ECONOMIC REFORMS IN KIRIBATI

Presented by Maaman Ioakim
National Economic Planning Office
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

Source: KPF
Exports and Imports
Balance of Payments – Current Account, Kiribati, 2006-14
## Medium Term Fiscal Framework

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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>177,441,551</td>
<td>248,152,257</td>
<td>140,465,331</td>
<td>143,294,643</td>
<td>146,425,533</td>
<td>149,807,130</td>
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<tr>
<td><strong>Departmental expenditures</strong></td>
<td>78,191,648</td>
<td>83,250,779</td>
<td>92,270,793</td>
<td>90,915,333</td>
<td>92,286,100</td>
<td>93,769,578</td>
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<tr>
<td><strong>Other Government expenditure</strong></td>
<td>22,772,895</td>
<td>29,401,104</td>
<td>40,957,766</td>
<td>41,008,764</td>
<td>41,294,434</td>
<td>41,919,329</td>
</tr>
<tr>
<td><strong>Debt Servicing</strong></td>
<td>10,087,262</td>
<td>728,740</td>
<td>1,149,693</td>
<td>1,101,662</td>
<td>1,096,805</td>
<td>2,320,651</td>
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<tr>
<td><strong>Contribution to Development Fund</strong></td>
<td>9,202,983</td>
<td>23,150,425</td>
<td>14,758,627</td>
<td>9,093,567</td>
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### 6. Expenditure Requirement

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<td><strong>Expenditure</strong></td>
<td>120,254,788</td>
<td>136,531,047</td>
<td>149,136,879</td>
<td>142,119,326</td>
<td>143,770,906</td>
<td>147,103,125</td>
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<tr>
<td><strong>Difference</strong></td>
<td>57,186,763</td>
<td>111,621,210</td>
<td>(8,671,549)</td>
<td>1,175,317</td>
<td>2,654,627</td>
<td>2,704,006</td>
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### ADDITIONAL FUNDING

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<td><strong>Other sources (Budget Support)</strong></td>
<td>10,401,013</td>
<td>4,781,096</td>
<td>10,450,000</td>
<td>4,450,000</td>
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<td><strong>Surplus (Deficit) before RERF Drawdown</strong></td>
<td>67,587,776</td>
<td>116,402,306</td>
<td>1,778,451</td>
<td>5,625,317</td>
<td>7,104,627</td>
<td>7,154,006</td>
</tr>
<tr>
<td><strong>RERF Drawdowns (Replenishments)</strong></td>
<td>8,370,000</td>
<td>(50,000,000)</td>
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<td><strong>Surplus (Deficit) after RERF Drawdown</strong></td>
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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

Source: MFED
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
1. Government updates ERP with support from donors

2. A short list of policy actions in ERP are identified to trigger budget support from donors

3. Cabinet Approves the Policy Actions

4. Agreed actions are completed with technical assistance as required

5. Budget support is disbursed

6. Progress is discussed and a new set of actions identified for the next year

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

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<tr>
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<tr>
<td>1</td>
<td>A joint report on fisheries revenue report published</td>
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<tr>
<td>2</td>
<td>Key provisions of the SOE Act were implemented</td>
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<tr>
<td>3</td>
<td>Approval for reform and rationalization of the copra sector (Merging KCCS and KCMCL)</td>
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<tr>
<td>4</td>
<td>Approval for key reforms on the management of the RERF</td>
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<td>5</td>
<td>Sale of the Telecommunications Company (TSKL)</td>
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# REFORM ACTIONS 2015

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

- TELECOMMUNICATION SECTOR PRIVATIZED
- REDUCED MANAGEMENT COSTS FOR THE RERF
- IMPROVEMENT IN PUBLIC FINANCIAL MANAGEMENT
- IMPROVEMENT IN THE BACKLOG OF ACCOUNTS
- INCREASED REVENUE FROM VAT
- REDUCED GOVERNMENT BAILOUT
- GOOD OVERALL ACCEPTANCE OF NEW SYSTEMS – DIRECTOR APPOINTMENTS, SOIs AND REPORTING CYCLE
- FISHERIES POLICY
- PUBLIC DEBT POLICY
- SOE OVERDRAFT AND LOANS CEASED

BUDGET SUPPORT HAS BEEN A KEY DRIVER OF THESE SUCCESSES