

## C. Country Chapter: Kiribati

**Table 15. Country Summary**

<b>Country</b>	Republic of Kiribati
<b>Prime Minister</b>	President Anote TONG (since 10 July 2003); the president is both the head of state and government.
<b>Head of State</b>	President Anote TONG (since 10 July 2003)
<b>Independence</b>	12 July 1979 (from UK)
<b>Government</b>	A 12-member Cabinet appointed by the president from among the members of the House of Parliament. Unicameral House of Parliament or Maneaba Ni Maungatabu (42 seats; 39 elected by popular vote, one ex officio member - the attorney general, one appointed to represent Banaba, and one other; members serve four-year terms).
<b>Land area</b>	811 sq km; includes three island groups - Gilbert Islands, Line Islands, Phoenix Islands
<b>Population</b>	97,813 (2004 est.). Population growth is 1.5 % (2004 est.).
<b>Cities</b>	Capital: Tarawa
<b>Districts</b>	Tarawa, Banaba, Central Gilberts, Line Islands, Northern Gilberts, Southern Gilberts.
<b>Languages</b>	I-Kiribati and English (official).
<b>Natural Hazards</b>	Affected by king tides and periodic drought (related to El Nino). The low level of some of the islands makes them very sensitive to changes in sea level.
<b>Natural Resources</b>	Phosphate (production discontinued in 1979).
<b>Major Products</b>	Copra, seaweed and fish represent the bulk of production and exports.

### 1. Economic Overview

100. The Republic of Kiribati is one of the most isolated countries in the world, consisting of 33 low-lying atolls spread across 3.5 million sq km of ocean. The population is concentrated on the Gilbert Islands, which include Tarawa, the capital island (a natural disaster on Tarawa would affect the entire economy as a third of the population resides there). Kiribati receives moderate levels of external assistance (aid per capita averaging US\$197 over 1999-2002).

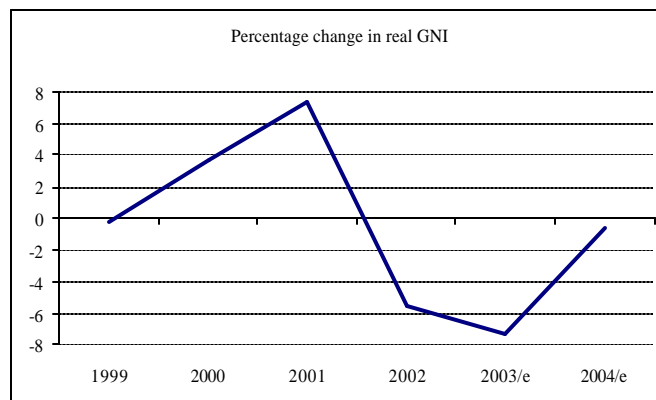
101. The GNI<sup>16</sup> per capita declined from US\$1,040 in 1999 to US\$970 in 2004, reflecting the contraction in GNI in 2002-04 (see Figure 7) due to a decline in fishing license revenues.

102. The fiscal position is largely determined by flows of external grants and fishing license revenues, as well as the use of the Revenue Equalization Reserve Fund (RERF) to finance government expenditure. The RERF, established in 1956, is well diversified with investments in various currencies. The government policy of reinvesting profits made from the investments led to the financial strength of the RERF, with the value increasing from US\$60.5 million in 1979 to

<sup>16</sup> Because seamen's remittances and fishing license revenues are a significant contributor to Kiribati's economy, GNI is a more relevant measure of income than GDP.

US\$335.7 million (six times of GDP) at end-2003. Correspondingly, the public external debt stood at an estimated 19 percent of GNI in 2004 (there is virtually no domestic debt).

**Figure 7. Growth in Kiribati's Real GNI during 1999-2003**



103. Inflation averaged 2 percent in 2003-04, reflecting Kiribati's use of the Australian dollar as its domestic currency.

104. The external position has been strong with the current account surplus averaging 5 percent of GNI over 2000-02. However, a current account deficit of 14 percent of GNI is estimated for 2003, in line with the higher budget deficit. Official reserves remain substantial at over 4 years of imports of goods and services in 2004.

105. Subsistence agriculture and fishing are Kiribati's main economic activities. The agriculture sector was affected in 2002-03 by a decline in copra and seaweed (the main exports) production. The economy is largely dominated by the public sector which relies on foreign financial aid (averaging 27 percent of GDP over 1996-2000) and non-tax revenue, mainly fishing license fees to distant water fishing nations (38 percent), and remittances from seamen (15 percent).

## 2. Outlook

106. Kiribati's remoteness (the furthest Pacific Islands country from the nearest major port) and exposure to climate change pose major challenges to economic growth. However, opportunities for development could be fostered by reducing barriers to trade and investment, promoting small-scale manufacturing, tourism and marine development, environmental management and investing in human resources development.

## 3. Key Issues Shaping the World Bank's Involvement

107. Kiribati became a World Bank member in 1986. Since that time the Bank's assistance has consisted of a range of regional initiatives and the development of a major Global Environment Facility (GEF) program on adaptation to climate change (Kiribati Adaptation Program 2003-2015). Kiribati is an IDA-eligible country.

108. The Bank's main focus in Kiribati is on helping the country to prepare for the effects of climate change and rising sea levels which the government recognizes as having the potential to have major social and economic consequences.

109. Aside from adaptation, the Bank is ready to continue dialogue with the government on its future priorities, as reflected in the National Development Plan for 2004-07.

110. The Bank's program of assistance to Kiribati is described in Table 16. Kiribati's IDA14 allocation over FY2006-08 is expected to be SDR 4.1 million. This amount is indicative only. The actual amount will depend on (a) the country's own performance, (b) its performance relative to the performance of other IDA recipients, (c) the amount of overall resources available to IDA, and (d) the terms of financial assistance provided (grants versus loans).

Table 16. Summary of World Bank Assistance Program to Kiribati

<i>Strategic Pillar &amp; Focal Area</i>	<i>World Bank Activities</i>	<i>Expected Impacts</i>
<p><b>Strengthening government capabilities in service delivery.</b></p> <p>Improving the effectiveness of public expenditures in the social sectors.</p> <p>Improving the public expenditure management of infrastructural assets.</p> <p>Safeguarding service delivery by improving resilience to natural hazards.</p> <p><b>Improving the incentives for private sector growth and employment.</b></p> <p>Reducing the costs of doing business.</p> <p>Strengthening the management and sustainability of the resource-based sectors.</p> <p>Improving access to regional labor markets.</p>	<p><b>Kiribati Adaptation Program - increasing resilience to natural hazards/climate change.</b> Pilot Implementation Phase (KAP II) – (GEF Project; US\$1.54 million GEF financing, US\$0.68 million Japan PHRD Climate Change Grant; under preparation with estimated approval date FY05; estimated closing in 2009). Comprised of more than 30 low-lying atoll islands, Kiribati is one of the most vulnerable countries in the world to the effects of climate change and sea level rise. The Bank is leading the development of the Kiribati Adaptation Program (KAP) for funding under the GEF. The KAP will pilot adaptation measures and consolidate the mainstreaming of adaptation policies, plans and programs into national economic planning with a view to reducing Kiribati’s overall vulnerability. This program is being developed and implemented in cooperation with the UNDP/GEF-supported National Adaptation Program of Action (NAPA).</p>	<ul style="list-style-type: none"> <li>Adaptation issues mainstreamed and priority measures fully integrated into national economic planning processes.</li> </ul>

#### 4. Donor Coordination

111. Table 17 describes the nature of the assistance provided by Kiribati's other development partners.

**Table 17. Activities of Other Development Partners**

<i>Development Partner</i>	<i>Primary Activities</i>
ADB	The Country Strategy and Program Paper (September 2004), identifies three overarching strategic objectives in Kiribati: pro-poor growth through sustainable development and generation of employment opportunities; inclusive social development; and good governance. ADB has one loan (Sanitation, Public Health and Environment Improvement project; approved in 1999, US\$10.2 million ADF Credit). No lending operations are proposed for 2005, however, one operation (Outer Island Growth Centers) is proposed for 2006.
Australia	Australian support for Kiribati is concentrated in the areas of education and training and public sector management while technical assistance is provided over a wide range of sectors. Bilateral aid for Kiribati for the period 2003-04 was expected to be A\$8.0 million. Activities funded include: development of a management information system to improve government management of financial and economic resources and to enhance revenue collection; improvements to enhance the reliability of South Tarawa's electricity supply; support of basic education; and, specialist skills development.
European Union	Under the 9 <sup>th</sup> EDF (signed in July 2002), Kiribati was allocated Euro 11.0 million principally targeted to outer island social development (Euro 7.9 million), achieving the MDGs and capacity building initiatives focusing on community health and education initiatives (Euro 0.9 million).
Japan	In FY03 (April 1, 2003 – March 31, 2004) Kiribati received US\$2.22 million in grant assistance from the Japanese Ministry of Foreign Affairs. JICA provided TA (totaling US\$1.48 million) funding the technical training. The Government of Japan has no active lending operations in Kiribati.
New Zealand	NZAID allocated NZ\$3.14 million in bilateral assistance to Kiribati in 2003-04, focused on improving the quality and accessibility to basic education. In addition, Kiribati benefits from a further NZ\$2.8 million per annum through regional and thematic targeting education and health. Other NZAID program activities include: literacy initiatives; combating domestic violence; licensing of foreign fishing interests and industrial fishing ventures; and seafarer training.
Others	The following UN agencies have activities in Kiribati: ICAO, WHO, UNEP, ITC, UNESCO, FAO, ILO, UNFPA, UNICEF, UNDP