditure management, (ii) public asset management, and (iii) governance of SOEs.

C. Poverty and Social Analysis

1. **Key issues and potential beneficiaries.** The program will contribute to poverty reduction by improving public sector investment and service delivery through stronger public expenditure and asset management and improved governance of SOEs. The expected beneficiaries are the Nauru population.

2. **Impact channels and expected systemic changes.** Improving public expenditure management by further operationalizing the financial management information system and publishing annual and quarterly budget reports will strengthen budget execution, accountability, and transparency. Establishing a central public asset register and approving a new integrated infrastructure asset management strategy will help the government achieve a better balance between its capital investments in assets and its spending to maintain them. These reforms will help the government maintain vital social expenditures and services that the poor (particularly women and children) depend on. Improving the governance of SOEs, which are responsible for delivering important utility services but can create fiscal risks because of poor financial performance, will help free up government resources for priority social expenditures.

3. **Focus of (and resources allocated in) the transaction TA or due diligence.** Due diligence for the program, to be prepared in cooperation with development partners, will include (i) a public sector assessment including SOEs, and (ii) a risk assessment and risk management plan covering the country's public financial management systems. An assessment letter is expected to be provided by the International Monetary Fund.

4. **Specific analysis for policy-based lending.** The proposed program is closely aligned with the government's policy priorities identified in the NSDS. The short-term impacts will be improved public expenditure and asset management, and a robust accountability framework between the government and SOEs. The long-term impacts will be improved public investment management, which promotes inclusive growth and fiscal sustainability.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?

While female education outcomes are positive, women still hold a minor share of management and decision-making

positions, according to data from the National Report on Population and Housing: Census 2011.^b The secondary school gross enrollment ratio was slightly higher for females (62%) than males (57%).^e However, there are gender gaps in paid employment. Women occupy only 38% of the wage-paying jobs in the non-agriculture sector. Women comprised only 36% of legislators, senior officials, and managers.^e The government has taken steps to improve gender outcomes, including acceding to the Convention on the Elimination of All Forms of Discrimination against Women in 2011. Efforts will be made during the fact-finding mission to find opportunities to incorporate gender issues and gender-disaggregated data, particularly in relation to female participation on SOE boards.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No

The proposed project targets two actions to promote the economic empowerment of women in Nauru: (i) the preparation of an integrated infrastructure strategy that prioritizes investments in capital, rehabilitation, and maintenance based on economic and social criteria that are expected to include the impact on women's employment opportunities; and (ii) the preparation of an SOE bill that includes a provision that SOEs promote gender equality through their employment practices and policies, and in board membership.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

All Nauruans are potential program stakeholders of this policy-based grant program. Specific interest groups include the government and SOEs. The Ministry of Finance is the implementing agency and will coordinate with the Department of Infrastructure Development and SOEs as needed. ADB has met with key government stakeholders and SOEs to discuss the current situation and possible outcomes of the proposed program.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?

The proposed program will support implementation of the NSDS, which was developed using a consultative approach, and the national budget, which provides mechanisms for ongoing public reporting.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing Consultation Collaboration Partnership

The proposed program is being designed and implemented in partnership with the Ministry of Finance. Consultation in various forms was carried out during formulation and implementation of the NSDS and the government's policy documents.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No

While there are no specific program measures that directly affect the poor, there was considerable consultation by the government with stakeholders during the preparation of the NSDS.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The project will not involve any investment and civil works. The policy actions being proposed will not cause any involuntary resettlement impacts.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI The project will not impact any distinct and vulnerable group of indigenous peoples as defined by ADB's Safeguard Policy Statement (2009).

<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? Not applicable.</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>There are no additional social issues and risks that need to be addressed in the project design.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable</p>
<p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence?</p> <p>The program design draws from ongoing policy dialogue with the government. The reforms are grounded in the NSDS, which was the product of an extensive consultation process with stakeholders.</p>

^a Government of Nauru. 2005. *National Sustainable Development Strategy, 2005–2025*. Yaren (revised 2009).

^b Government of Nauru. 2011. *National Report on Population and Housing: Census 2011*. Yaren.

^c ADB. 2017. *Pacific Approach, 2016–2020*. Manila.

^d ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

^e ADB. 2016. *Gender Statistics: The Pacific and Timor-Leste*. Manila.