

Please note the Development Budget is a continuously changing document that moves as donors confirm earlier pledges and make new plans. Our various development partners work to a wide variety of planning cycles which often do not coincide with our financial year. The figures in the speech relate to the estimates received from our partners prior to the December Parliament Sitting. New donor pledges are made and plans are altered regularly. We will endeavour to continuously update these during the year.



GOVERNMENT OF KIRIBATI

## **DEVELOPMENT BUDGET SPEECH 2023**

Delivered on 19<sup>th</sup> December 2022

by HON. DR TEUEA TOATU

Vice President & Minister of Finance and Economic Development

### **INTRODUCTION**

Honorable Madam Speaker,

His Excellency Te Beretitenti,

Honorable Cabinet Ministers and Members of the Maneaba n Maungatabu,

The People of Kiribati,

Kam na bane n Mauri!

It is my great privilege to present to this House the 2023 Development Budget.

The annual development budget outlines the development projects that are to be pursued for the year. It brings together the Government of Kiribati funded Local Contribution to the Development Fund, the LCDF, and pledges from development partners.

The 2023 Development Budget could not have been delivered without the contributions of our development partners, therefore I wish at the outset, to reaffirm the Government's deepest appreciation to all our development partners for their continued and unwavering support to our development agenda with particular mention of the COVID-19 and drought emergency responses which saved many current and future lives.

We look forward to continuing this cordial partnership into 2023 and beyond.

### **THEME**

Madam Speaker,



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The theme for this year's budget is 'Building Back Better and Stronger'.

This recognizes the fact that Kiribati may at last be able to look forward with renewed confidence after these years of uncertainty and suffering.

With the recent reopening of Kiribati borders to international markets and trade, the country is carefully finding its economic feet again in the expectation of increased project implementation and delivery taking advantage of improved supply chains and financing flows.

The Development Budget outlines how we will do this for 2023.

### OVERVIEW

Madam Speaker,

For 2023, the Development Budget includes new funding pledges for projects with a total value of **\$277.6 million**, or **89 per cent** of our Gross Domestic Product, or GDP.

The main development priorities, funded through this budget include project infrastructure investments in energy, sanitation, water, and transport, social protection payments; and education and health expenditures.

### LCDF

In 2023, the Government of Kiribati LCDF will contribute a record of **\$106.3 million**, equivalent to **38 per cent** of the total Development Budget.

Over sixty per cent of the LCDF will be directed towards social protection payments and inclusion of the non-ER leave grants to ease cost of living pressures and the continuation of family support. These total **\$67.6 million** of the LCDF allocation, and comprise of **\$28 million** for the Copra Subsidy, **\$30.1 million** for Support for the Unemployed and **\$9.5 million** leave grant for the non-ER posts.



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In addition, the LCDF includes **\$18.4 million** for overseas scholarships, **\$4.0 million** for infrastructure maintenance and **\$2.6 million** for the outer island mobile towers. New provisions of **\$1.5 million** have also been made to assist with settling government arrears with its SOEs, **\$0.2 million** to support the new graduate scheme and **\$0.5 million** to support the establishment of the new financial supervisory authority.

### DEVELOPMENT PARTNER FUNDING

Madam Speaker,

Pledges from development partners in 2023 total **\$171.2 million**, equivalent to **62 per cent** of the total Development Budget.

After the Government of Kiribati, the largest donor contribution is from China (PRC) with a total of **\$35.9 million** directed mainly at two big projects: the customs x-ray machines for containers (seaport) at \$10.1 million; and \$10 million for the livelihood and development projects.

Australia (DFAT) being the next largest is expected to contribute **\$35.8 million** in 2023 on **30 projects**, with most resources directed at education, health, and infrastructure initiatives. The main ones being \$6.0 million for the new bilateral education program; \$5.7 million for the Skills for Employment (Kiribati Facility) and \$2.7 million for Australia Award Scholarship.

New Zealand (MFAT) also pledged a total of **\$26.6 million** for **37 projects** mainly supporting utilities reform and health projects, making it the third largest donor after GOK. This includes \$3.7 million for utilities reform program, \$3.0 million for the KIT School of nursing (infrastructure and curriculum review) and \$2.5 million for scholarships.

In addition, development partners also provide direct budget support in the Recurrent Budget. In 2023, this is estimated to be **\$24.1 million** with contributions expected from the World Bank, ADB, DFAT, MFAT and the European Union.



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### KV20 PILLARS

Madam Speaker,

The Government has made clear its development priorities to achieve the health, wealth, and peace for our people that the four pillars in the Kiribati 20 Year Vision (KV20) describe.

In 2023, the major part of the available resources are allocated to the Wealth pillar, with **\$176.0 million**, or **63 per cent** of the total. This allocation reinforces our commitment to social protection payments and the leave grants for the non-ER posts, and the basic services we provide for our people through investments in education, and health.

The infrastructure pillar accounts for **\$85.4 million, 31 per cent** of the total, with Peace and Security allocated **\$9.4 million, 3 per cent** of the total, and Governance, **\$6.8 million, 2 per cent** of the total.

### KDP SECTORS

In terms of the Kiribati Development Plan through its six main sectors;

**\$97.4 million, 35 per cent** of the total goes to Economic Wealth with the main initiative being the social protection payments and the leave grants for the non-ER posts.

**\$90.7 million, 33 per cent** of the total, has been allocated for Infrastructure Development.

**\$48.3 million, 17 per cent** of the total, has been allocated for Harnessing Human Wealth, comprising education and training related initiatives.

**\$23.9 million, 9 per cent** of the total has been allocated for Health

**\$11.3 million, 4 per cent** of the total, has been allocated for environmental resilience, including investments in agriculture, waste management, disaster resilience and climate change adaptation projects.



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Finally, **\$6.0 million, 2 per cent** of the total, has been allocated to governance projects.

### GEOGRAPHIC ALLOCATION

Madam Speaker,

The benefits from development projects are of course spread across the whole country.

In 2023, the Development Budget is allocated largely to national level projects to the value of **\$207.4 million, 75 per cent** of the total, projects specific to the Gilbert Group amount to **\$64.5 million, 23 per cent** of the total, and for the Line and Phoenix Islands projects valued at **\$5.6 million, 2 per cent** of the total are planned.

There are **31 projects** scheduled for the Gilbert Group supporting infrastructure, education, and social projects, The top three projects in the Group are:

- South Tarawa Water Supply Project with a total contribution of **\$21.2 million** from the World Bank (WB), Green Climate Fund (GCF) and Asian Development Bank (ADB);
- **\$7.5 million** for the Improvement to South Tarawa Transport Network from the People's Republic of China (PRC), and
- **\$5.7 million** from DFAT for supporting skills for employment (Kiribati Facility).

There are **19** national projects proposed for 2023, including the social protection payments and the provision of leave grants for the non-ER posts. Other national projects include:

- **\$18.4 million** from the LCDF for overseas scholarships
- **\$10.1 million** for the customs x-ray machines for containers (seaport) from PRC and



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- **\$10.0 million** for the livelihood and development projects funded by PRC which is in addition to the annual livelihood grant that includes small grants, social stability fund and upgrading of social facilities, to name a few.

In terms of the breakdown of the development budget by department, most of the expenditure is allocated across five key ministries.

The Ministry for Infrastructure and Sustainable Energy (MISE) is allocated **\$53.8 million**, for infrastructure projects in energy, water, sanitation, and transport.

The allocation of **\$37.5 million** for the Copra Subsidy and the leave grant for the non-ER posts is administered through the Ministry of Finance and Economic Development (MFED) while the Support for the Unemployed of **\$30.1 million** is allocated through the Ministry for Women, Youth, Sport, and Social Affairs (MWYSSA).

The Ministry of Education (MOE) is allocated **\$25.8 million** to support education projects while **\$24.1 million** is allocated for health sector strengthening including medical referrals through the Ministry for Health and Medical Services (MHMS).

### CARRY-OVERS

Madam Speaker,

Significant new funding is being made available in 2023 to fund development projects. In addition to this new funding, there are on-going projects, where funding may carry over from 2022. There may not be specific allocations for these projects in 2023 but all are expected to continue using unspent funds carried over from 2022.

The total outstanding balance of projects in 2022 is estimated at **\$101.5 million**, bringing the total value of expenditure through the Development Fund in 2023 to **\$379.1 million**, on a total of **974** projects.

This is a very large number of projects and delivering them may put a strain on our key ministries. Be assured that the government is closely monitoring the performance of our staff and contractors for any signs that delivery demands are exceeding the



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capacity to perform. We will take any action necessary to ensure that projects are managed safely, and professionally.

Madam Speaker, we do not wish to see corners being cut or funds wasted in trying to meet deadlines that stretch the capacity of our people too far.

### **CONCLUSION**

Madam Speaker,

The Government has an ambitious agenda in 2023 to invest in projects to support Kiribati's development and build our economy back stronger than before with our people at the center of it all.

I would like to again, offer this Government's sincerest gratitude and appreciation to all our development partners for their ongoing support in our efforts to achieving our development aspirations.

Last, but not least, I wish to sincerely thank the hard working and dedicated project planning staff as well as accounting officers of my Ministry and their counterparts in line Ministries whose job is to ensure that development projects are implemented effectively to provide the desired outcomes for our people.

I truly believe that Kiribati is on the right path to rebuild our economy even stronger after the well-documented difficulties of recent years. Increased prosperity, better health, and more peace will surely follow as we continue to nurture our partnerships and remain fully committed and true to our calls as political decision-makers and public servants. Together, Madam Speaker, we will do it.

With those remarks, Madam Speaker, I would like now to move that this House approve the Motion to accept the 2023 Development Budget.

Thank you.