



Ministry of Finance & Economic Development

GOVERNMENT OF KIRIBATI

ECONOMIC REFORMS IN KIRIBATI



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Ministry of Finance & Economic Development

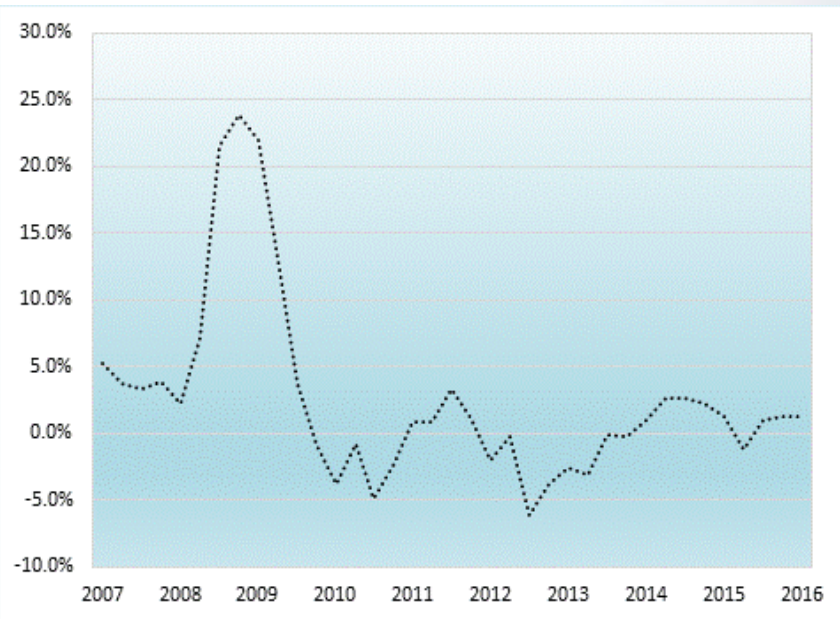
GDP growth and Real GDP per capita, 2004 to 2014



Source: KNSO

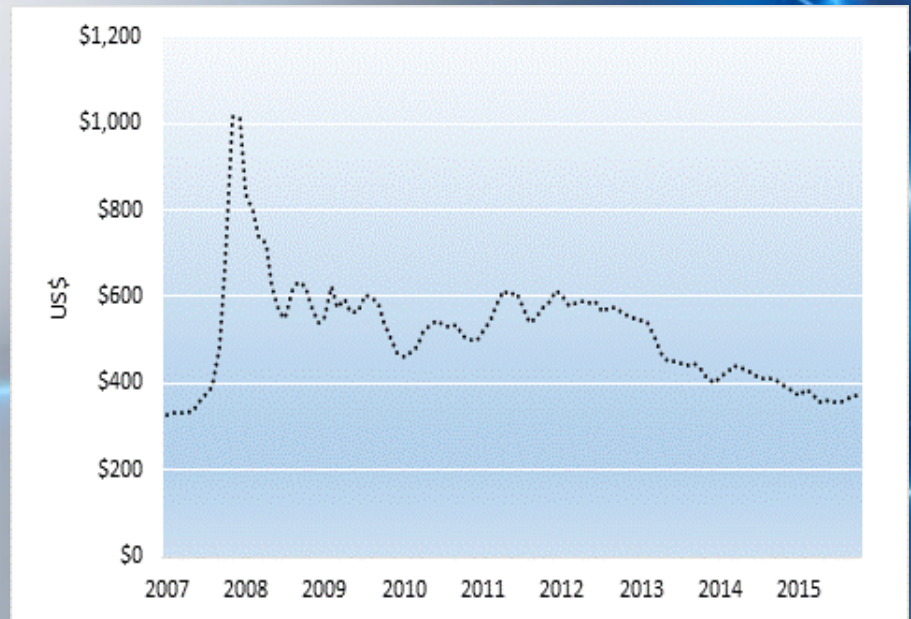
Annual Inflation Rates and World Price of Rice

Retail Price Index, Kiribati,
2007-16



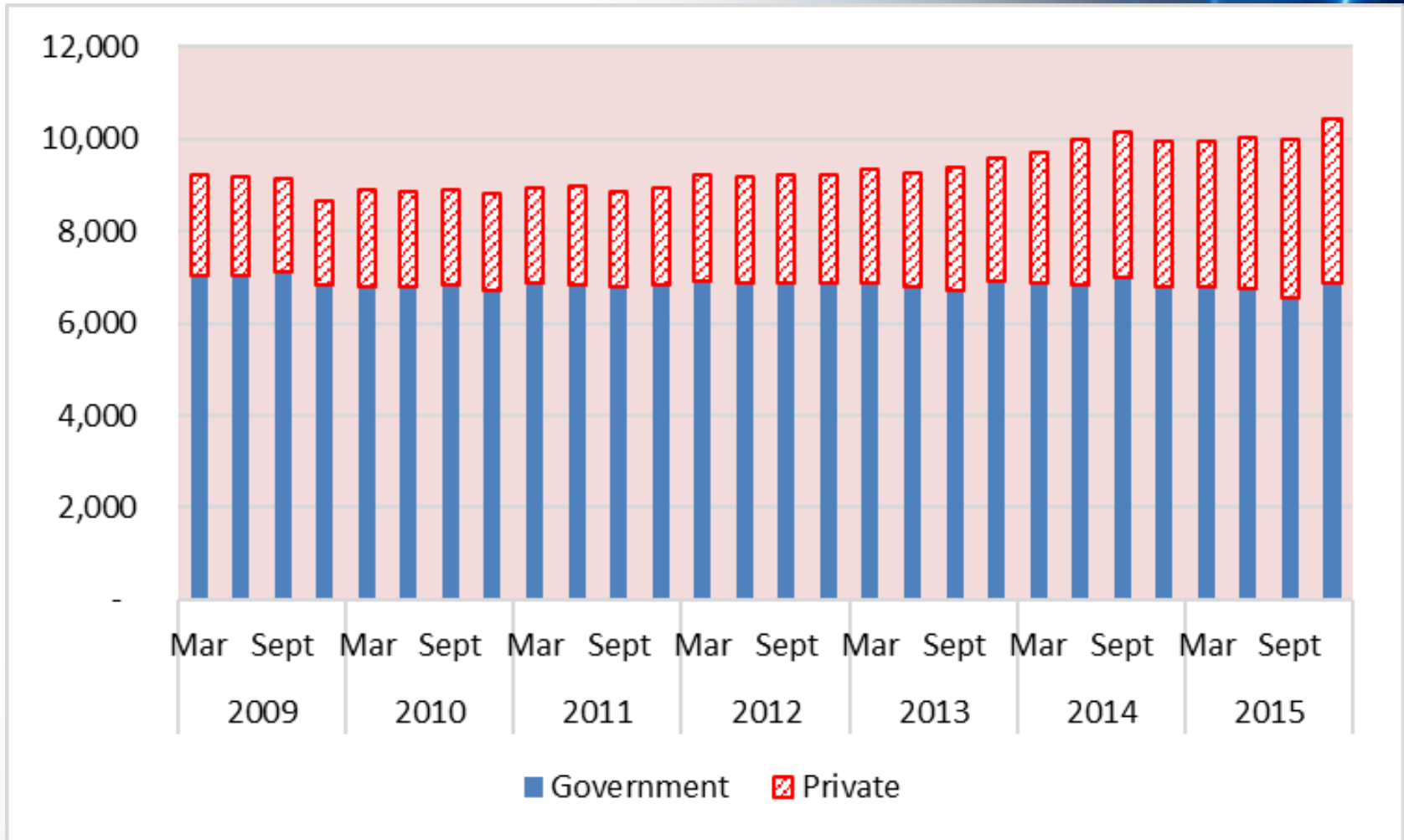
Source: KNSO

World Price of Rice,
2007-16



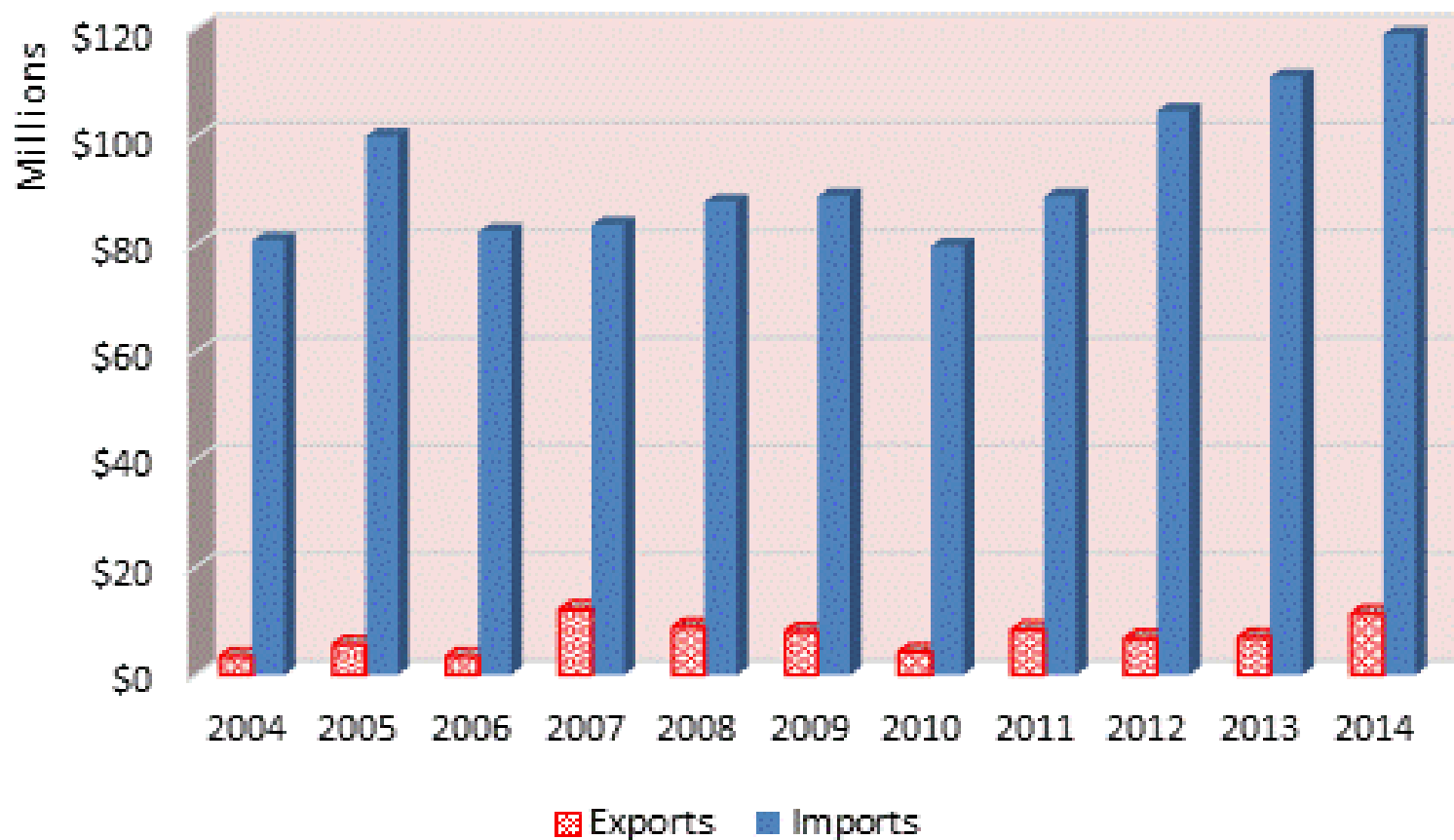
Source: Mundi Index

Employment – KPF contributors by Government and Private Sectors

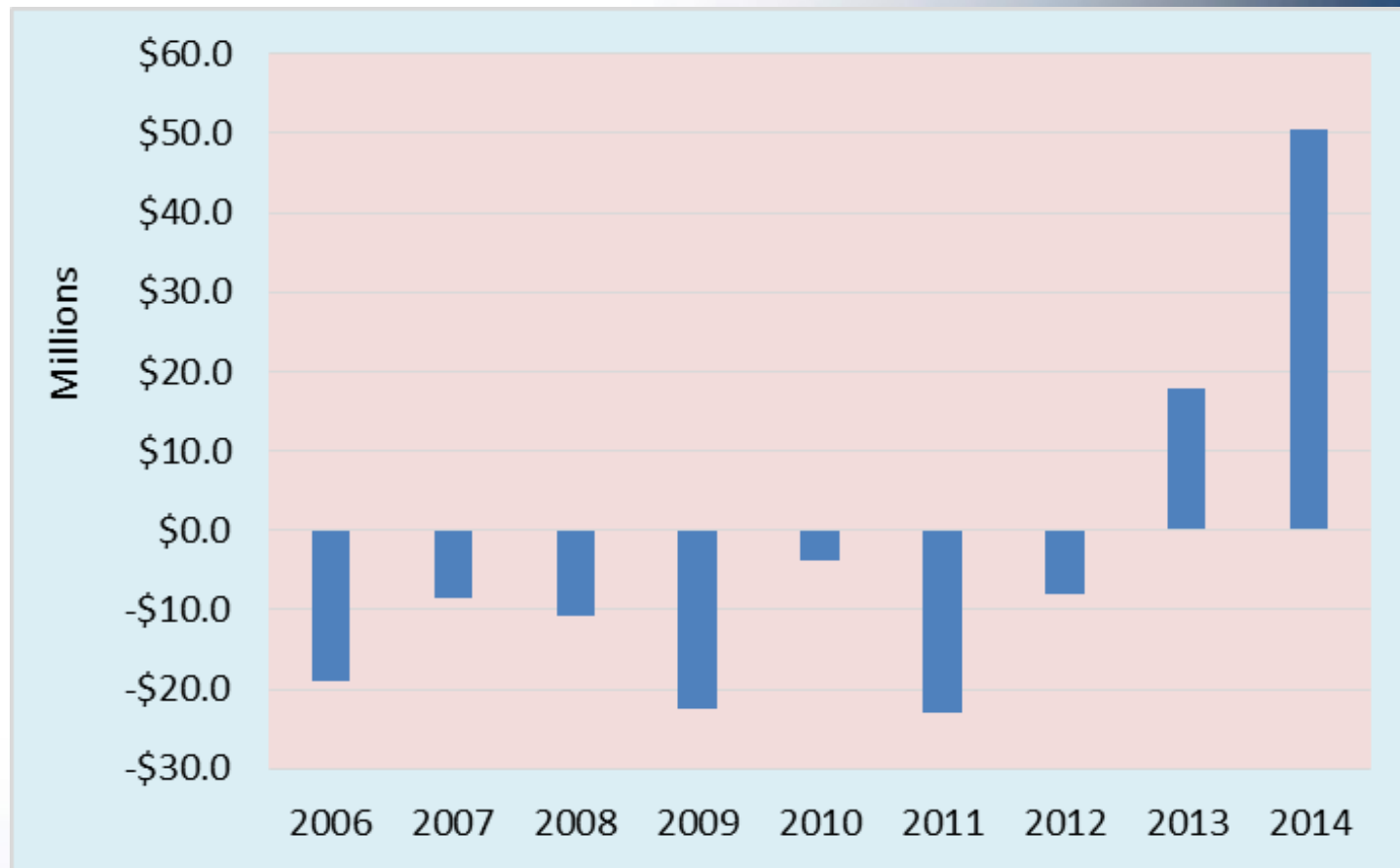


SS Source: KPF

Exports and Imports



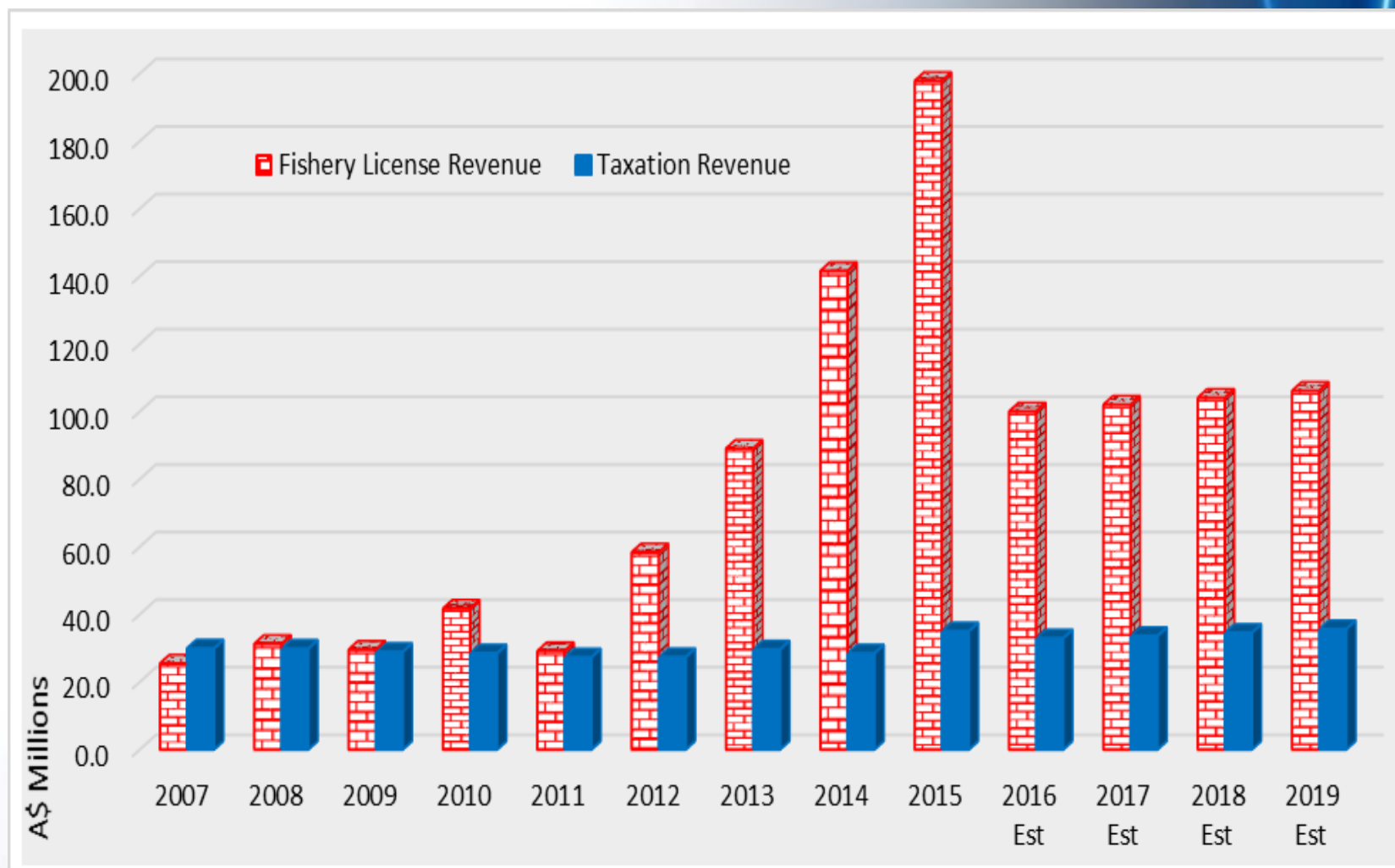
Balance of Payments – Current Account, Kiribati, 2006-14



Medium Term Fiscal Framework

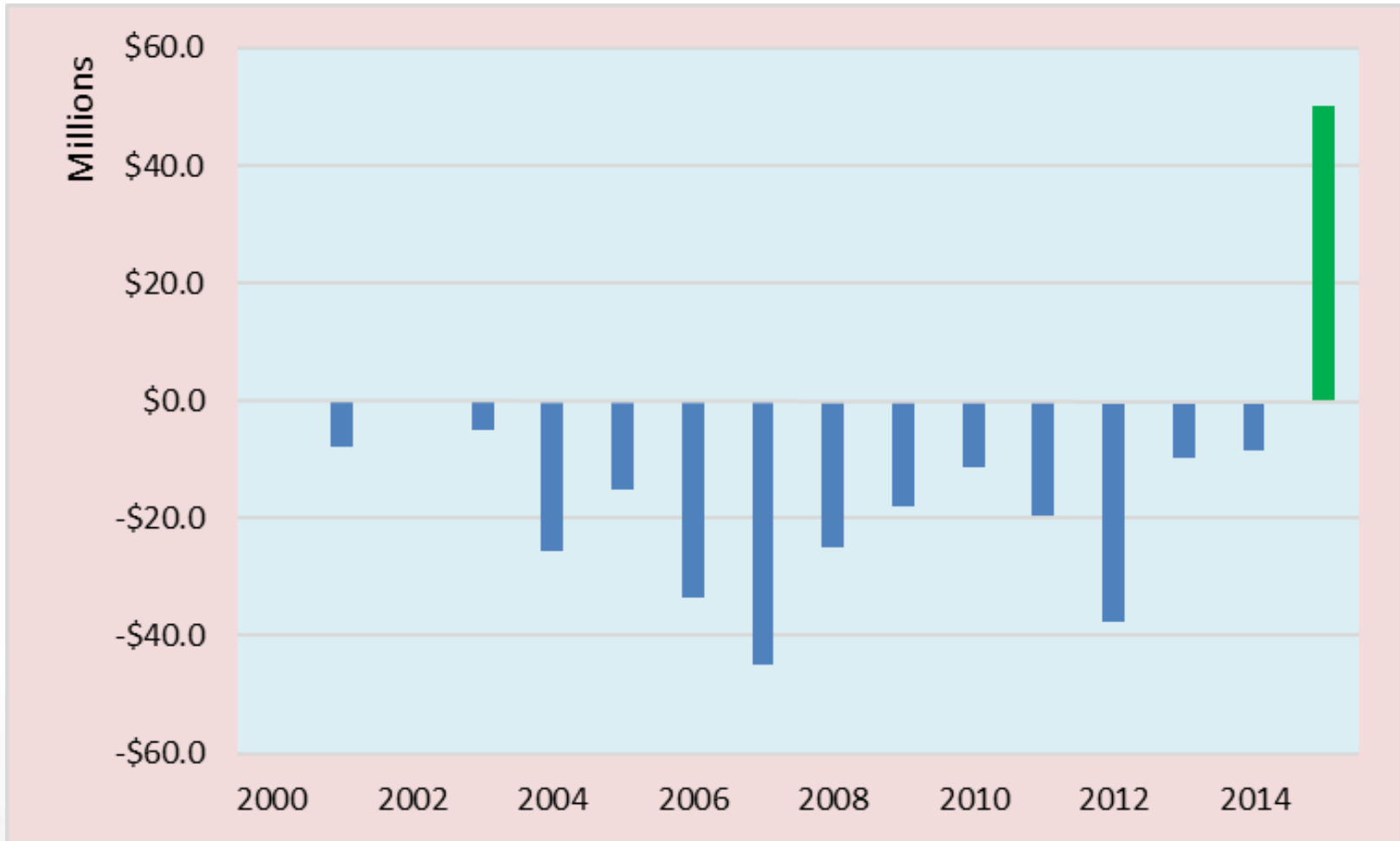
	2014 Actual	Revised 2015 Est.	2016 Est.	2017 Est.	2018 Est	2019 Est.
Revenue	177,441,551	248,152,257	140,465,331	143,294,643	146,425,533	149,807,130
Departmental expenditures	78,191,648	83,250,779	92,270,793	90,915,333	92,286,100	93,769,578
Other Government expenditure	22,772,895	29,401,104	40,957,766	41,008,764	41,294,434	41,919,329
Debt Servicing	10,087,262	728,740	1,149,693	1,101,662	1,096,805	2,320,651
Contribution to Development Fund	9,202,983	23,150,425	14,758,627	9,093,567	9,093,567	9,093,567
6. Expenditure Requirement	120,254,788	136,531,047	149,136,879	142,119,326	143,770,906	147,103,125
Revenue	177,441,551	248,152,257	140,465,331	143,294,643	146,425,533	149,807,130
Expenditure	120,254,788	136,531,047	149,136,879	142,119,326	143,770,906	147,103,125
Difference	57,186,763	111,621,210	(8,671,549)	1,175,317	2,654,627	2,704,006
ADDITIONAL FUNDING						
Other sources (Budget Support)	10,401,013	4,781,096	10,450,000	4,450,000	4,450,000	4,450,000
Surplus (Deficit) before RERF Drawdown	67,587,776	116,402,306	1,778,451	5,625,317	7,104,627	7,154,006
RERF Drawdowns (Replenishments)	8,370,000	(50,000,000)				
Surplus (Deficit) after RERF Drawdown	75,957,776	66,402,306	1,778,451	5,625,317	7,104,627	7,154,006

Taxation and Fisheries Licenses Revenue, Kiribati, 2007-19



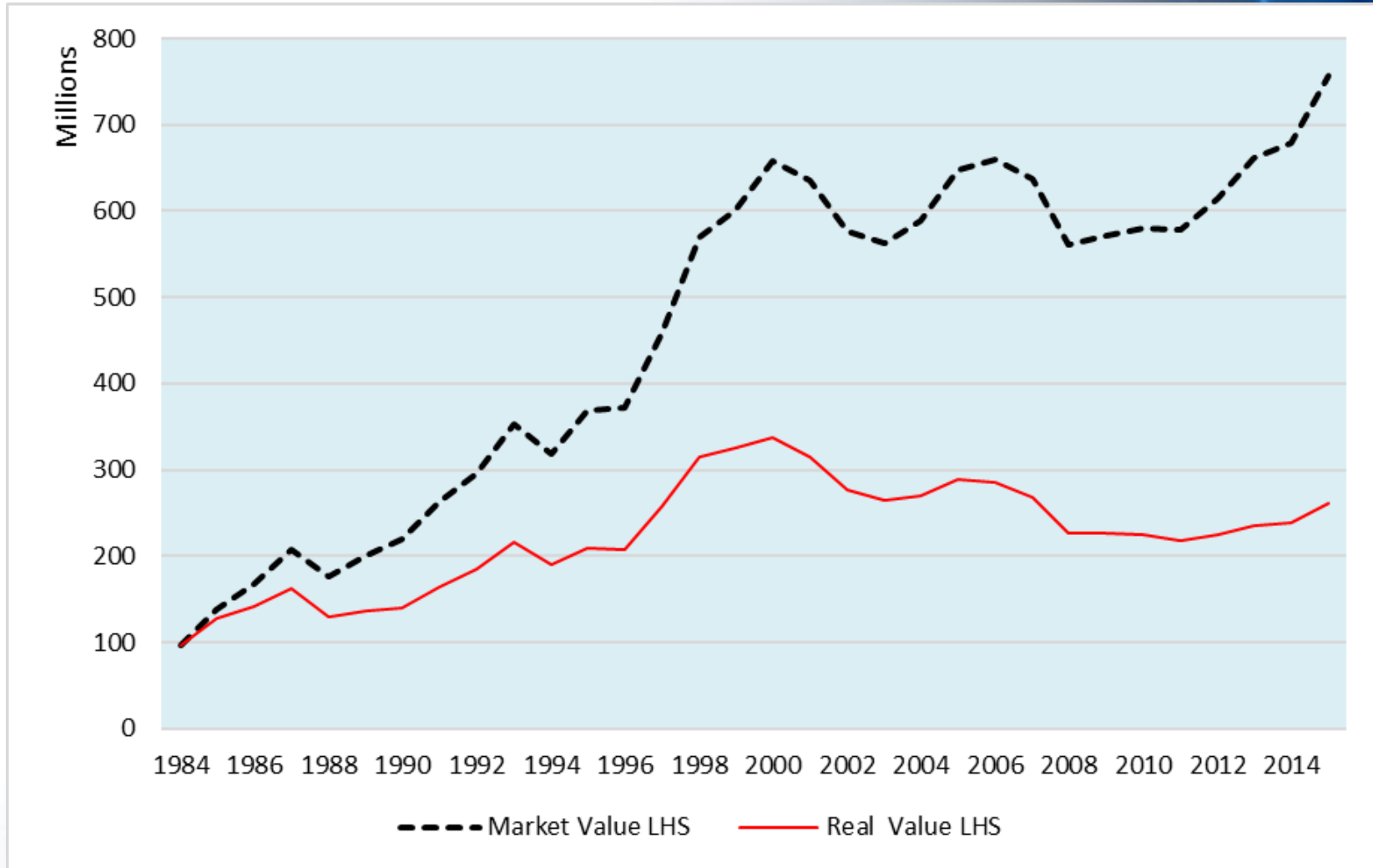
Source: MFED

Revenue Equalization Reserve Fund Net Withdrawals



Source: MFED

Revenue Equalisation Reserve Fund, 1984 to 2015



ECONOMIC REFORM BACKGROUND

Economic Reform developed in 2011/2012 to address

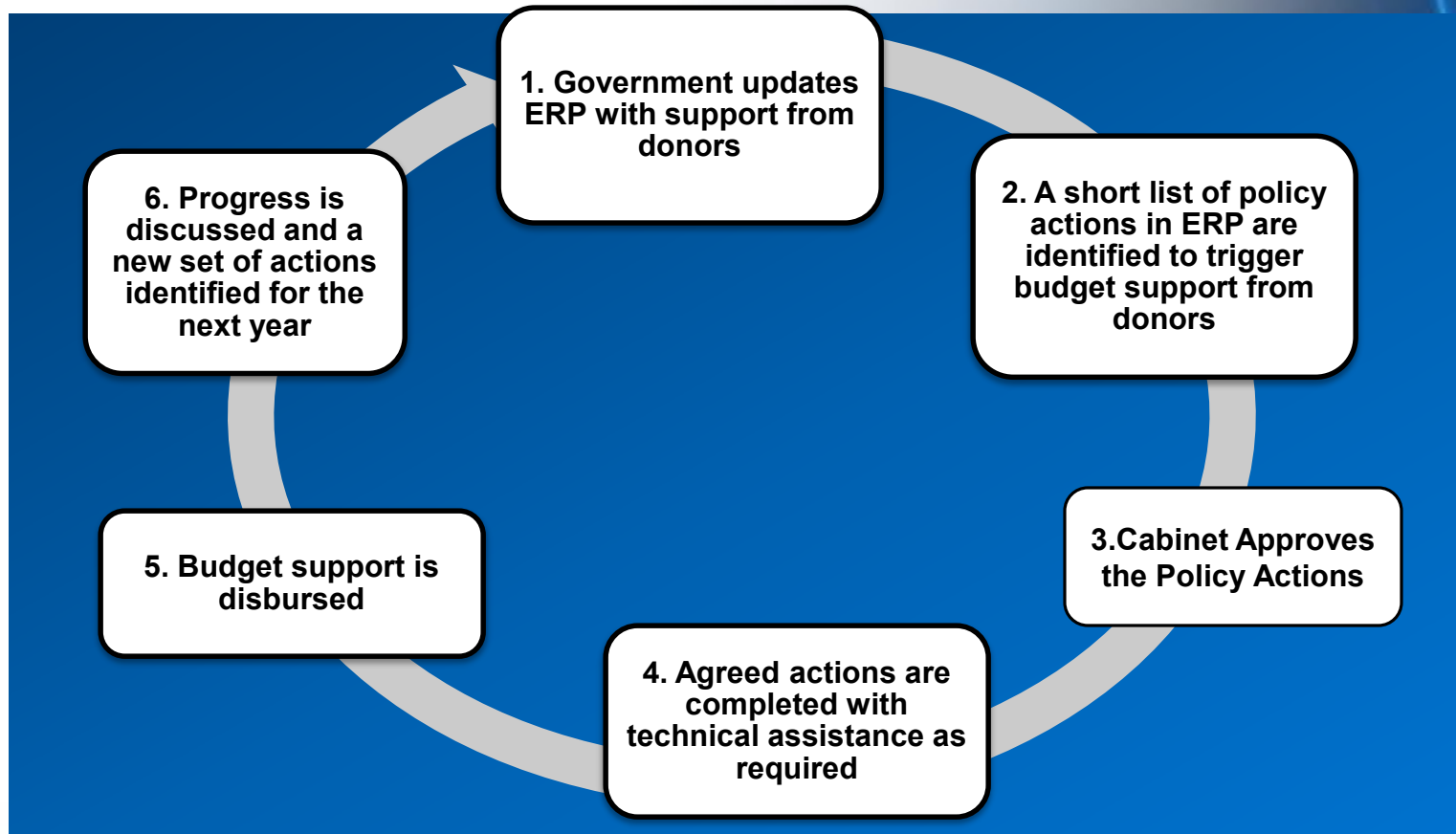
the following:

- **Unsustainable RERF Drawdowns**
- **High levels of non-concessional debt**
- **Uncoordinated borrowing by Gov't and SOEs**
- **Poor SOE Performance**
- **Weakness in Management of fisheries resources**

ECONOMIC REFORM FOCUS

- **Pillar 1** – Improving Public Financial Management
- **Pillar 2** – Improving the Management of Public Assets and Liabilities
- **Pillar 3** – Creating Environment for Private Sector Led Growth

ECONOMIC REFORM PLAN PROCESS



Oversight and coordination provided by Economic Taskforce, chaired by Secretary to Cabinet, comprising Secretaries from Key Ministries and multiple donor agencies

DONOR BUDGET SUPPORT

- Funds are untagged and managed through Government systems and process
- Budget support provided once agreed policy actions are achieved
- Some Donors provided Technical Assistance

2014: \$10.4 million

2015: \$4.8 million

2016: \$10.45 million (est.)



KEY REFORM ACTIONS 2014

	REFORM ACTIONS IN 2014
1	A joint report on fisheries revenue report published
2	Key provisions of the SOE Act were implemented
3	Approval for reform and rationalization of the copra sector (Merging KCCS and KCMCL)
4	Approval for key reforms on the management of the RERF
5	Sale of the Telecommunications Company (TSKL)

REFORM ACTIONS 2015

	REFORM ACTIONS IN 2015
1	Published second joint report on Fisheries revenue on MFED Website
2	Review of existing fisheries joint venture and approval for restructuring
3	TOR for a public procurement review have been issued
4	Complete reform actions on the RERF
5	Database of public debt was established including the debt of SOEs and Joint ventures
6	Bidding process for the granting of a second mobile operator license was undertaken
7	Recruitment of PUB CEO completed
8	PPP concession awarded for BSL
9	Approval of the transfer of KCCS staff, assets and liabilities to KCDL

SOE REFORM SUMMARY

- **Main focus:** (i) Portfolio wide improvements in operating principles, governance, accountability; (ii) SOE-specific reform Transactions
- Initially 25 SOEs in 2009, 16 current, Est 12 SOEs at end of reform — AKL, KIC, KOIL, KSEC, TACL, BPA, DBK, KHC, KPA, PUB, CPPL, KCDL, **KCCS, KCMCL, CCHL, PVU**
- 16 SOEs represent \$176m assets (18% of Total stock)
- Contributed 11.9% to GDP in 2014
- Achieved Ave Return On Equity of 3.8% and Return On Assets of 2.9% over 2010 – 2014 period

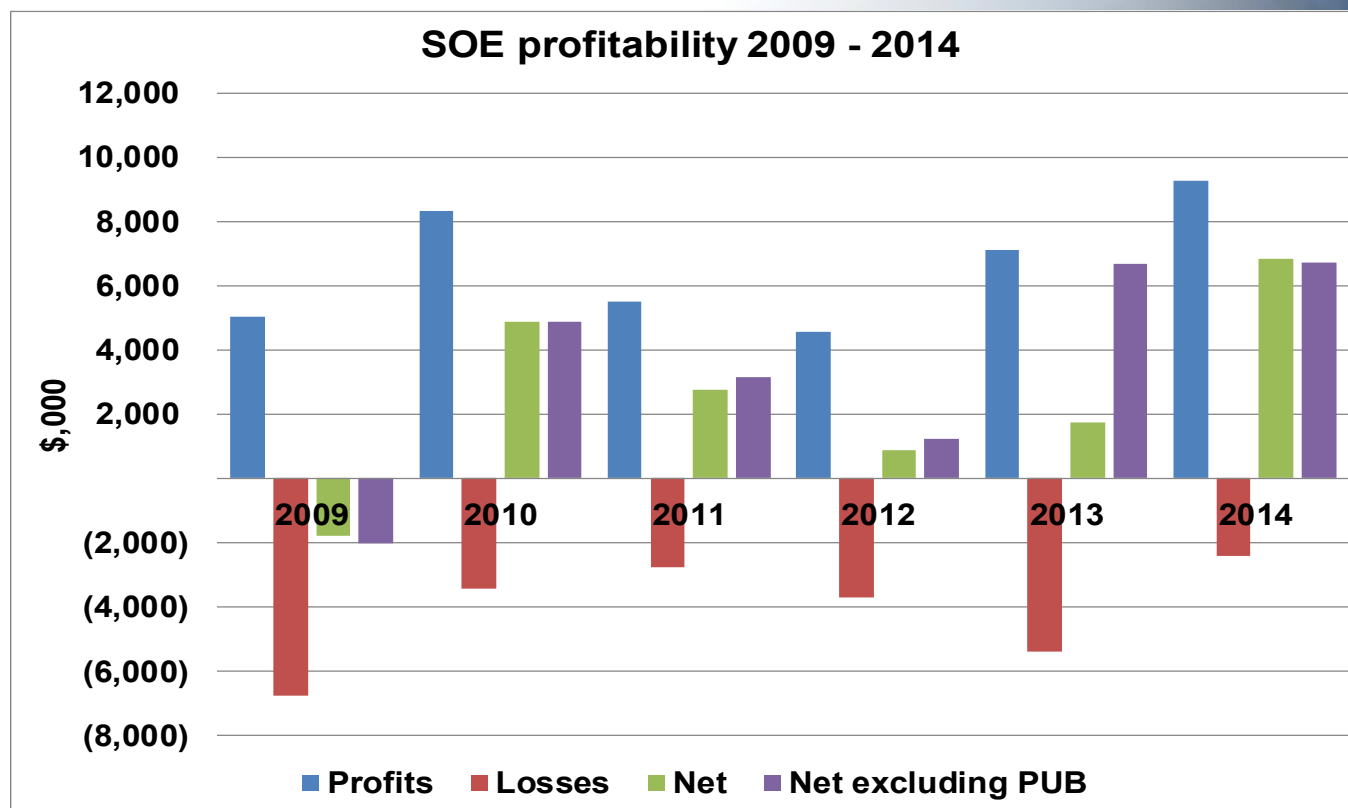
▪ Retain and improve

- **Air Kiribati - outer islands**
- **Broadcasting**
- **Copra – social support**
- **CPPL – fishing servicing**
- **Development Bank**
- **Housing**
- **Insurance**
- **Fuel - KOIL**
- **Ports**
- **KSSL - Shipping**
- **Solar energy – outer islands**
- **Plant & vehicles**
- **PUB – power, water, sewage**
- **Dredging**

▪ Private sector involvement

- **Hardware company sold (subsequent site redevelopment)**
- **Food wholesaler – asset sale**
- **Otintaai Hotel concession**
- **Telecom business (WB)**
- Betio Shipyard concession**
- Shipping**
- **Vehicle servicing**
- Potential**
- **Hotel – Kiritimati**

SOE PROFITABILITY 2009-2014



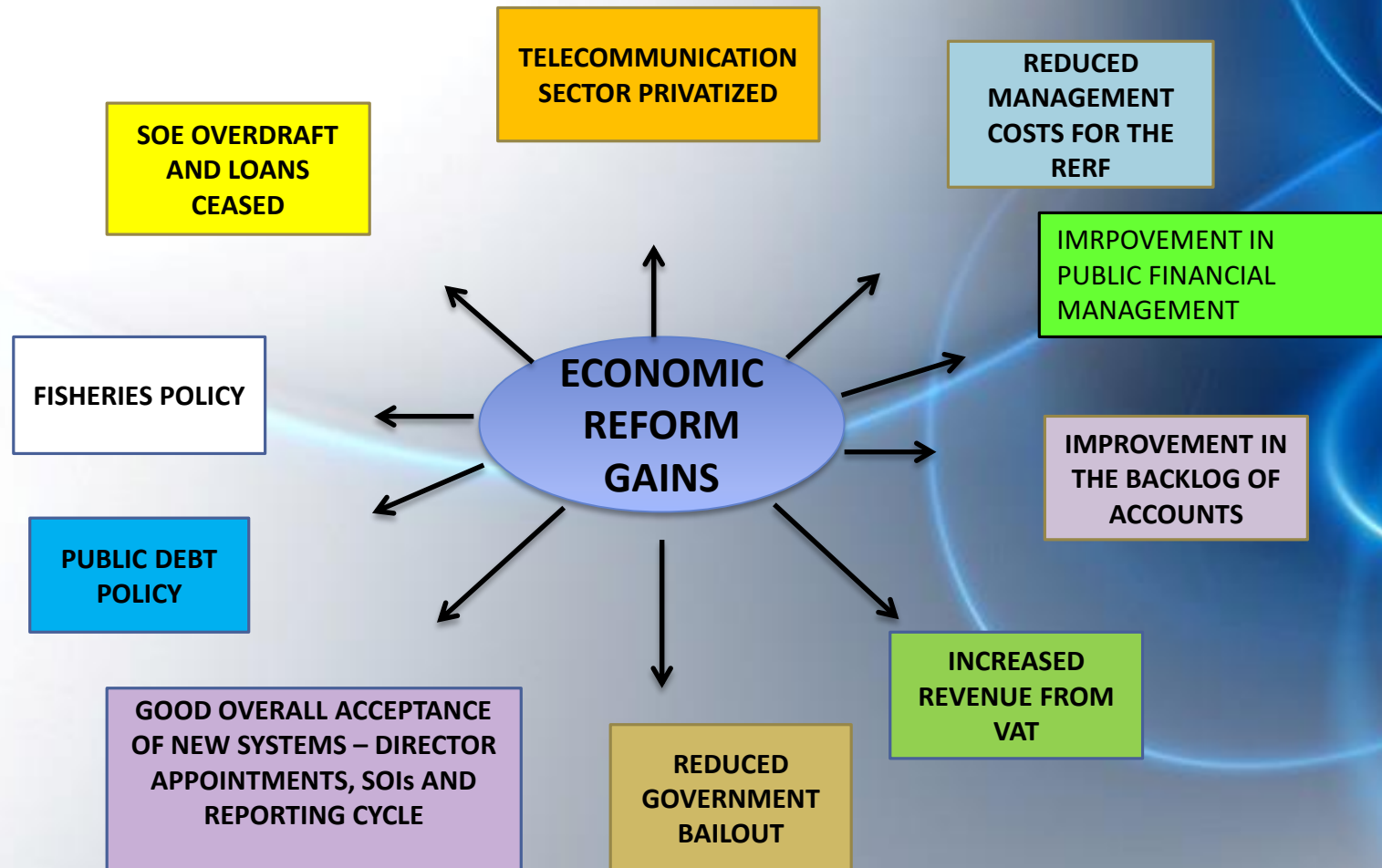
Source: ADB data

Note: Some limitations in the above chart, but overall the trend is positive with 67% of SOEs Profitable and net profitability improving

2016 REFORM ACTIONS

- Reform Actions are currently under negotiation
- Remain with the three Pillars
- Delays Involved
- High level of GoK Commitment

ECONOMIC REFORM HIGHLIGHTS



BUDGET SUPPORT HAS BEEN A KEY DRIVER OF THESE SUCCESSES

