

OUT OF SCOPE

**From:** PAC

**Sent:** Friday, 24 October 2014 4:51 p.m.

**To:** PAC; PACDEV

**Cc:** DS APE; DS IDG; IDG SED; IDG DSE; IDG PHM; AUS; ISED; CEO; FM.NAB (Seemail); FM.P/S MFA; FM.DPMC (FPA); FM.MBIE Formal Messages (Seemail); ...PACIFIC POSTS

**Subject:** Formal Message: Nauru: Credentials visit by HE Hon Shane Jones

Resend with 'Formal Message' in the title.

**Not for Cable Exchange**

Handling Instructions:

MBIE: s9(2)(a)

#### Summary

HE Hon Shane Jones visited Nauru from 20-22 October to present credentials. Jones had a wide ranging programme calling on the President, Ministers, senior officials and others and visiting key points of interest, including the Regional Processing Centre. His Nauruan hosts were very open to accommodating requests for additional calls. Jones was warmly received by all interlocutors.

Nauru professed appreciation of New Zealand's interest and contribution, through support to the justice sector and education and with the preliminary design of the new Trust Fund. Our current settings and approaches in these areas seem sound.

#### Action

PAC: to follow up with MBIE the request for a change in the location for visa processing arrangements.

PACDEV/SED: to consider vocational scholarship opportunities for Nauru.

#### Report

HE Hon Shane Jones visited Nauru from 20-22 October to present his credentials as High Commissioner. Jones called on President Waqa, Speaker Ludwig Scotty, Ministers Charmaine Scotty and Shadlog Bernicke and a range of senior officials including Secretary of Foreign Affairs Michael Aroi and Secretary of Justice and Border Control Lionel Aingimea. Minister of Finance and Justice David Adeang was off island. s9(2)(a)



on s9(2)(a) a meeting with a group of prospective Recognised Seasonal Employer workers, a visit to the (currently inoperable) port and breakfast at the Regional Processing Centre. Jones was accompanied by s9(2)(a) Pacific Division) and Nicholson (Pacific Development Division).

2 Following his presentation of credentials to President Waqa, Jones began by thanking Nauru for their support of our UNSC campaign. He raised the possibility that some of our scholarship funding could be used for vocational/trades training (rather than academic study) and noted that (following a request from Secretary of Foreign Affairs Aroi) we could look at the processing location for visa applications from Nauru (now that New Zealand no longer covers the bilateral relationship from Honiara). There was some discussion of the Parties to the Nauru Agreement (PNA), with Waqa noting that it was important for the Pacific, despite the large amount of work involved. Jones noted that New Zealand was considering nominating a New Zealand chair for the Pacific Fisheries Commission. Waqa seemed open to consider this proposal.

3 Jones noted that Michael Jones (Matsons) had briefed him before his visit on the state of the port which, he noted was now inoperable following the snapping of a shackle holding one of the four mooring buoys. This had only been replaced a week earlier. The breakage means that (i) cargo ships coming to Nauru had to steam up and down while off-loading and (ii) loading phosphate and off-loading fuel is not currently possible. A tug is reportedly on its way from Singapore to attempt to effect repairs. s9(2)(b)(ii)

#### New Zealand-funded Justice Sector Positions

4 Waqa thanked New Zealand for its support to Nauru, including in education and funding for a range of judicial positions. This sentiment was later echoed by Justice Secretary Aingimea and Chief Secretary Grundler. Jones met with six of the New Zealand-funded (or part-funded) justice sector staff – four Fijians, a Solomon Islander and an Australian. s6(a)

s9(2)(a) s6(a) deep appreciation for New Zealand's continuing to support these positions and the Justice sector s6(a)

5 The need for an additional court room was mentioned a number of times (although there was no specific ask). This would apparently ensure the judiciary could operate more effectively and allow the backlog of refugee status processing to progress more efficiently. The current approach of using the adjoining school hall as a court room during the holidays seemed however an adequate solution.

6 Comment: New Zealand support for the justice sector seems to be having a noticeable impact in easing the backlog of cases particularly relating to refugee status processing appeals, restoring confidence in the justice system and improving the operation of the justice sector. Together with the appointment of a highly credible Chief Justice in Ratu Joni Madraiwiwi, the Nauru system seems better placed to deal with likely future challenges

s6(a)

#### The Freezing of Nauru's Bank Accounts

7 We asked Waqa for an update on the freezing of Nauru's bank accounts following a court order from New South Wales relating to an historical bond issued by Nauru in the 1980s for \$16 million.

s6(a)

The ruling was due later in the week but that was unlikely to be the end of the matter, regardless of the outcome. Key legal arguments included sovereign immunity and the status of historical debt. The s6(b)



s6(b)

appeal has since been determined in Nauru's favour, 'unfreezing' the bank accounts – there is no word yet on a counter appeal). (Comment: the

### The Situation of the Opposition Politicians

8 We asked Waqa about the situation with five (out of eight) opposition MPs having been suspended earlier this year along with their allowances. Waqa noted that two had been referred to the Privileges Committee and were taking the matter to court and the remaining three were going straight to court.

s6(a)

9 s6(b)

apparently sits for up to a day a month but s6(a)

Parliament

s9(2)(a) the Commonwealth Parliamentary Association and around the Pacific did not seem unduly concerned by the situation in Nauru. s9(2)(a) said Parliamentarians are paid between \$1300 and \$3000 per fortnight – so the withholding of the suspended MPs' allowances is a significant censure. s9(2)(a) said he supplements his income by diving for fish.

### Trust Fund

10 Waqa noted that Nauru was setting aside cash for the proposed new Trust Fund (\$5m this year and \$5m last year – s6(a)). These funds are apparently caught in the current case over the bank accounts (see above). We noted our support for the Trust Fund concept without suggesting that we were looking to make a financial contribution. Separately we confirmed to Secretary of Foreign Affairs Aroi that we were not looking to make a financial contribution but were willing to lend our expertise (and, implicitly, our reputation) by being represented on the board as long as that also conferred voting rights to New Zealand.

s9(2)(g)(i)

### Regional Processing Centre

12 At our request, Nauru organised a visit to the Australian-run Regional Processing Centre (RPC) for asylum seekers. Our visit was to the administration centre (RPC 1) which has the offices, some staff accommodation and respite facilities for asylum seekers. It had housed asylum seekers until the riots and fire on 19 July 2013 and had subsequently been rebuilt. There are now around 1200 asylum seekers in two (other) main locations, with a further 300 people having been determined to be refugees since Nauru began processing asylum applications a few months ago. There are three groups of refugees – the single adult males, unaccompanied minors and families. The single adult males are reportedly the most difficult to manage. The refugees are living in purpose-built compounds within Nauruan villages and Nauruans we spoke to reported that they are fitting in "better than we expected".

13 The RPC is run by private Australian contractors, with many of the workers having military backgrounds, and s6(b) The logistics and security operations are run like a military operation (complete with portacoms, mess halls and barbed-wire fences), although asylum seekers are reportedly free to do

as they please within reason, including participating in (learning and development) opportunities. The asylum seekers themselves reportedly live in air conditioned tents and many sleep through the heat of the day and are active in the evenings.

14 s9(2)(a), s9(2)(ba)

Tension

levels at the camps correspond closely to announcements around refugee status determinations, with "double negatives" (ie, being declined refugee status initially *and* on appeal) the most serious trigger. Approximately 50 asylum seekers were apparently nearing the end of their appeal process which would mean that further arrangements (for repatriation to home countries?) would need to be made. One of the security managers noted that some staff members are being trained on accompanying non-refugees home by air.

s6(b)

s6(b)

17 Australia also pays Nauru \$6000 per year for multiple entry visas for all expatriate workers, including other Pacific Islanders and expatriates now pay 10 percent income tax – virtually the only direct taxation levied by the Government. s6(b)

Land leases for relevant areas have doubled (this money is passed on to landowners). Air Nauru is the preferred carrier for people and freight transport and is now making at least daily (one source said four times daily) flights to and from Nauru.

s9(2)(g)(i)

out of scope



out of scope

Fijian teachers and Vocational Training

21 Minister of Education Charmaine Scotty explained that there are a number (6?) of Fijian teachers working in Nauru, taking advantage of the 55 year retirement age in Fiji (in contrast to the retirement age of 60 in Nauru). Some of these teachers are recruited directly and others come as part of a broader Fiji Government scheme whereby the local country pays salaries and Fiji pays transfer costs. While the two separate arrangements cause some tension between teachers, the presence of the Fijians has been a net gain to Nauru. Australia has recently introduced two TVET vocational scholarships at a TAFE in Queensland and we understand that a TVET Centre is being constructed on island. Jones noted New Zealand's interests in tailoring New Zealand scholarships to more vocational requirements, provided this was considered useful by Nauru and we were not duplicating Australian efforts.

out of scope

s6(a)

New Zealand visas

23 One issue that Secretary of Foreign Affairs Michael Aroi drew our attention is the now anomalous situation where Nauru visas are apparently still being issued in Honiara – for normal visas as well as official visas. This was more of an issue for Nauruans travelling on ordinary passports than official passports, as the latter can be processed by email but the former need to send all documentation to Honiara. Aroi asked that we investigate alternative arrangements that were easier to access both because of the difficulty of sending passports to Honiara and because of the risk of their disappearing in the Solomon Islands mail system. Comment: this seems a reasonable request.

Comment

s9(2)(g)(i)

**Shane Jones  
Accreditation Visit to Nauru  
20-22 October 2014**



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Programme

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(To be provided by Nauru Protocol)

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## PROGRAMME

### **Presentation of Credentials of H.E Shane Jones High Commissioner of New Zealand to the Republic of Nauru.**

#### Monday 20<sup>th</sup> October 2014

- 11:00 am : Arrival of His Excellency Shane Jones High Commissioner-designate of New Zealand to the Republic of Nauru
- 11:45 am : Depart Nauru International Airport to Menen Hotel.
- 1:50 pm : Depart for Government Offices.
- 2:00 pm : Courtesy Call on Mr Michael Aroi, Secretary for Foreign Affairs & Trade
- 2:35 pm : His Excellency Shane Jones High Commissioner-designate is received by the Mr Corey Caleb, Director of Police for the inspection of the Guard of Honour and playing of National Anthems.
- 2:45 pm : Presentation of Credentials in the Office of the President.
- 3:30 pm : Courtesy Call on Hon. Ludwig Scotty MP, Speaker of Parliament.
- 4:10 pm : Courtesy Call on Hon. David Adeang MP, Minister for Finance, Justice & Border Control
- : Depart Government Office for Menen Hotel

#### Tuesday, 21<sup>st</sup> October 2014

- 9:15 am : Depart for Australian High Commission.
- 9:30 am : Courtesy Call on H.E. Martin Quinn, Australian High Commissioner
- 10:10 am : Depart for Government Offices.
- 10:15 am : Courtesy Call on Hon. Charmaine Scotty MP, Minister for Education
- 11:50 am : Courtesy Call on Hon. Shadlog Bernicke MP, Minister for Telecommunications, and Nauru Phosphate Royalties Trust
- 12:25 am : Courtesy Call on Mr Bernard Grundler, Chief Secretary.

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Free

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- 1:55 pm : Depart for Government Office
- 2:00 pm : Courtesy Call on Dr Maria Gaiybu PhD, Secretary for Education.
- 2:40 pm : Courtesy Call on Mr Lionel Aingimea, Secretary for Justice and Border Control.
- 3:20 pm : Depart Government Office for Nauru Fisheries & Marine Resources Authority.
- 3:30 pm : Courtesy Call on Mr Charleston Deiye, CEO for Nauru Fisheries & Marine Resources Authority.
- 4:10 pm : Depart for Menen Hotel
- 7:30 pm : Dinner Reception hosted by the President of the Republic of Nauru

Wednesday, 22<sup>nd</sup> October 2014

- 9:50 am : Depart for the Parliament House
- 10:00 am : Courtesy Call on Opposition Members of Parliament (Parliamentary Committee Room) - Hon Riddell Akua  
- Hon. Marcus Stephen  
- Hon. Russ Kun
- 11:00 am : Depart for Menen Hotel
- 1:25 pm : Depart Menen Hotel for Nauru International Airport.
- 2:35 pm : His Excellency Shane Jones, High Commissioner of New Zealand departs Nauru



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Nauru Protocol Guidelines

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To be inserted

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## PROTOCOL GUIDELINES

### Presentation of Credentials

The program begins with the visiting Foreign Dignitary paying a courtesy call upon the Secretary of Foreign Affairs and Trade whereby they will present a copy of the Letters of Credence to the Secretary of Foreign Affairs and Trade.

After the Foreign Dignitary has met with the Secretary for Foreign Affairs and Trade, they will be greeted outside the Department of Foreign Affairs & Trade office by the Commissioner of Police who will then escort them to the staging area for the Inspection of Guard of Honor, where the National Anthems of both countries will be played.

*See attachment1 for positions of the visiting Dignitary, Commissioner of Police, Guard of Honor and Flag Poles.*

Following playing of National Anthems the visiting Foreign Dignitary will be escorted to inspect the Guard of Honour. The Foreign Dignitary will then be led by the Protocol Officer to the President's office.

His Excellency the President, Aid De Camp, Secretary for Foreign Affairs and Trade, Presidential Counsel and Government Information Officer will ready inside the President's Office awaiting the entry of the visiting Foreign Dignitary and Protocol Officer. Upon entering that President's office, the Protocol Officer will introduce the visiting Foreign Dignitary (*See attachment2 for positions of persons when presenting Credentials in the President's office.*) After the introduction of the Foreign Dignitary by the Protocol Officer, the Foreign Dignitary will move forward to where the Protocol Officer stood during the introduction to present his/her official speech to His Excellency the President and vice versa. (*See attachment3 for positions of persons when presenting Credentials in the President's office.*)

After the presentation of Speeches, the visiting dignitary will then hand to His Excellency the President, the original Letter of Credence and then shake hands (for media purposes) and both be seated for formal talks.

#### Note:

- ❖ When H.E. the President and the Visiting Foreign Dignitary are seated, everyone else in the Office will take their leave.
- ❖ There will be also an exchange of gifts after both speeches and however it could be also done at the Accreditation Dinner function.

After the meeting with His Excellency the President, the Protocol Officer will then escort the visiting Foreign Dignitary to pay a Courtesy Call on Cabinet Ministers, the Speaker of Parliament, the Chief Secretary and other relevant Departments that are requested by the visiting Foreign Dignitary.

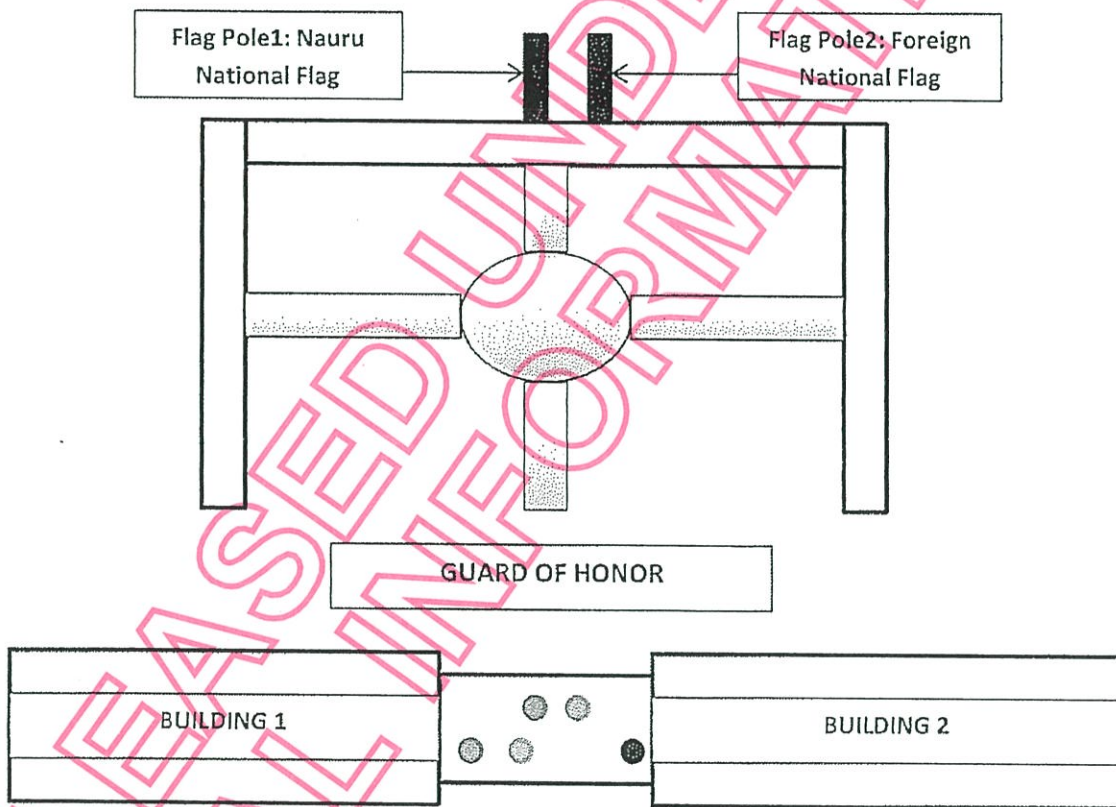
#### Dress Code

A full formal suit or a ceremonial outfit is the appropriate dress code when attending Presentation of Credentials or any official occasion when meeting with the President and Cabinet Ministers.

**ATTACHMENT 1 - GOVERNMENT OFFICES**

*Positions of the visiting Dignitary, Commissioner of Police, Guard of Honor and Flag Poles.*

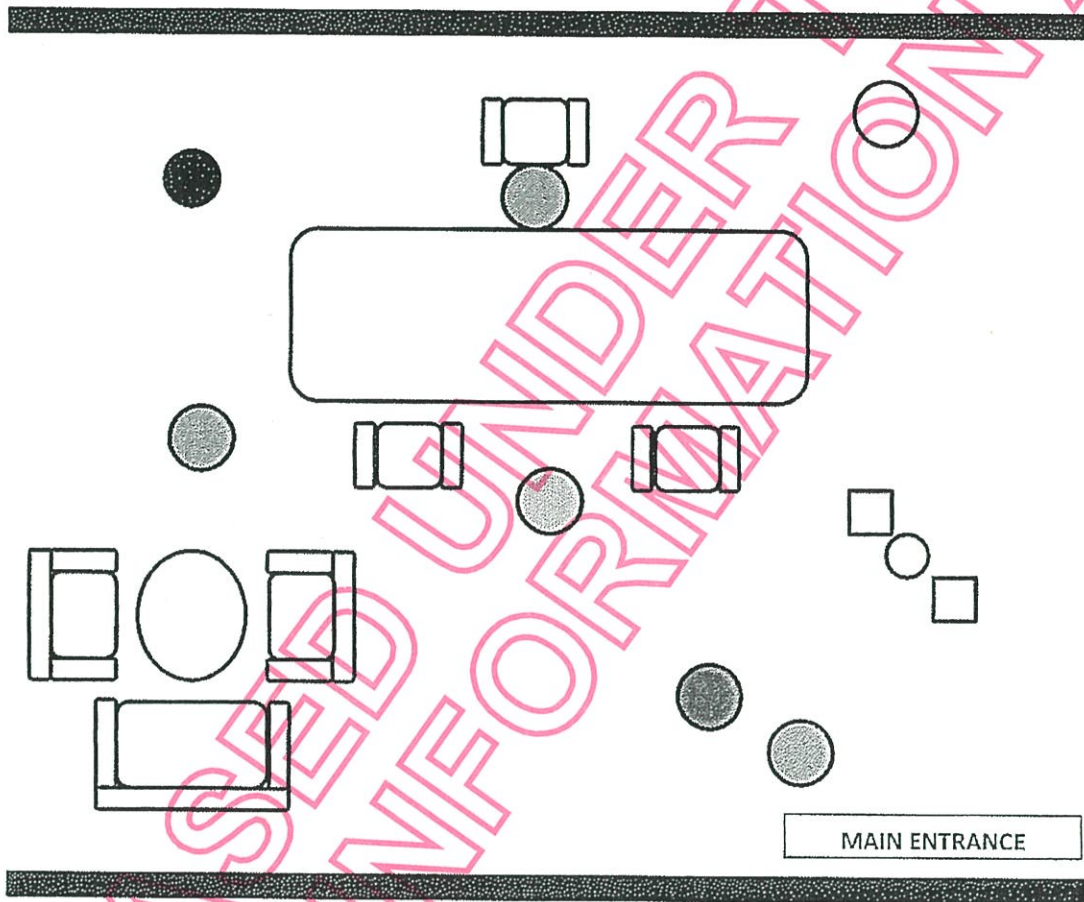
- - Foreign Dignitary
- - Commissioner of Police
- - Accompanying official
- - Protocol Officer
- - Secretary of Foreign Affairs & Trade











ATTACHMENT 2 – OFFICE OF THE PRESIDENT

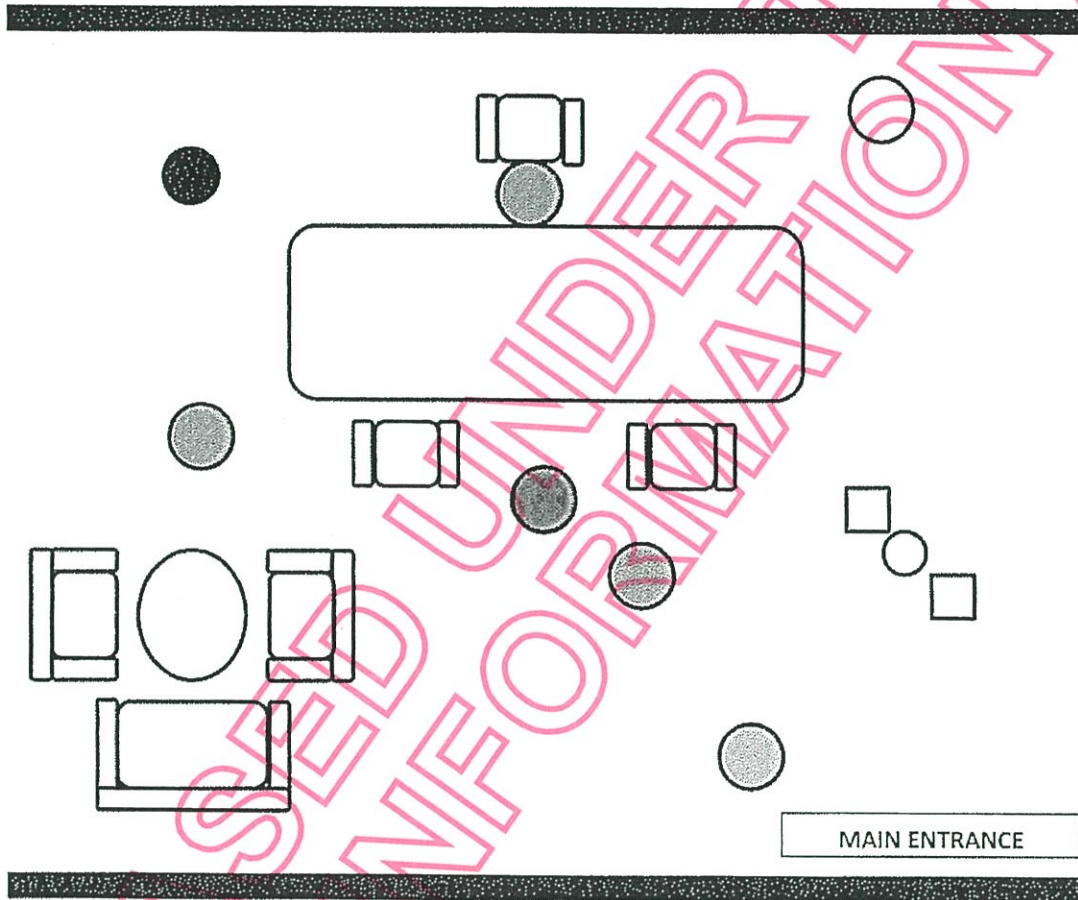
*Positions of persons when presenting Credentials in the President's office*









-  - President of Nauru
-  - Secretary of Foreign Affairs & Trade
-  - Foreign Dignitary
-  - Presidential Counsel
-  - Accompanying Official
-  - Protocol Officer

ATTACHMENT 3 – OFFICE OF THE PRESIDENT

*Positions of persons when presenting Credentials in the President's office*



-  - President of Nauru
-  - Secretary of Foreign Affairs & Trade
-  - Foreign Dignitary
-  - Presidential Counsel
-  - Accompanying Official
-  - Protocol Officer



## Overview

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The objectives of your visit to Nauru are to:

- present your credentials as New Zealand High Commissioner to Nauru;
- make introductory calls on key figures, including President Waqa and Justice Minister Adeang, and become familiar with key issues in Nauru;
- take forward New Zealand's engagement with Nauru, including discussions on the Justice sector and Nauru's economic situation following the recent court ordered freeze on Nauru's bank accounts ; and
- thank Nauru for their support of New Zealand's Security Council Candidature.

Nauru has experienced a turbulent year. Most recently, an Australian court ordered the freezing of the Government of Nauru's Westpac bank accounts in relation to over AUD30 million in unpaid bond dividends owed to Firebird Global Fund. While this decision was overturned by the New South Wales Court Supreme Court, the bank accounts remain frozen until an appeal by Firebird has been heard. A small amount of New Zealand aid funding (A\$654K) held in a Nauru government account has been frozen.

s6(a)

Business visas have been hiked to AUD\$6,000; media visas AUD\$8,000. The business visas were applied retroactively to Chinese business people leaving Nauru for the Chinese New Year – they were not allowed to board their flights without paying the fee. In February (refer to other briefing in this pack), Nauru expelled several key expatriate figures in the Justice sector, leaving the country without a functioning judiciary. The court system in Nauru is responsible for hearing the cases of asylum seekers based on the island. Nauru stated that these figures were expelled for interfering in domestic affairs.

In July 2013 the RPC was burnt down during a riot by asylum seekers. In response the Nauruan Government deputised significant amounts of the local population in order to 'control' the rioting. While widespread violence did not occur, the deputising of members of the public is a worrying trend.

The RPC continues to be the focus of protests with protests in September-October 2014 over Australian plans to resettle asylum seekers to Cambodia. Media has reported that these protests have involved incidents by of self-harm by asylum seekers.

In early October, Australia's Minister of Immigration, Scott Morrison, announced an independent review into allegations of inappropriate conduct by contracted service



providers at the Nauru RPC. The review would also investigate whether asylum seekers had been coached by workers at the Centre to both fabricate claims of abuse and to self-harm as part of the protests. The review will be led by former Integrity Commissioner and former head of the Australian Commission for Law Enforcement Integrity Mr Phillip Moss.

The Government suspended five of eight opposition members of parliament in May/June this year, alleging, among other things, that they had been bringing Nauru into disrepute with their comments to international media sources. The MPs' allowances were subsequently cut and the residency of the wife of one, Roland Kun, was revoked. Roland has since relocated to Wellington with his family.

s9(2)(g)(i)

s6(a)

Nauru's 2014-15 budget (delivered June 5) forecasts AUD\$99 million in both revenue and expenditure. The budget is not without its risks – Nauru has nearly doubled the amount allocated to paying salaries (92% increase), and salaries are taking up an ever increasing percentage of the budget. Pricewaterhouse Coopers (PWC) has just completed a review of the Nauru Public Service Job Evaluation that will determine the salary structure for the Nauru Public Service (NPS) and attempt to bring government salaries closer to those earned at the Regional Processing Centre. We understand this will require an increase of AUD\$4m per year. This increase was due to come into effect from September this year although the recent freeze on Nauru's bank account means it is unlikely to have occurred. The Justice sector is reported to be absorbing a large percentage of these budget increases, following a 40% increase in staff numbers.

s9(2)(g)(i)

But there have also been positive steps recently. On 1 August the Government of Nauru announced the appointment of a new Chief Justice (Fijian Justice Joni Madraiwiwi) and two supplementary judges (Australian Justices Mohammed Shafi Khan and Jane Elizabeth Hamilton-White). s6(a)



been sworn in to office.

The three have since

Your visit will allow us to build greater ties with Nauru.

s6(a)

*Pacific Division  
MFAT*

*October 2014*

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## Meetings: Issues and Key Points

### **President Baron Waqa**

**Minister for Public Service, Foreign Affairs and Trade,  
Climate Change and Police and Emergency Services**

Baron Waqa (pron. Wanga) was elected President in June 2013.

s6(a)

\_\_\_\_\_ Minister McCully last met President Waqa at the Small Islands Developing States Conference in Samoa.



### **Hon David Adeang, Minister for Finance and Sustainable Development, Justice and Border Control**

s9(2)(g)(i)

\_\_\_\_\_ He visited New Zealand in February to meet with Minister McCully s9(2)(g)(i)

\_\_\_\_\_ and also participated in the bilateral meeting with President Waqa at the Forum in Palau.



### **Key Points**

#### *General*

- Gauge views on the state of politics in Nauru. Five of the eight opposition MPs in Nauru's parliament were suspended earlier this year and their privileges withdrawn, throwing the state of Nauru's democracy into question. The wife of one, Roland Kun, had her residency revoked and Roland has since moved with his family to New Zealand. s9(2)(g)(i)
- Discuss the impact of the freezing of Nauru's bank accounts in September 2014 and the impact this may have had on service delivery and Nauru's financial planning.
- Seek an update on the frozen bank account case and the position of Nauru regarding cash and fuel on island.
- Thank Nauru for their prompt letter informing New Zealand of the freeze and notifying that New Zealand aid funds (A\$654K) were affected, noting our interest in being kept informed and to supporting continuation of the justice and education sector programmes.
- Discuss the new Nauruan budget. Nauru's 2014-15 budget (delivered June 5) forecasts AUD\$99 million in both revenue and expenditure.

#### *UN Security Council Campaign*

- Thank President Waqa for once again supporting New Zealand's UNSC candidacy. New Zealand greatly appreciates the support of our Pacific friends and neighbours,



and is committed to being a valuable and effective representative for the Pacific. We do not take this support for granted.

*Nauru Trust Fund*

- You may wish to raise the proposed establishment of the Nauru Trust Fund which is a key priority of the current government and timely in view of the current revenue stream from secondary phosphate, fisheries and the RPC. s6(a)

*Justice Sector*

- Reiterate that New Zealand's continued aid to the justice sector in Nauru is linked to due process being followed by the Government. We are pleased with the transparent and open recruitment processes being followed for New Zealand-funded positions.
- Commend Nauru's increasing commitment to filling vacancies and taking opportunities for overseas work attachments in the justice sector. We were pleased to see Nauru's recent appointment of a new Chief Justice and two supplementary judges. This will help improve efficiency and enable judgements to be reviewed by an appeal court.

*Fisheries*

- Seek Nauru's views on priorities for the November Parties to the Nauru Agreement Ministerial Meeting being held in Tuvalu.

*Nauru Recognition of Abkhazia*

- You may wish to raise Nauru's recognition of Abkhazia. New Zealand supports Georgia's territorial integrity. s6(a)
- Nauru recognised Abkhazia in December 2009 s6(a) . joining Russia, Nicaragua and Venezuela. Vanuatu and Tuvalu have both withdrawn recognition.

**Background**

*Development snapshot*

- The NZ\$2.3m aid programme is focused on education and law and justice with additional regional programme support bringing the total aid flow up to around 6.5m each year. Management of our education support has been delegated to Australia since February 2013. New Zealand has a direct Funding Arrangement with the Government of Nauru to fund a range of positions and training in the law and justice sector.
- New Zealand is strengthening the Nauruan justice sector by supporting 9 full and part-time roles to provide essential sector services. These include the Solicitor General, Resident Magistrate, Director of Public Prosecutions, Legal Aid Director, Public Prosecutor, Programme Coordinator and a short-term Registrar and

Corrections Advisor as well as partial costs for the Nauruan Secretary of Justice. There is a strong focus on building capacity through in-country training for Department of Justice staff and regional and New Zealand-based work experience. Five corrections staff are currently on 3 months of work experience with Department of Ministry of Corrections in New Zealand.

- New Zealand's involvement in the education sector under Australian management continues to focus on the quality of teachers, leadership, curricula and developing a more strategic scholarships programme. Results to date have been very good.
- Between three and six New Zealand Pacific Scholarships are available each year allocated according to Nauru priorities. This year Short Term Training Awards aligned to the law and justice programme have been introduced.
- Establishment of the Nauru Trust Fund is a key priority of the current government and timely in view of the current revenue stream from secondary phosphate, fisheries and the RPC. The ADB is working with Nauru to develop the design. Considerable work is still required s6(a)
- Nauru has recently indicated that non-contributing (or nominally-contributing) members will not be given a vote on the Board, s6(a)
- Discussions on the Trust Fund have stalled as a result of the recent freeze on Nauru's accounts.

*Pacific Division/Pacific Development Division  
Ministry of Foreign Affairs and Trade  
October 2014*

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## Media Points (if approached):

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### Refugee Processing Centre:

*What is New Zealand's view of the Australian offshore processing centres?*

- We all want to deter vulnerable people from setting out on risky ocean voyages, which endanger their lives and enrich the people smugglers. People need to know that if they use people smugglers and arrive in Australia as irregular migrants, they will get no advantage over other refugees in the region.

s6(a)

### Bank Accounts:

- New Zealand has been notified of the situation by the Government of Nauru and they have briefed us on the action they are taking in the courts. We have been monitoring this situation closely and are aware of the Court judgement today in favour of the Government of Nauru.
- This is very serious issue for the Government of Nauru and has the potential to affect the delivery of essential public services. We hope that an early resolution can be found to any further court action.
- New Zealand has a small aid programme to Nauru. The Government of Nauru has confirmed that the funds frozen include New Zealand Aid Programme funds. We are working with the authorities in Nauru to determine exactly how much New Zealand funding is being held.

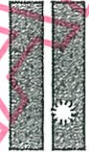
Background Documents

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# Nauru



Geography / Demographics

21 sq km  
LAND AREA

WORLD'S SMALLEST REPUBLIC

430,000 sq km  
EEZ

10,167 POPULATION (2010 ESTIMATE)

120 POPULATION IN NEW ZEALAND

Bilateral Aid

NZ\$2.3 mil BILATERAL PROGRAMME (2013/14)

NZ\$3.4 mil OTHER AID FLOWS (2013/14)

NZ\$0.8 mil SCHOLARSHIPS AND TRAINING (2013/14)

NZ\$6.5 mil TOTAL (2013/14)

Economic

US\$121.5 mil GDP (2012)

US\$11,948 GDP PER CAPITA (2012)

39.5% GDP GROWTH (2012/13)

1.4% INFLATION (2013)

US\$4.7 mil CURRENT ACCOUNT DEFICIT

Trade

NZ\$16.7 mil EXPORTS TO NZ (2013)

NZ\$2.38 mil IMPORTS FROM NZ (2013)

PHOSPHATE & FISH MAIN EXPORTS

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## Country Paper

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### KEY FACTS

<b>Official Name</b>	Republic of Nauru
<b>Capital City</b>	Government offices predominantly in Yaren District
<b>Religion</b>	Christian (two-thirds Protestant, one-third Roman Catholic)
<b>Language</b>	English and Nauruan are both official but only English is written. English is widely understood, spoken, and used for most government and commercial purposes but there is limited understanding amongst the general population.
<b>Currency</b>	Australian dollar. There is no banking system on Nauru.
<b>Political system</b>	The country is ruled by a unicameral parliament of 19 members elected by popular vote for a term of three years. Executive authority is vested in a Cabinet, which consists of the President of the Republic, and ministers appointed by him. The President is elected by the Parliament. There are 14 Administrative Districts: Aiwo, Anabar, Anetan, Anibare, Baiti, Boe, Buada, Denigomodu, Ewa, Ljuw, Meneng, Nbok, Uaboe, and Yaren.
<b>National legislature</b>	Unicameral parliament of 19 members elected by popular vote for a term of three years.
<b>Last election</b>	2013
<b>Next election due</b>	2016
<b>Head of State</b>	HE President Baron Waqa
<b>Head of Government</b>	HE President Baron Waqa
<b>Main political parties</b>	Nauru does not have a formal party structure.

### OVERVIEW

Nauru is the world's smallest independent republic. Nauru's extensive phosphate resources made it one of the wealthiest countries per capita in the world during the 1970s. The readily mined phosphate was gone by the late 1990s and Nauru became heavily indebted and reliant on foreign aid. By 2004 Nauru was in severe financial distress and the Government of Nauru (GoN) sought and received assistance from the Pacific Islands Forum through the Pacific Regional Assistance to Nauru (PRAN) initiative. Mining of secondary phosphate reserves resumed in 2006 though prices remain volatile. There have been twenty changes of government in the last ten years. Re-opening of the Regional Processing Centre (RPC) under the management of the Australian Department of Immigration and Citizenship (DIAC) in



2012 has brought significant stimulus to the national economy while also creating issues related to planning and human resources for the GoN and donors.

## **HISTORY**

2 Little is recorded about Nauru's history before British whaler Captain John Fearn came across it in 1798 on his way to China and named it Pleasant Island. Whalers, blackbirders, and traders followed and by 1870 firearms, alcohol and introduced diseases had drastically reduced the island's population. Germany established sovereignty over Nauru in 1888 and in 1914 incorporated it into the German Marshall Islands.

3 Australia took over the island during the First World War and after the war administered it as a British mandated territory. Japan invaded in 1942 and took over 1200 Nauruans as labour to Truk, where nearly half died.

4 At the end of WWII the island returned to Australian administration under a United Nations mandate dated 1946. Independence was granted to Nauru by the United Nations on 31 January 1968.

5 Mining of Nauru's phosphate deposits began in earnest after the First World War under a combined Australian-New Zealand-British venture, the British Phosphate Commission (BPC). Control of the BPC was handed to Nauru on independence in 1968 and royalties were invested overseas in preparation for when the phosphate ran out. The Nauru Phosphate Royalties Trust (NPRT) was set up to invest the profits from the phosphate industry as a source of income for Nauru.

6 In the late 1980s, Nauru entered an era of budget deficits and the Government borrowed extensively and used trust fund assets as collateral. By 1995, following the collapse of the Bank of Nauru, the country found itself facing a serious financial crisis. Difficulties in servicing interest payments led to further borrowing and indebtedness. Nauru's overseas investments were heavily mortgaged and there was little ability to pay for infrastructure and basic services.

## **POLITICAL SITUATION**

7 There have been twenty changes of government in the last ten years, with changes due mostly to votes of no confidence. Family or clan links play a large part in determining voting on Nauru. Constantly changing allegiances due to the lack of a party system have contributed to political instability.

8 Nauru was unable to form a government following the 2010 election. With no apparent solution to the political stalemate and little appetite for further elections, caretaker President Marcus Stephen declared a state of emergency in order to ensure the continuation of government services.



9 The deadlock was finally broken by another election late in 2010 which saw Stephen gain a clear majority and remove the state of emergency.

10 In November 2011 President Stephen resigned prior to a scheduled motion of no-confidence amid allegations of corruption. Stephen's successor, Freddie Pitcher lasted just six days in office before a vote of no-confidence saw him replaced by Sprent Dabwido.

11 In 2012 President Dabwido sought to amend Nauru's constitution to address his country's political instability. Proposed reforms included increasing the number of MPs from 18 to 19 to avoid political stalemates, requiring that a Speaker be elected from outside Parliament, the appointment of an Ombudsman, devilment of a code of ethics for MPs, and strengthening of the powers of the Auditor-General. In June 2012 legislation to amend the constitution failed to achieve the requisite two-thirds majority by one vote.

12 In late May, President Sprent Dabwido declared a State of Emergency due to concerns for the economy. The election date was then moved forward to June 8. The June 8 2013 election (the first to have 19 seats in Parliament) saw six new Members of Parliament elected. Baron Waqa was then elected President (the President in Nauru is elected by Members of Parliament), defeating Roland Kun.

s6(a)

14 Nauru continues to work on establishment of an Intergenerational Trust Fund to invest dividends from phosphate, fisheries and the RPC, in order to reduce future dependence on donor support.

#### **ECONOMIC SITUATION**

15 Nauru has made significant progress towards economic recovery since the Pacific Regional Assistance to Nauru (PRAN) was established in 2004, when Pacific Islands Forum Leaders agreed to the Government of Nauru's request for regional assistance in the face of Nauru's failing finances and out-of-control debt. In August 2009 Leaders agreed with the Government of Nauru that the PRAN was no longer required, as Nauru had emerged successfully from crisis phase.

16 Under the PRAN, Nauru had developed its own National Sustainable Development Strategy (NSDS) with the assistance of the Pacific Islands Forum Secretariat, ADB and AusAID and brought in external expertise to assist in key government positions. Improved financial management and public sector reforms instituted by Nauru's government have been successful in bringing Nauru to a more stable and sound financial position, but Nauru



continues to face serious economic and environmental challenges. Nauru's total outstanding debt, estimated at A\$869 million or 20 times Nauru's GDP, is beyond its ability to repay. Nauru is seeking remission for as much of the debt as possible.

17 Nauru's environment has been devastated by decades of phosphate mining. There is minimal local agriculture and water supply is unreliable. A Commission of Inquiry report on the Rehabilitation of Phosphate Lands was presented to the Government of Nauru in 1988, following which New Zealand and the United Kingdom agreed to contribute A\$12 million each ex gratia towards the Australian out-of-court settlement of Nauru's claim in the International Court of Justice for rehabilitation of lands mined for phosphate. Australia agreed to pay A\$107 million towards Nauru's rehabilitation costs, half as a lump sum payment and the remainder in annual instalments over the following twenty years. The rehabilitation of mined land remains an important long-term challenge for Nauru.

18 Though the majority of Nauru's primary phosphate reserves were exhausted before independence, mining of Nauru's remaining (mainly secondary, more difficult to extract) phosphate reserves in 2006 promises a modest source of ongoing income and employment for Nauru. The remaining reserves are projected to last for approximately 20 years, though prices are volatile.

19 Another important source of income for Nauru is fishing licences issued to China, Taiwan, Japan, Korea and New Zealand. Nauru is also a Party to the US Tuna Treaty which provides fisheries access to Pacific island country EEZs for up to 40 US fishing vessels. Nauru and seven other tuna-rich Pacific Island States are Parties to the Nauru Agreement (PNA). PNA countries are increasingly working together as a bloc with the aim of extracting more value from their fisheries resources and to ensure that fish stocks are sustainably managed by restricting access.

20 In August 2012 Nauru agreed with Australia to reopen a processing centre on Nauru for asylum-seekers attempting to reach Australia. The centre has brought much needed investment and job creation, as well as increase passenger loads on Nauru's air link. A riot at the caused significant damage to the processing centre in late July 2013. Subsequently increased workloads within the Justice sector have resulted in a 40% increase in staff, partly funded by increased RPC revenue and partly by increased New Zealand support to the sector. All government departments suffer from loss of key staff to take up often menial but high paid jobs at the RPC.

#### **AIR SERVICES**

21 Nauru's national airline 'Our Airline' operates the Brisbane - Nauru - Tarawa - Nadi route twice weekly. The Airline has been rebranded Nauru Airlines. Since re-establishment of the RPC, flights have increased from 2 per week to up to 4 per day, scheduled according to demand. Seats are always limited.



### **BANKING SERVICES**

22 All payments are made in cash. A New Zealand resident businessman sometimes makes funds available at high interest in emergencies. Establishment of on-island banking services is one of the key election promises of the Waqa government. s9(2)(b)(ii)

### **INCOME TAX**

23 For the first time, Nauru has recently decided to impose a 10% tax on "higher income earners" – but this category has yet to be defined.

### **DEFENCE**

24 Nauru maintains no defence forces. Australia has some responsibilities for the defence of the island.

### **IMMIGRATION**

25 On arrival in Nauru, New Zealand and other Commonwealth visitors who have an outward bound ticket to a place where they have right of entry; hold a valid passport; and have sufficient means of support for the duration of the stay, can be granted a visitor's visa for up to three months.

### **FOREIGN RELATIONS**

26 Nauru maintains close relations with a number of Pacific Islands Forum countries, including Australia, New Zealand and Fiji. It also has close relations with Japan. Australia remains Nauru's largest bilateral development partner.

27 Nauru changed its recognition from Taiwan to China in July 2002 and then back again to Taiwan in May 2005. There is a permanent Taiwan representative resident on Nauru. Nauru maintains official overseas representation in Australia (Brisbane), Fiji and at the United Nations in New York.

28 Nauru is a member of the Pacific Islands Forum, Forum Fisheries Agency, Pacific Regional Environment Program, Secretariat of the Pacific Community, Asian Development Bank, Economic and Social Commission for Asia and the Pacific, and the World Health Organisation. Nauru is also a member of a sub-regional group of Micronesian countries that co-operate on transport and trade links. Nauru became a full member of both the Commonwealth and the United Nations in 1999 and hosted the 2001 Pacific Islands Forum.



## **BILATERAL RELATIONSHIP**

29 New Zealand has a friendly bilateral relationship with Nauru, mainly based on common membership of the Pacific Islands Forum and shared interests in regional issues such as fisheries, development coordination, regional trade, climate change and renewable energy.

## **NEW ZEALAND OFFICIAL DEVELOPMENT ASSISTANCE (NZ Aid Programme)**

30 New Zealand provides NZ\$2.3 million annually in bilateral aid, focusing on the education and justice sectors. A delegated cooperation agreement between Australia and New Zealand was signed in 2011 to allow Australia to deliver a joint programme in the education sector, fully managing New Zealand's contribution. The arrangement in education is tracking well and has resulted in a more rational allocation of resources, and reduced transaction costs for Nauru.

31 New Zealand has renewed its commitment to supporting the justice sector for a further five years through to 2018. This commitment includes support for key in-line roles and a focus on improved access for the population to trained defendants, as well as for strategic planning and training and capacity development for local staff.

32 Nauru also benefits from non-bilateral aid flows including in the areas of scholarships, fisheries and aviation.

## **OFFICIAL VISITS**

### *Visits to New Zealand*

- Minister for Justice and Border Control, and Finance and Planning, David Adeang, visited New Zealand in February 2014.
- President Marcus Stephen visited New Zealand in September 2011 for the 42<sup>nd</sup> Pacific Islands Forum.
- President Bernard Dowiyogo visited New Zealand in July 1995 and President Rene Harris visited New Zealand in August 2003 for the Pacific Islands Forum.

### *Visits to Nauru*

- High Commissioner-designate Shane Jones will visit in August 2014.
- High Commissioner Mark Ramsden visited Nauru most recently in June 2013.
- Conservation Minister Chris Carter visited Nauru in May 2006
- The Governor-General represented New Zealand at the state funerals of President Hammer DeRobert, in 1992 and of President Dowiyogo in 2003.

## **OFFICIAL REPRESENTATION**

33 Nauru is represented in New Zealand by an Honorary Consul, based in Auckland. Shane Jones is New Zealand's High Commissioner-designate to Nauru.

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Formal Message: s6(a)

**FORMAL MESSAGE: NAURU: POLITICS: DEJA VU ALL OVER AGAIN, Honiara, 19 February 2013**

### Summary

The Nauruan government of President Sprent Dabwido is finely balanced after the resignations of Foreign Minister Keke and Finance Minister Kun, and Dabwido's sacking of former President Marcus Stephen. There is will to try to restore a reformist coalition. Dabwido is holding on thanks to defections from the Opposition, but must appoint two Cabinet Ministers in short order and his choices are limited. The Australian newspaper has implied that the spoils of the offshore processing centre are the cause of the instability. President Dabwido is still down to attend next month's Pacific Energy Summit, but the instability may yet impact on his travel plans.

### Report

Further to our updates in the weekly report for the Minister, you will have seen reporting from The Australian (picked up in PACNEWS) claiming the Government of Nauru is "in chaos", and linking the instability with the Australian offshore processing centre on the island.

2 s6(a)

The difficulty in holding majorities and the ease with which hung Parliaments can come about has led to perpetual instability: Dabwido is the third President in the current term of Parliament (first was Marcus Stephen; Freddie Pitcher held the reins for a week before he was rolled by the incumbent).

3 We have been in touch with s9(2)(a) [who said the outcome of the current situation is unclear. s9(2)(a) lamented that the reformers - Stephen, Keke, Dabwido, Kun and co - had fallen apart again, after six years of working together (well, more or less). s9(2)(a) thinks that there is an underlying desire in the group to resolve their differences, but time is against them. As The Australian has reported, the current situation of a Cabinet of only two is unconstitutional, and Dabwido needs to move fast to appoint two additional ministers. Dabwido initially came to power with the support of what might be called the s9(2)(ba) David Adeang, Shadrach Bernicke etc - and s9(2)(a) thinks he would be unlikely to want to get into bed with them again s9(2)(ba)

### Comment

4 The situation is therefore finely balanced. As you know, President Dabwido responded enthusiastically to the invitation to attend the Pacific Energy Summit. He has not/not withdrawn his acceptance, but obviously his attendance must now be in doubt: even if the situation is resolved in his favour by end-March, he may be reluctant to leave Nauru lest he

be undermined in his absence. Should he be rolled and a new President sworn in, we presume you would want to extend an invitation to them.

5 Nauru's recent decision to increase the number of Parliamentary seats by one to 19, which takes effect from this year's elections (expected between April and June), may have some positive impact on the stability of government. Until then, ongoing instability seems probable.

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Background Documents- Development

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## Nauru – State of the Development Programme – July 2014

Programme Budget and Expenditure Summary (all figures NZ\$ million)			
Expected <b>Three Year Bilateral</b> Allocation (2012/13-2014/15) = <b>\$6,883,403</b>	Bilateral Allocation	Spent to 30 June 2014 (Year Two)	Balance Remaining
	\$6,900,000	\$4,540,000	\$2,360,000
Estimated <b>Total Country Aid Flow</b> 2013/14 = <b>\$6.5m (ANNUAL)</b>	Bilateral Allocation	Scholarships	Other (e.g. NZ Partnerships Fund)
	\$2.3m	\$800k	\$3.4m

### Key Focus Areas

The Nauru Programme remains focused on the education and justice sectors as initially agreed in 2004 under the Pacific Assistance to Nauru (PRAN). We also provide scholarships and other regional funding. On-going human resource shortfalls mean that support will be needed in these areas into the foreseeable future. Given the small scale of our bilateral programme in Nauru, we do not plan to extend the sectors in which we are involved. While the programme is fully managed from New Zealand with no in-country representation, we enjoy an excellent relationship with Nauru officials (and the Australian High Commission) despite being tested over justice sector developments.

Funding contributions under the New Zealand Aid Programme are made directly to the Government of Nauru in tranche payments. The September freeze on Nauru's bank accounts also includes some New Zealand Aid Programme funding.

Since mid-2011 there has been increasing pressure on all GoN systems related to the re-opening of the Regional Processing Centre (RPC) and the need for GoN to manage a surplus for the first time since 2004. <sup>s6(b)</sup>

New Zealand has a raised profile through our justice sector support, particularly through GoN's early termination of key justice advisors.

- **Justice.** We continue to be the major donor providing support to core justice services. The Australian Department of Immigration and Border Protection (DIBP) supports RPC operations and refugee status processing through the courts.

*s9(a)(c)(i)*

Detainees are eligible to access representation on civil cases through the new Legal Aid Office established this year under New Zealand funding.



- New Zealand justice support is focused on the Ministry, Probation, Corrections and Courts. The Grant Funding Arrangement (GFA), started in January 2014, includes strategic planning and development capacity of Nauruan staff to assume responsibilities in the sector through needs assessment and a training, mentoring and work experience programme. Due to the lack of legal expertise in Nauru we have expanded support to cover nine in-line roles, (some short-term and others by top-up of GoN salaries).
- In response to the **January 2014 termination of the New Zealand-funded Resident Magistrate**, the exclusion of the Chief Justice and the subsequent resignation of other legal staff, GoN offered to meet MFA. A meeting took place in Wellington on 11 February 2014, attended by key influencer David Adeang (Minister of Finance, Planning, and Justice and Border control), with Charmaine Scotty (Minister for Internal Affairs) and Secretary for Justice Lionel Anima. Minister Adeang agreed strengthened Grant Funding Arrangement conditionality.
- The updated GFA requires MFAT oversight of performance management and recruitment for New Zealand-funded roles and advance identification of emerging issues. We have the ability to immediately halt part or all justice sector funding if conditions are not met.
- **Education.** Our education support is managed by Australia through a Delegated Cooperation Arrangement (DCA) effective from February 2013. Focus remains on improving quality of teachers, leadership, curricula and developing a more strategic scholarships programme and results to date have been very good.
- **Scholarships and Training.** We provide between 3 and 6 general scholarships each year according to GoN priorities. This year we have introduced Short-term Training Awards (STTA) through the justice programme.
- **Regional Support.** Nauru receives a range of support to fisheries (training of one fishery officer in New Zealand each year), and judiciary, police, aviation safety and governance through regional programmes.
- **Fisheries.** Licences issued to China, Taiwan, Japan, Korea and New Zealand are an important source of income for Nauru. Nauru is a Party to the US Tuna Treaty which provides access to Pacific Island country EEZs for up to 40 US fishing vessels. Nauru and seven other tuna-rich Pacific Island States are Parties to the Nauru Agreement (PNA) through which partner countries are increasingly working together as a bloc to extract greater value from their fisheries resources and to ensure that fish stocks are sustainably managed by restricting access.
- In 2011 we supplemented regional support for fisheries by one-off funding for fisheries. VSA has placed a Fisheries Officer for two years from early 2014. Australia takes the lead in this sector.

- **Aviation.** We provide limited support to the sector through a regional aviation safety programme. Under which we will survey the coordinates of the runway/apron for accuracy and integration into regional navigation systems. We also plan to fund CAANZ to provide support at Regulatory Authority level.
- **Nauru Trust Fund (NTF).** NTF discussions have been on hold since the freeze on GoN bank accounts however, establishment of the NTF is a key priority of the current government and timely in view of the current revenue stream from secondary phosphate, fisheries and the RPC. ADB and GoN are refining the design following A/NZ inputs

s6(a)

#### Key Priorities 2014/15

- Establishment of sound processes for implementation of the Justice Grant Funding Arrangement (GFA) for 2014-2016 including fair and transparent management of key in-line roles funded by New Zealand.
- Development and communication of a New Zealand position on engagement in the Nauru Trust Fund.

PACDEV  
Ministry of Foreign Affairs and Trade  
October 2014

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## Nauru: Update 5 on Suspension of Government of Nauru's Australian bank accounts

3 October 2014

### Update

- The New South Wales (NSW) Supreme Court this morning dismissed the US-based fund manager Firebird Global Fund's case against the Government of Nauru (GoN). This could see money from frozen bank accounts in Australia released within a week. The Court has given Firebird a week to appeal. The Court noted GoN is still required repay the debt to Firebird.
- GoN had asked the Court to set aside the Order on the basis that the funds held in the accounts were for government operating costs only and would severely impact on delivery of essential services.
- We understand from the Nauru Secretary for Justice that Firebird is likely to appeal the Court's ruling.
- Meanwhile we are continuing to work with GoN to verify the balance of New Zealand aid funds held in GoN's designated Westpac bank account. s9(2)(b)(ii)

### Background

- The Firebird Global Fund has taken GoN to the New South Wales Supreme Court in Australia to recover AU\$30 million dollars in bond repayments. The court action prompted Westpac Bank to freeze all of the government's bank accounts in Australia.
- GoN has opened new bank accounts with Macquarie Bank in Australia and Bendigo Bank to receive deposits.
- Nauru has approximately three month's supply of diesel (essential for power generation and water production) and approximately four months of unleaded petrol on island, which provides a decent buffer while the government's bank accounts remain frozen pending final resolution. There is about three week's supply of aeroplane fuel, though the government's procurement agent is looking into supplying more. Even if stocks ran out, Nauru Airlines may be able to continue flying by going through Honiara.
- Should an appeal be successful and the freeze continue there is a concern that cash reserves may be insufficient to cover salaries and services in the short term. GoN is keeping us informed. We understand that incoming revenue streams are quite healthy

as a result of regular income from visa fees (approximately AU\$1.2 million per month for asylum seekers), recently imposed customs fees (and booming imports), port fees and higher-than-usual fees from fisheries licences. The government recently received about AU\$4 million in fisheries fees and expects to receive additional revenue from fisheries in December.

- s9(2)(d)

### Next Steps

- We will continue to liaise closely with the GoN and the Australians and provide advice to you on any further New Zealand response as the situation develops.

### Media

- Following news of the Court action breaking in the Australian media last week, NZ media have requested information concerning NZ's position and level of Aid funds impacted. We provided media points to your office last week and there has been an article in Stuff. We expect more coverage of the court decision.

Talking points have been updated.

- New Zealand has been notified of the situation by the Government of Nauru and they have briefed us on the action they are taking in the courts. We have been monitoring this situation closely and are aware of the Court judgement today in favour of the Government of Nauru.
- This is very serious issue for the Government of Nauru and has the potential to affect the delivery of essential public services. We hope that an early resolution can be found to any further court action.
- New Zealand has a small aid programme to Nauru. The Government of Nauru has confirmed that the funds frozen include New Zealand Aid Programme funds. We are working with the authorities in Nauru to determine exactly how much New Zealand funding is being held.