

## Part 2

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# **Economic and Social Conditions**

# Economic Activity, Population, and Social Dimensions

## Key Features of the Economy

The 33 atolls and reef islands of Kiribati, with a total land area of 810 km<sup>2</sup>, are scattered across the central Pacific. More than half the land area is in the Line Islands and 48% is in one atoll, Kiritimati. Kiribati's EEZ is made up of three separate zones, with a total area of 3.5 million km<sup>2</sup>, stretching 5,000 km from east to west and 2,000 km from north to south. Tiny land areas, vast distances, and physical isolation are facts of economic life in Kiribati.

The economic effects of physical remoteness include limited and costly international shipping and air services, because of distance from regular routes and low volumes. Domestic air services are intermittent and inter-island shipping services are generally of low quality and infrequent. For many islands, the delays and costs of getting products to South Tarawa and then to international markets are so large that unless these costs are reduced by subsidy, these islands are largely precluded from export activity. Remoteness also offers some natural protection to domestic production, but this is offset in Kiribati by the small size of domestic markets and uncompetitive, high wage levels, driven by public service pay scales.

With the exception of Banaba, all the islands are low lying (a maximum of 3–5 meters above sea level) and most are very narrow, making the country vulnerable to the effects of rising sea level and

sea erosion. The soils are predominantly coralline and of low agricultural value, and the islands experience periodic droughts.

These factors result in a narrowly-based and shallow economy. This is reflected in a very high import dependency, a low level of exports, and little manufacturing activity. The ratio of imports to GDP is in the order of 75%, while exports typically account for 10–20% of GDP (Figure 3.1). The main export is copra, while there are also significant exports of seaweed, *bêche-de-mer* (sea cucumber), and aquarium fish.

Geographic dispersion creates administrative challenges, particularly in providing health, education, and transport and communications services to the small isolated communities. It also brings economic benefits in the resource rent value of a vast combined EEZ. The tuna resources of the EEZ generate considerable revenues from fishing licenses, recently accounting for around a third of total government funding. The large increase in this revenue during the 1990s has had important flow-on effects to the economy in helping trigger a substantial expansion in the size of government.

Considerable overseas income is also earned from past government savings invested in international financial markets. These funds are held in the RERF, which has almost tripled in value over the past 10 years, for reasons mentioned above.

Commodity exports are small, but Kiribati has been very successful in exporting labor. There are approximately 1,100 I-Kiribati merchant seafarers and 300 fishers working on foreign fishing vessels. There are more than 200 Kiribati nationals working in Nauru, many of them with their families, who are to be repatriated to Kiribati in the near future when the Nauru phosphate operation ends. The 2000 census indicates that 15% of all households receive remittances from men working on overseas vessels—12% of households in the outer islands and 20% in South Tarawa. In 2000, offshore wages and salaries amounted to an estimated \$10 million, equivalent to about 15% of GDP or about \$115 per capita, most of which was remitted home. Remittances in 2002 were expected to be around \$14 million.

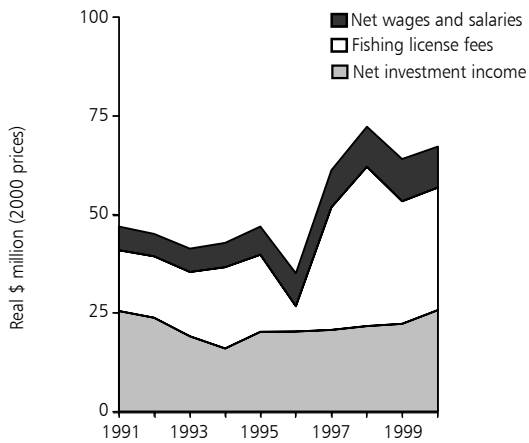
The combination of fishing licensing revenue, income from the RERF, and wages of seafarers and fishers overseas gives rise to a substantial foreign income (Figure 3.2). This produces an unusually

**Figure 3.1: Exports and Imports**



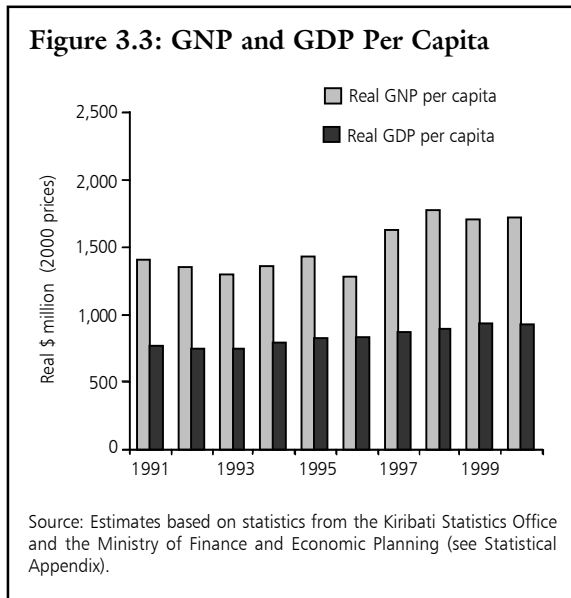
Source: Estimates based on statistics from the Kiribati Statistics Office and the Ministry of Finance and Economic Planning (see Statistical Appendix).

**Figure 3.2: Overseas Income**



Source: Estimates based on statistics from the Kiribati Statistics Office and the Ministry of Finance and Economic Planning (see Statistical Appendix).

large difference between GNP and GDP, with GNP around twice the size of GDP. Both GDP and GNP per head have grown substantially during the 1990s, at an average annual rate of 2.1% and 2.3%, respectively, in real terms (Figure 3.3).



Despite that growth, ranking by GNP per head still places Kiribati among the poorer countries in the region. Low income per head tends to be associated with weaker performance by other human development indicators also, for example with a relatively low life expectancy (see Table 3.1).

With a narrow range and low volume of exports, and little domestic value-adding activity, the economy depends heavily on factor income from abroad, and government expenditure of its share of that income and foreign aid. Total government expenditure is typically bigger than GDP<sup>31</sup> (Figure 3.4). Changes in the level of Government expenditure have a large and direct impact on the level of domestic economic activity. Since the mid-1990s, the budget has

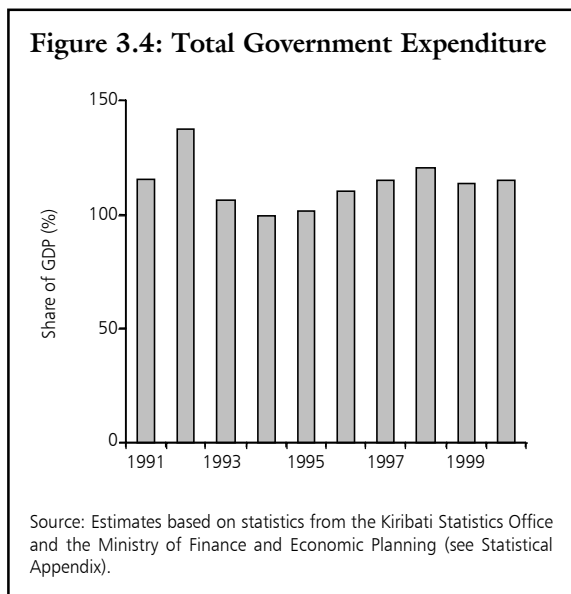
**Table 3.1: Regional Comparisons**

	GNP per head (US\$, 2000)	Life expectancy at birth (years, <sup>b</sup> 2000)
Cook Islands <sup>a</sup>	4,355	70.5
Kiribati	950	62.5
Fiji Islands	1,820	69.0
Marshall Islands	1,970	65.5
Federated States of Micronesia	2,110	66.0
Papua New Guinea	700	56.5
Samoa	1,450	70.0
Solomon Islands	620	69.0

<sup>a</sup> From country sources.

<sup>b</sup> Simple average of data for male and female.

Sources: World Bank, World Development Indicators 2001 and 2002 and CD Rom; WHO, World Health Report 2001 and website as cited in ADB 2002a.



come under political pressure to maintain and increase economic activity through government expenditures directly and through PEs. The level of government expenditure is in turn dependent on offshore revenue from the fish license fees, foreign aid, and the RERF. This

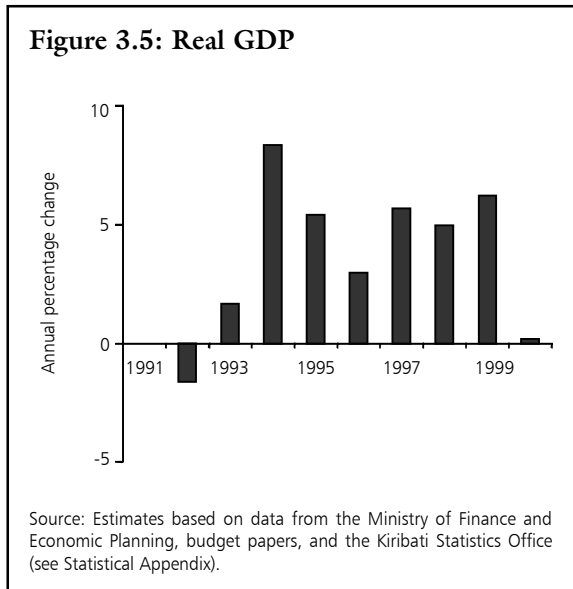
dependency ties the Kiribati economy closely to certain aspects of the international economy.<sup>32</sup>

A feature of the economy is the use of public sector employment as a de facto social security system. While only 15% of the adult population work in the public sector, an extensive system of income redistribution based on family ties means that around two thirds of the population share these incomes. This makes public sector employment a powerful political tool, and puts pressure on fiscal policy to promote public approval of government through wage and salary allocations in the budget. There is growing concern that increasing unemployment and a lack of legitimate sources of cash incomes are bringing about adverse social impact, particularly on South Tarawa. In this context, increasing government pay scales is counter-productive, because it drags private sector wages upward and makes job-creating private investment less feasible.

## **Recent Macroeconomic Performance and Prospects**

After growing strongly from 1994 to 1999, economic activity leveled off in 2000 (Figure 3.5) as construction, manufacturing, and transport activity eased. Although up-to-date statistics are scarce, it appears that economic activity picked up again in 2001 and continued to expand in 2002. The buoyant economic conditions are mainly a result of continued growth in government expenditure on wages and salaries and development projects. The 2001 national budget provided for a 15% rise in public sector wages and a further substantial real increase was allocated in the 2002 budget. Significant development projects include the construction of junior secondary schools throughout the country, and on South Tarawa a new power station, improved water and sanitation infrastructure, and a \$4 million investment in a copra mill.

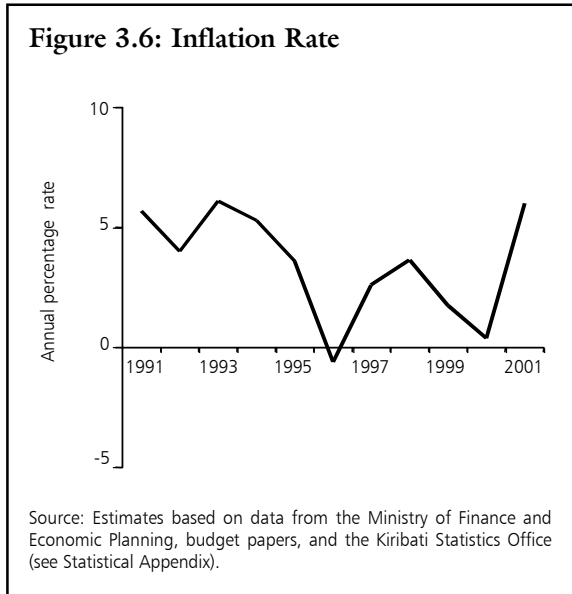
In total, central government expenditure is estimated to have increased from \$88 million in 2000 to \$110 million in 2001, an increase of 25%. This was largely made possible by increased revenue from the foreign fishing industry, from \$31 million in 2000 to \$47 million in 2001. Preliminary budget data for the first half of 2002



suggest that expenditure for the year is likely to be close to if not exceed the 2001 levels (in nominal terms), with fishing revenues also likely to at least match the 2001 level.

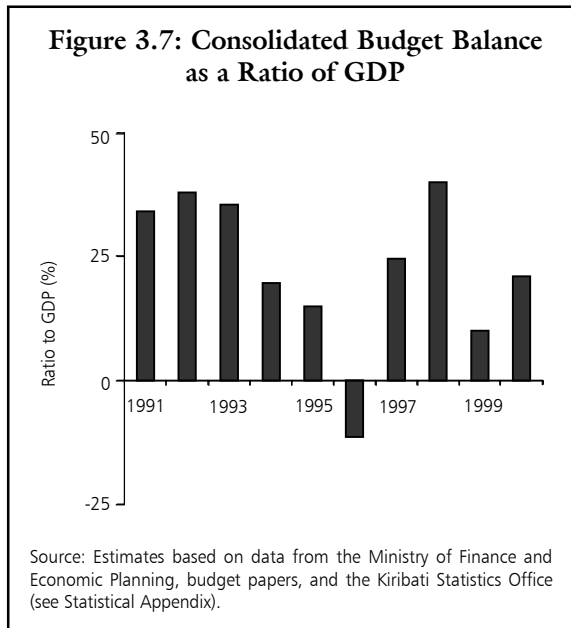
In addition to a growing public sector, there is evidence of a related expansion in the private sector taking advantage of business opportunities caused by rising personal consumption and construction expenditures. BoK and DBK both report strong demand for credit for start-up and expansion of small businesses. A number of church-funded projects are also helping to create economic activity.

Given the high import dependency of the economy, the inflation rate tends to follow closely that of Kiribati's trading partners, principally Australia. An extended period of low inflation rates in Australia was reflected in low inflation rates in Kiribati for much of the 1990s. The rate of inflation is estimated to have increased during 2001 to 6.0%, a marked increase on the 0.4% inflation of the previous year (Figure 3.6). Most of the increase in inflation was attributable to the delayed impact of high oil prices and depreciation of the Australian dollar that increased certain import prices.



By the end of June 2002, inflation was still 4.8% on an annual basis (i.e., the change over the four quarters to end June 2002), with much of the increase attributable to a rise in the price of food, drink, and transport. The most likely explanation for the increase in the relative inflation rate is a steady rise in the profit margins of suppliers made possible by strong demand growth, originating in the increased public service payroll.

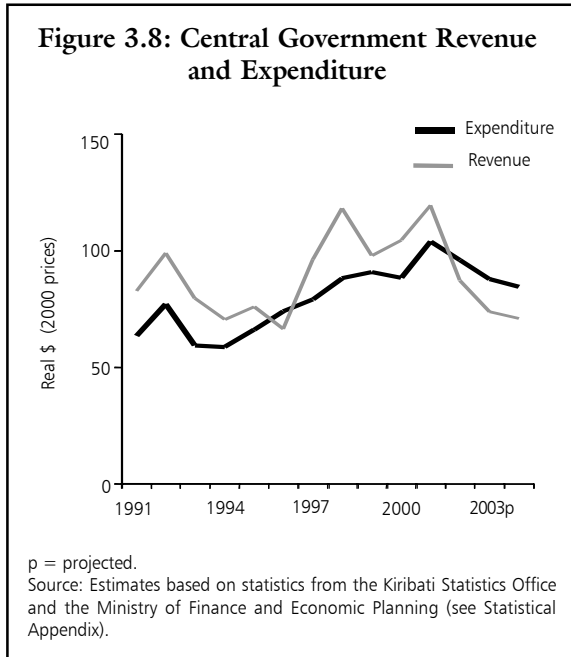
Preliminary data for 2001 point to an increase in imports and continuing low level of exports over the year. The rise in imports is consistent with a rise in domestic demand fuelled by the large increase in government expenditure, while the fall in exports is largely a result of a decline in the copra industry. In 1999, 12,500 tonnes of copra were exported. But export volumes were below 7,000 tonnes in both 2000 and 2001, and unit export values in these years were half the 1999 levels in dollar terms. Partial data suggest that imports continued to rise over the first 6 months of 2002, while some recovery in total export values appears possible over 2002 given improving world prices for copra.



Fiscal management in Kiribati has historically tended to be conservative. During the 1990s, the only deficit year was 1996, because of a massive temporary drop in fishing license fees (Figure 3.7). Even though the most recent budget year of 2001 saw a large increase in expenditure, this was matched by a record level of fish license fees, and the budget is likely to have been in surplus over the year.

The official projections imply a substantial budget deficit emerging over the medium term (see Figure 3.8). These projections are based on very conservative estimates of future revenue, and recent developments suggest that revenue is likely to remain high and for the budget to remain in surplus over the short term. However, if expenditure continues to grow at the rate seen in recent years, budget deficits can be expected over the medium term. This would mark a significant shift in Kiribati's fiscal stance and require regular drawings from the RERF.

The official projection is for continued real economic growth over the medium term. Key contributors to this optimistic outlook



are the continuation of large public projects on South Tarawa (e.g., the power generation plant and water and sewerage project), infrastructure developments on Kiritimati, the commencement of construction of a new sports complex on South Tarawa, implementation of a satellite project and a rural electrification project, and potentially the commencement of an outer island water supply project.

### South Tarawa and the Outer Islands of the Gilbert Group

The focus of government expenditure on South Tarawa and the limited sources of income on the outer islands lead to marked differences in income levels between the two areas. This dichotomy and its consequences have troubled the authorities for 40 years. It

has grown sharper as monetization has advanced. A whole generation has grown up with the polarization of urban and rural lifestyles as part of their perspective on life.

The economic and social differences were highlighted by the 2000 census. This found that employment was the main source of income for two thirds of all households on South Tarawa. Own business was also claimed as a primary source of income by 20% of households in South Tarawa. These compare with an average of 15% and 5%, respectively, of outer island households.<sup>33</sup>

There are also marked differences within the outer islands. Employment is concentrated primarily where there are secondary schools or district centers, such as North Tarawa, Butaritari, Abaiang, Abemama, Nonouti, North Tabiteuea, Beru, and Kiritimati (where there is also more commercial development).

Production of food for own consumption is far more important for the outer islands than for South Tarawa. Three quarters of all outer island households reported growing breadfruit and *babai* (a large, slow-growing species of taro), while on South Tarawa the proportions were only 39% and 2%, respectively. Toddy (fermented sap of the coconut palm) was produced by 83% of outer island households compared to only 47% of households on South Tarawa, whilst one quarter of outer island households grew bananas compared to 8% on South Tarawa. Fishing follows a similar pattern with 43% and 37% of outer island households having fishing nets and canoes, respectively, compared to 10% and 30% of South Tarawa households. The reported household ownership of pigs averages 80% throughout the country, but for chickens it is only 12% for Tarawa compared to over 50% in the outer islands.

In the Outer Islands, the main cash-generating activities are copra and seaweed production and fishing. Most of the outer island communities continue to rely on copra to provide their cash incomes and have few viable alternatives. Nationwide, 38% (down from 55% in 1995) of all households received income from copra. However, the proportion of outer island households receiving copra income is 60% and less than 1% in South Tarawa. For fishing income, the respective figures are 34% and 8%; for handicrafts income, 20% and 5%, respectively.

## Population Size and Distribution

### Structure and Growth

During 1985–2000 the population increased from an estimated 64,000 to 84,500, a compound annual average rate of 1.9%. Population growth is estimated to have slowed slightly in recent years, averaging 1.7% during 1995–2000, although the recent data are not considered reliable enough to support a lower projected growth rate. Youths (aged 15–24 years) comprise almost 20% of the population, but the average rate of growth of this segment of the population was less than half that of net population growth rate. This difference can be explained partly by the many youths who work overseas on merchant ships and on foreign fishing vessels, and also by the impact of the successful family planning program implemented in the 1970s.

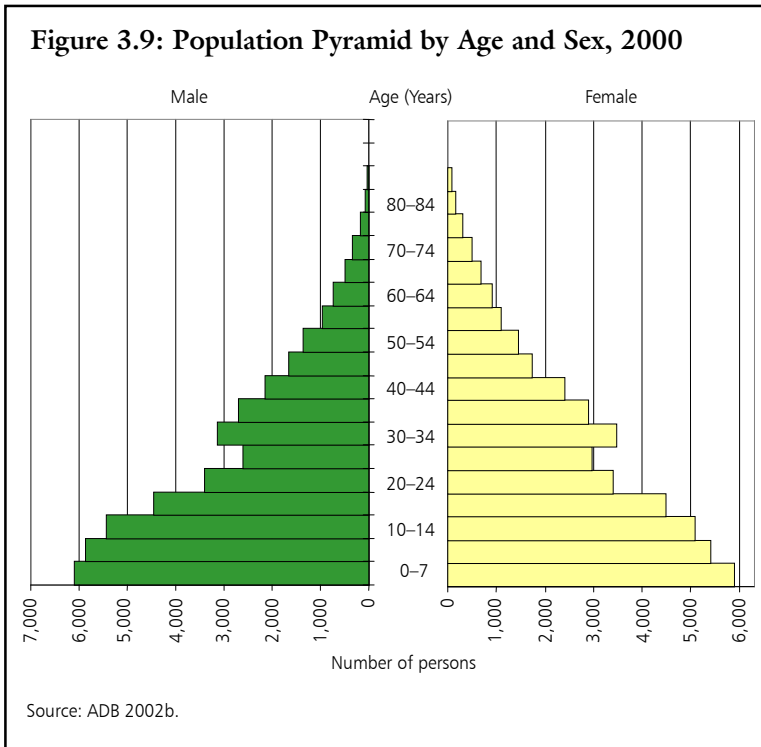
The difficult living conditions and lack of opportunities in the 22 permanently inhabited outer islands have resulted in a steady rate of migration to the urban center of South Tarawa. About 33% of the population lived on South Tarawa in 1985, increasing to 37% in 1995, and to 44% in 2000. Nearly all (93%) the remainder live in the Gilbert Group. There is one small settlement in the Phoenix Group (Kanton Island). The only substantive settlements in the Line Group are on Kiritimati, Tabuaeran, and Teraina.

Since independence, the population of South Tarawa has increased at an annual average rate of 3.3% compared to a national growth rate of 1.9%. In the most recent inter-census period, 1995–2000, the South Tarawa annual growth rate rose to 5.2%, its highest rate for 30 years. At this rate, the South Tarawa population could reach 50,000 (compared to 36,717 in 2000) by 2006. In contrast, the population in the rest of the Gilbert group over the last five years declined by an average of 0.7% per year.

Continued migration to South Tarawa is giving rise to a serious health and environmental situation there. The population density exceeds 2,300 persons per km<sup>2</sup>. More than 6,600 people live on the islet of Betio, on a narrow strip of low-lying land some 35 km long and nowhere more than a few hundred meters wide.

Urban employment opportunities are mainly limited to the public service and there is strong competition for them. Thus, conditions for unemployed migrants into South Tarawa are often very difficult. The impending repatriation to Kiribati of the last workers from Nauru will no doubt add to the population pressure on South Tarawa. Equally, the return of many to the outer islands with skills and some financial capital, could have a positive effect on the economies of some of the islands.

The main concern must be for the future of the young people already born and those sure to be born in the coming years. Just over 40% of the population are less than 15 years old (Figure 3.9). Thus, within the next decade, there will be an increase of some 40% in the number of people in the labor force, from 44,000 in 2000 to around 62,000 in 2010.



The fastest conceivable rate of economic growth would do no more than maintain the present proportion of the working age population in paid employment. The absolute number of young people who will not find paid work will, therefore, rise. These young people represent a valuable and potentially productive resource. On average, they will have had several more years of education than today's youth. It will be essential for most of them and for Kiribati that the education they receive enables them to adjust successfully to the reality of self-employment and a mixed monetary and subsistence lifestyle.

### Differences between South Tarawa and the Gilbert Outer Islands

With 40% of the population below 15 years and 3% above 65 years, the overall ratio of "dependents" to working-age persons (15–64 years) is 0.75. This is mid-ranking among Pacific island countries. The ratio reflects the combination of a high birth rate, moderate life expectancy, and the 1,700 working-age adults (almost all males) overseas—equivalent to about 10% of the resident male workforce in the 18–49 age group.

There is, however, a marked difference in the dependency ratios between South Tarawa and the outer islands of the Gilbert group. On South Tarawa, the ratio is 0.70, whilst in the rest of the country it averages 0.82, reflecting the higher level of emigration of working-age adults from the outer islands either to South Tarawa or overseas. Most of the overseas workers are on 1–2 year contracts and make significant contributions to the cost of supporting their families. These remittances average around \$1,000 per month and are shared among two or three households (wife, wife's parents, own parents). There are also significant, although smaller, remittances from those on South Tarawa to families remaining in the outer islands. The impact on the outer islands of the high rate of dependency is felt most keenly in the relative shortage of able-bodied people to undertake heavy domestic and village-related work.

There are minor variations in gender balance in the labor force and among dependents between South Tarawa and the outer islands,

that are probably also due to employment- and education-related migration. Overall, males comprise 49% of the population, but on South Tarawa they make up only 47% of the labor force age group, and in the outer islands they make up 51% of the dependents.

The average household size found by the 2000 census was 6.7 persons. In South Tarawa, the average size was 8.1 persons while in the outer islands it was 5.9. Households with 10 or more persons account for about 15% of total households nationally, whereas in South Tarawa almost 30% of all households contain more than 10 persons. This reflects the number of outer islanders living with extended families in South Tarawa while attending school, searching for work, or simply staying in town rather than going home.

Ownership of important household assets such as radios (average 60% of all households), handcarts (15%), and sewing machines (55%) is quite evenly spread. Bicycles represent an important transport mode for 70% of outer island households compared to only 40% in South Tarawa, where motor cycles, cars, and buses are more readily available.

The church is at the center of Kiribati society. Three quarters of all households throughout the country reported belonging to a church association. The *maneaba* system appears to be much less important in South Tarawa, where less than half of all households are members of a *maneaba* association, compared to two thirds in the outer islands. There is a similar difference for women's associations: 60% of outer island households compared to only 40% on Tarawa belong to women's groups.

## Social Dimensions

### The Extended Family

The strength and support of the extended family, which has provided the social safety net for family members in need, is weakening as people migrate to South Tarawa for education or in search of work. Children and young people are often encouraged or sent by their families to be educated in South Tarawa, where

educational services are of higher quality than in many of the outer islands. They may go to South Tarawa because access to paid employment is more readily available there, to join a seafarer or a tuna fisher course. Couples and families will move to South Tarawa because they need to be there to have access to sought-after government jobs or because the opportunities for employment in the private sector are greater.

Households in South Tarawa are large because many families are supporting additional children or young people. Once in South Tarawa, contact can often break down between the migrant/s and the family back home. Distance and the cost of communication encourage disintegration. The weakening of family support is evidenced in South Tarawa in the increasing requests for help with school fees received by the Ministry of Education, Training and Technology (METT) and NGOs. There was a time when the family would always provide such help, but it is not so readily available now.

### Opportunities for Women

The social and economic status of women is improving as the effect of equal access to education makes itself felt. In the outer islands, the role of women is generally still confined to domestic duties and food gathering. Dealing with land tenure issues and local politics are reserved for men. But women take on additional duties (i.e., additional home roles as providers and caretakers) when men leave home to work at sea. Peer and social pressure within the community at one time appeared to influence girls to accept a domestic role rather than to aspire for a career, but the pattern now seems to be changing.

Girls outnumber boys through all secondary and tertiary levels, and are making headway in participation in paid employment. Women increasingly want access to family health information including information about family planning and sexually transmitted diseases. Women generally live longer than men but they lag behind in literacy because of their historical lack of education. This situation is improving as more girls complete a full program of schooling.

The desire to have a family member working in a government job and the opportunity for women as well as men to access such jobs have resulted in a change in attitudes toward women's working patterns and their behavior. Families in the outer islands now hope that their sons or daughters will gain a government job.

Meanwhile women are taking up employment in a range of occupations, running businesses, being elected to parliament, and changing their ways of dress and behavior. Overall, women comprise 51.5% of the workforce, of which 37% are in paid employment. There are two women in parliament and—according to the 2000 census—44% of administrators and managers, and 51% of professionals (mainly teachers and nurses) are females. In 2001, 56% of overseas scholarship students were women. There are important areas where females are still significantly underrepresented, e.g., men comprise 77% of permanent secretaries, 95% of secondary school principals, and 73% of all legislators and senior officials. But women are increasingly expecting and receiving recognition as full participants in economic activity and the governance of Kiribati.

Government officials and health workers have expressed concern at aspects of the promotion of Tarawa as a trans-shipment port for the EEZ tuna fishery. An unlooked-for consequence of the increased number of calls by fishing vessels and fish-carriers is the growing number of relationships between the crews of these vessels and young women in South Tarawa. The women concerned generally have little formal education and no other income-earning opportunities. The relationships are said to range from simple friendship to more commercial exchanges of money, goods, and services. Concerned officials recognize that the matter needs further study. In the meantime, an appropriate response would be the discreet provision of advice to help the women involved to understand and manage the relationships, and to guard against unwanted pregnancies and transmission of disease.

## Challenges for Youth

There are increasing instances of underage drinking, gang-related fights and an increase in crimes by young people. At the

same time, young people are required to be more independent and to take up leadership positions in their sporting groups or peer groups, away from home. They have to deal with new relationships with few supports while still at an emotional age, and are looking for information regarding relationships, sexual activity, and the risks of pregnancy and sexually transmitted diseases including HIV/AIDS.

The sheer number of youths in South Tarawa can almost make them appear as a threat when they are undertaking normal activities like walking in a group. Since the opening of the junior secondary schools (JSSs), large numbers of youths have been brought together in one location, whereas previously they attended primary schools in smaller numbers. This grouping of youths has contributed to more evident group behavior and has highlighted to the community the issues surrounding the presence of large numbers of youths.

The natural progression from young man and woman to husband and wife sharing the support of a family is not available to many youths, especially those in South Tarawa where supporting a family means earning an income. In the village, the involvement of older people in fishing, gardening, and copra production would have lessened as their children grew strong and took over. In South Tarawa, people in the public service continue to hold their paid employment past the official retirement age, exploiting the flexibility of the retirement age policy. Opportunities for youths to get started in paid employment are very limited and many rely on low-paid construction work.

### The Human Cost of Employment Overseas

The pattern of employment of seafarers and tuna fishers keeps them away from home and family for long periods. When they return, there are high expectations of the goods that they will bring back with them and they are only home for a short time. This is an unnatural existence for those used to traditional Kiribati culture and can put severe strains on relationships, often to the point that they break.

## Broken Families

In the urban environment of South Tarawa, there is an increasing incidence of families breaking up. Case statistics of the Ministry of Environment and Social Development (MESD) show increasing occurrences of domestic violence and disagreements over child maintenance. Traditionally, brothers have looked after their sisters if they have been abandoned by their husbands. Now, the women are increasingly turning to welfare agencies and NGOs as this support is weakening. These changes are even felt in villages in the outer islands as men migrate to South Tarawa looking for work, sometimes abandoning their wives.

## Landlessness

Land tenure is central to Kiribati culture, but the large population in South Tarawa means that land there is a scarce and precious commodity. Improvements to the lands and surveys administration and its links to the lands court record system have made it easier to deal in land in South Tarawa. Population pressure will inevitably cause the price of land to rise continually; many of the children born now and in the future will be unable to afford to buy land. A group of landless persons has begun to emerge, as some South Tarawa residents have already sold all their land and spent the income from the sale. The prospect of life without customary land rights—the ultimate monetization of support systems—is not one that is easily contemplated in Kiribati.

## Social Safety Nets

Traditional Kiribati society is based on principles of community-based caring and sharing, so that those with, for example, surplus food (such as fish catches), will share with those less fortunate. Reciprocation will generally ensure that over time everyone has contributed and received in roughly equal measure. There are strong family and community bonds that provide safety nets for those who

might be specially disadvantaged, such as the elderly and disabled. In these cases, families and society will collectively provide for them on a nonreciprocal basis.

Although this traditional social safety net is still in place, it is developing holes, particularly in urban areas, as monetization progresses. The traditional safety net prevents the emergence of poverty, in the sense of deprivation of the necessities of life. Few people go hungry, although there may be many who have nutritionally poor diets either by choice or by force of economic circumstances. Now, there are signs of increasing hardship among poorer families and individuals who are for some reason cut off from family support, both in South Tarawa and the outer islands.

Governments have developed a response to this need. MESD has the task of improving social and community welfare through facilitating partnerships between the national Government, local government, churches, and NGOs. MESD does not have money to distribute to those in need. It works with other government departments and community organizations to arrange support of an emotional and or material nature. The first priority of MESD is to apply traditional forms of support through the family if this is possible. The approach is based on sound traditional values, and although MESD services are in great demand, the ministry is managing its responsibilities in an appropriate manner.

## Access to Education

The overall primary school enrollment rate in 2001 was 82%—87% for South Tarawa and 78% for the outer islands, ranging from a low of 65% on South Tabiteuea to more than 95% in the Line Islands. The differences suggest that there are problems of access to primary education in the outer islands. The quality of teachers and facilities at the schools is a critical issue.

There has been a significant improvement in access to secondary education, with 19 new junior secondary schools established since 1996. Their establishment has made a significant improvement for outer island children.

There has been an increase in secondary schools from 10 to 13 in the last four years. Also, an EU-funded project scheduled to start in 2002 will develop Island Learning Centres in 10 outer islands.

The Marine Training Centre (MTC) and the Fisheries Training Centre (FTC) train Kiribati youths to work on overseas merchant vessels and tuna fishing boats. Access to these training centers is on an island quota basis so that youths in the outer islands have an equal opportunity to participate in this chance of earning an income.

The Government's priority has been to increase access to education to increase the equity of opportunity for students in the outer islands so that they can maintain their livelihoods in the outer islands. This approach has succeeded in increasing access but the quality of education in the outer islands as regards resources, infrastructure, and qualified teachers is not comparable to that in South Tarawa.

### Access to Health Services

There is a general perception that the health services available on South Tarawa are better than those available in the outer islands. This perception is borne out in a number of ways:

- Kiribati has 22 doctors, of whom 21 are located on South Tarawa, the other being on Kiritimati Island. While the overall ratio of 3,700 persons per doctor is typical by Pacific islands standards, most outer islanders have no regular access to a doctor unless they travel to South Tarawa, which is costly and difficult for a sick person.
- Outer Island health facilities are generally poorly supplied and maintained, have fewer qualified staff available than in Tarawa, and are often lacking water and toilet facilities. Difficulties of transport and communications are critical factors. Many women in the outer islands are isolated from maternal and infant health services.

- Immunization rates have improved significantly and are now around 70% on a national basis for diphtheria, pertussis, and tetanus (DPT), polio, and hepatitis B. The rate for the outer islands averages 62% compared to 90% on South Tarawa.

The outer islands' less crowded and stressful conditions can, however, result in better health than in Tarawa. Generally, the outer island lifestyle involves more exercise; "junk foods" are less accessible, while water and sanitation conditions are sometimes better than in Tarawa. An analysis of reasons for visits to health clinics and incidences of noncommunicable diseases such as diabetes and heart disease shows that these vary from island to island; there is no Tarawa/outer islands dichotomy (see Statistical Appendix).

## Defining and Measuring Poverty

The incidence of poverty and hardship in the Pacific islands has come into sharp focus recently, as governments have come under domestic pressure to attend to extreme disparities of income and well-being. The alleviation of poverty worldwide has become the centerpiece of aid policy.

Poverty has both relative (this person or group is poorer than that) and absolute (they are poor) meanings. Standards of poorness are defined differently according to the time and place of observation. Poverty in its absolute sense is most widely associated with hunger, starvation, and destitution—in effect, having insufficient income with which to feed and clothe oneself and one's family. Assessing this implies the existence of an accepted standard of minimum livelihood. People can be adequately fed and housed for purposes of merely staying alive, but still be unacceptably poor. They may lack recognition, choice, protection of the law, education, and the chance to improve their situation. This "poverty of opportunity" is coming to be regarded in the Pacific islands as just as important in defining the extent of poverty as sheer lack of monetary or subsistence income. Kiribati at present has practically no life-threatening income poverty, but poverty of opportunity is apparent in urban and rural areas.

Absolute and relative poverty are the unintended outcomes of the (inevitably) unequal distribution of the costs and benefits of economic activity and social change. Some degree of inequality is accepted as fair and reasonable, and what is fair and reasonable in one society may not be so in another. But at a certain level in any society, increasing inequality demands the attention of governments and the community at large, to alleviate its worst effects and if possible remove the causes of its growth.

Thus, there are good domestic humanitarian and political reasons for recognizing and tackling the growth of poverty, whether of income or of opportunity or both. But even if Kiribati did not want to address these issues, international concern would force it to do so. International donors, financial institutions, and NGOs are insisting that developing countries adopt credible policies to alleviate poverty if they wish to continue to receive development assistance.

A key tool in *income poverty* assessments is a household income and expenditure survey (HIES), one of the most difficult of all surveys to carry out effectively. This was last done in Kiribati in South Tarawa, Onotoa, and Butaritari in 1996 under circumstances that left many reservations about the reliability of the conclusions.<sup>35</sup> They are being used in the absence of any better source of data, but it is clear that considerable further work is needed before income poverty can be quantified with confidence.

Assessment of the extent of *poverty of opportunity* requires examination of social as well as economic indicators: for example, literacy levels, school enrollment rates, life expectancy, infant mortality, gender balance, engagement in business, patterns of employment, and dependency ratios. These indicators can be found in official health and education statistics and national census data. Consultations for this report found many reasons to treat aspects of these statistics with considerable caution.

Under a regional project, ADB is examining the extent of income poverty in several of its Pacific member countries by comparing household expenditure against what is termed the *poverty line*. This is a calculation of the minimum income required, firstly, to provide an individual with a basic subsistence diet (measured in terms of the minimum daily calorie intake required for human survival, which is benchmarked at 2,200 calories/day), termed the

*food poverty line* plus, secondly, an additional allowance for basic nonfood expenditure. Together these make up the poverty line.

The food poverty line is based on the cost of a food basket made up of a combination of own food production and other purchased items that is just sufficient to meet the minimum food-energy needs per adult per day. It will not necessarily be, indeed it is very unlikely to be, a representation of what is actually consumed or what an individual might personally consider to be desirable or acceptable. The food poverty line is usually calculated from data in the HIES and from information on minimum/recommended nutrition requirements in each society.

For South Tarawa the food poverty line<sup>36</sup> is estimated by the ADB regional study to be \$600 per head per year in 1996 prices, whilst for the outer islands it is only \$167. This reflects the much higher level of consumption of own-production food that is possible in the outer islands compared to that in South Tarawa. Adjusting for the estimated requirement for additional nonfood basic needs to give a minimum standard of living in each location, indicates a poverty line of \$750 in South Tarawa and \$201 in the outer islands (1996 prices).

The estimated extent of income poverty derived from these poverty lines is shown in Table 3.2. The results suggest that for both South Tarawa and the outer islands, 39% of households had expenditure levels below the food poverty line and that 51% of households had expenditure below the poverty line. Not surprisingly, household size appears to have an important bearing on the outcome. For South Tarawa, households with expenditure below the poverty line averaged 11.7 persons compared to 7.7 persons in households above the poverty line. For the outer islands, whilst the difference was not so marked, 6.8 persons per household below the poverty line compared to 5.2 persons in households above the poverty line, it is still noticeable.

The results do not necessarily mean that people who are below either of the two poverty lines are going hungry. They mean only that, according to the data, they had insufficient income to meet the average expenditure requirements for a model diet plus the costs of other nonfood items.<sup>37</sup> They may have made up the shortfalls by additional fishing and own-produce consumption,

**Table 3.2: Estimated Poverty Incidence, using 1996 HIES Data**

	Percentage of Households with Recorded Expenditure Below:	
	Food Poverty Line	Poverty Line
South Tarawa	39	51
Outer Islands	39	50

Source: ADB 2002b.

by borrowing from others, or by going without some of the nonfood items.

It is apparent, however, that some households were considerably more likely than others to have difficulty making adequate provision for all their members, and for some the difficulty could be severe. Intuitively this is a credible conclusion. The problem lies with the implied precision of the data and their use for regional and international comparisons. The 1996 HIES found that the average annual per capita cash expenditure of the highest-spending 20% of households on South Tarawa was \$1,765, compared to \$309 for the lowest-spending 20%. For the outer islands, the inequality appears to be even more marked at \$1,952 (10% higher than the top 20% in South Tarawa) and \$95, respectively.

The hazards of this process for analysts, policymakers, and concerned observers are exemplified by Tables 3.2 and 3.3. Table 3.2 summarizes the findings of ADB's regional poverty assessment study in relation to Kiribati. In the study itself, reservations were properly expressed about the methodology and data used—for lack of any better—in reaching conclusions. Yet, those reservations become invisible in Table 3.3, which states that 4 out of 10 households in Kiribati live below the food poverty line and 5 out of 10 live below the general poverty line. It seems unlikely that most people familiar with the economic and social conditions of Kiribati will be comfortable with this statement, but this is the “fact” that will be quoted everywhere, particularly by Kiribati's development partners and international agencies.

To illustrate how this happens, Table 3.3—in a formulation commonly used for comparative purposes—takes the conclusions of Table 3.2 and includes them in a compendium of social and economic statistics. The components of the table are not all of equal

Table 3.3: Profile of Living Standards

<b>1. Poverty Measures (\$1996 prices)</b>			
• South Tarawa Poverty Line Head Count	750		
Index (%)	51		
• Outer Island Poverty Line Head Count	201		
Index (%)	50		
<b>2. Development Progress Indicators</b>			
• Human Development Index	0.515		
PDMC Rank	9.000		
• HPI	12.70		
PDMC Rank	7.000		
<b>3. Inequality Measures</b>			
• Expenditure Ratio (H20/L20)			
South Tarawa	5.7		
Outer islands	20.5		
• Average per Capita Expenditure			
H20 South Tarawa (\$ pa)	1,765.0		
L20 South Tarawa (\$ pa)	309.0		
• Average per Capita Expenditure			
H20 outer islands (\$ pa)	1,952.0		
L20 outer islands (\$ pa)	95.0		
<b>4. Population and Household</b>			
• Population (2000 census)	84,494		
• Population Net Growth Rate	1.7		
Annual average (1995–2000) (%)			
• Dependency Ratio (2000)	0.76		
• Average Household Size	6.7		
South Tarawa	8.1		
Outer Islands	5.9		
• Average Household Size			
Poor South Tarawa (Below PL)	11.7		
Nonpoor South Tarawa (Above PL)	7.7		
<b>5. The Economy</b>			
• Real GDP Growth Rate 1991–2000	3.70		
<b>5. The Economy (cont.)</b>			
• GDP per capita 2000		US\$38	
Current Prices		US\$50	
• Sectoral Shares (% of GDP 2000)			
Agriculture & Fishing		20.0	
Secondary		7.0	
Tertiary		73.0	
• Inflation 2001 (%)		6.0	
• US\$ Exchange Rate (31/12/01)		\$1.75	
• % of Labor Force in subsistence		74.0	
• Debt Servicing (% of GDP)		0.5	
<b>6. Vulnerability Indicators</b>			
• CVI		5.082	
PDMC Rank		7.000	
• Foreign Grants (% of GDP 2000)		24.3	
• Exports (% of GDP 2000)		12.8	
• Imports (% of GDP 2000)		85.6	
• Export /Import ratio		1:8.5	
• Emigration Significant		No	
• Remittances Significant		Yes	
<b>7. Basic Education</b>			
• Adult Literacy Rate (%)		92	
• CGER (%)		68	
• Expenditure on Education 2001			
As % of GDP		16.4	
Per Pupil (\$)		55	
<b>8. Primary Health and Nutrition</b>			
• Life Expectancy at Birth (year)		62.8	
• Infant Mortality Rate (per 1,000)		43	
• Pop'n with access to safe water (%)		76	
• Population per Doctor		3,700	
• Reported TB cases (per 100,000)		0.0	
• Immunization Coverage (DPT)		72	
• Expenditure on Health 2001			
As % of GDP		11.3	

(continued)

Table 3.3 (continued)

<ul style="list-style-type: none"> <li>Expenditure on Health 2001(cont.)</li> </ul>			
Per capita (\$)	104.5		
<b>9. Gender Issues</b>		<b>10. Governance</b>	
<ul style="list-style-type: none"> <li>Total Fertility Rate</li> </ul>	4.5	<ul style="list-style-type: none"> <li>Public Sector % of Formal Employment</li> </ul>	77
<ul style="list-style-type: none"> <li>Contraceptive Prevalence Rate (%)</li> </ul>	28	<ul style="list-style-type: none"> <li>Share in Government Expenditure</li> </ul>	
<ul style="list-style-type: none"> <li>Maternal Mortality Rate</li> </ul>	225	<ul style="list-style-type: none"> <li>Education 2001 (%)</li> </ul>	20.0
<ul style="list-style-type: none"> <li>Life Expectancy Gender Gap (F-M)</li> </ul>	6	<ul style="list-style-type: none"> <li>Health 2001 (%)</li> </ul>	13.7
<ul style="list-style-type: none"> <li>Female Literacy Rate (%)</li> </ul>	91	<ul style="list-style-type: none"> <li>Agriculture &amp; Fishing 2001 (%)</li> </ul>	3.6
<ul style="list-style-type: none"> <li>Female CGER (%)</li> </ul>	69	<ul style="list-style-type: none"> <li>Primary Education Educ. Share (%)</li> </ul>	30
<ul style="list-style-type: none"> <li>Women in Paid Employment (%)</li> </ul>	33	<ul style="list-style-type: none"> <li>Participation in Local Gov't Budget</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Women in Government (No. of seats)</li> </ul>	2	<ul style="list-style-type: none"> <li>Published Economic Strategy/Plan</li> </ul>	Yes
		<ul style="list-style-type: none"> <li>Democratically Elected National Gov't.</li> </ul>	Yes
		<ul style="list-style-type: none"> <li>Democratically Elected Local Gov't.</li> </ul>	Yes
		<ul style="list-style-type: none"> <li>Ombudsman</li> </ul>	No

Notes: CGER = combined gross enrollment rate; CVI=composite vulnerability index; DPT= diphtheria, poliomyelitis, tetanus; Gini=Gini Coefficient, a measure of inequality; GDI=Gender Development Index; GDP=gross domestic product; HDI=Human Development Index; pa=per annum; PDMC=Pacific developing member country (ADB). Source: Kiribati Statistics office.

reliability. Some are quite precise measurements. Others are estimates subject to fairly standard reservations, as in the case of the census data. Still others incorporate a substantial amount of guesswork and should properly always be referred to as estimates, such as most references to GDP and social indicators like literacy and prevalence of contraception. Some, such as the poverty assessments, are highly tentative and unless used with an explicit caveat may be misleading.

It is clear that the poverty measures developed by ADB's regional study are only a first step, although an important one, toward credible estimates of the extent of unacceptable inequality of income and opportunity. The increasing importance being attached to poverty alleviation domestically and internationally means that a higher priority should be given to the regular collection of HIES and other relevant data, and to refinement of the analytical methods used.



# Improving Public Sector Performance

### Scope of the Public Sector

The public sector includes general government and the PEs. General government comprises the central or national Government and local government as represented by the Island Councils.

The scope of the national Government is similar to that in other countries in the region. It comprises 20 agencies, the two largest being the health and education ministries that together account for more than a third of recurrent expenditure. The key central agencies are the Ministry of Finance and Economic Planning and the Office of the President, the Public Service Office, and the Public Service Commission. Most economic sectors are overseen by their own specialized ministry. The law and order sector is managed by three agencies (the Judiciary, Office of the Attorney General, and Police and Prisons), an independent National Audit Office is in place and there is a ministry responsible for administering the remote Line and Phoenix Groups (Table 4.1).

Public enterprises number at least 28 government-controlled businesses and four commercial joint ventures, operating in most parts of the economy including finance, primary industry, manufacturing and trading sectors, and utilities (Table 4.2). PEs include monopolies in the provision of infrastructure services, primary producers, hotels, and trading businesses operating in direct competition with the private sector.

The public sector accounts for two thirds of formal employment and almost 80% of total wages and salaries. The sheer size of the public sector means that the level of government expenditure (around 110% of estimated GDP in recent years) is a key determinant of aggregate demand and, hence, economic activity. The central role of the public sector in the formal economy means that its performance has an important influence on the ability of the private sector to develop and for people to generate their own income.

The public sector also plays a critical role in supporting living standards via its role as the main service provider. The performance

**Table 4.1: Agencies of the Central Government**

Department/Ministry	Functions
Office of <i>Beretitenti</i>	Administration and policy development Support to the <i>Beretitenti</i>
Public Service Office (PSO)	Management of the Public Service Human resource planning and development
Judiciary	Judicial services Magisterial services Legal support services Administration and policy development
Police and Prisons	Administration and policy development Airport and domestic fire services Custody and supervision of prisoners Surveillance of the exclusive economic zone Investigation, prosecution, intelligence General maintenance of law and order
Public Service Commission	Monitor public service appointment and discipline
Ministry of Foreign Affairs	Administration and policy development Immigration services Representation of Kiribati interests abroad
Ministry of Home affairs and Rural Development	Administration and policy development Rural development services Services to local government Land administration

of the public sector has a direct influence on the mental and physical well-being of most people in Kiribati. Public sector entities are the only provider of health services, primary and almost all junior secondary education, telephone and internet services, domestic air travel, insurance and superannuation services, radio broadcasts, port services, importing and wholesaling of petrol and diesel, solar energy systems, shipping services to several of the remotest islands, wholesale activities on most outer islands, and piped water and electricity on South Tarawa and Kiritimati.<sup>38</sup>

**Table 4.1 (continued)**

Department/Ministry	Functions
Ministry of Environment and Social Development	Administration and policy development Civil registration Improving the environment Meteorological information Social welfare Culture and tradition
<i>Maneaba ni Maungatabu</i>	Administration and policy development Parliamentary meetings and committees
Ministry of Commerce, Industry and Tourism (MCIT)	Administration and policy development Promotion of tourism Industrial promotion and development Facilitation of commerce and trade Promotion of commerce, industry, and tourism in Kiribati
Kiribati National Audit Office	Government audits Audits of statutory authorities Audits of local governments
Office of the Attorney General	Administration and policy development Civil law Criminal prosecutions Law revision Registration of companies
Ministry of Natural Resources Development (MNRD)	Administration and policy development Services to agriculture and livestock

(continued)

Table 4.1 (continued)

Department/Ministry	Functions
Ministry of Health	Services to fisheries and marine resources Licensing of foreign fishing vessels Management of mineral resources  Administration and policy development Support services and statistics Population and family planning Maternal and child health Immunization Sanitation and supply of water Control of communicable diseases Nutrition Curative care Laboratory Radiology Dental pharmacy/medical stores Health education Nurses and medical assistants training Mental health
Ministry of Education, Training and Technology (METT)	Administration and policy development Primary education services Junior secondary education Secondary education services, KGV/EBS Secondary School Secondary education services, Meleangi Tabai Secondary School Secondary education services, Teabike College Secondary education administration Secondary education services, mission schools Vocational and technical education services Support to nonformal, tertiary, and higher education Teacher training Conducting and provision of exams Teaching resources Provision of library and archival services
Ministry of Information, Communication and Transport (MICT)	Administration and policy development Search and rescue Services to shipping Infrastructure for navigation Administration and regulation of civil aviation Operation of airports Postal services Philatelic bureau

**Table 4.1 (continued)**

Department/Ministry	Functions
Ministry of Finance and Economic Planning (MFEP)	<ul style="list-style-type: none"> <li>Administration and policy development</li> <li>Accounting and financial management</li> <li>Internal audit</li> <li>Economic planning and management</li> <li>Taxation administration</li> <li>Kiribati customs service</li> <li>Statistical services</li> </ul>
Ministry of Works and Energy (MWE)	<ul style="list-style-type: none"> <li>Administration and policy development</li> <li>Energy planning</li> <li>Electricity for public places</li> <li>PWD administration and policy development</li> <li>PWD construction services</li> <li>Water supply</li> <li>Joinery services</li> <li>Technical and design services</li> <li>Civil engineering services</li> </ul>
Ministry of Labour, Employment and Co-operatives (MLEC)	<ul style="list-style-type: none"> <li>Administration and policy development</li> <li>Labor services</li> <li>Employment services</li> <li>Services to cooperatives</li> <li>Marine Training Centre</li> <li>Fisheries Training Centre</li> </ul>
Ministry of Line and Phoenix Group (MLPG)	<ul style="list-style-type: none"> <li>Administration and policy development</li> <li>Finance management</li> <li>Stevedoring</li> <li>Wildlife management</li> <li>Maintenance of infrastructure</li> <li>Maintenance of housing</li> <li>Electricity distribution</li> <li>Electricity generation</li> <li>Water supply</li> </ul>

**Table 4.2: Corporate Public Enterprises and Joint Ventures**

	<b>Enterprise</b>	<b>Main Activities</b>	<b>Government Share (%)<sup>a</sup></b>	<b>Responsible Ministry<sup>b</sup></b>
1	Abamwakoro Trading Limited	Wholesale household goods	82	MCIT
2	Air Kiribati	Domestic and international air travel	100	MICT
3	Atoll Motor and Marine Services Limited	Retailing of household goods	100	MCIT
4	Atoll Seaweed Company Limited	Promotion of seaweed production for export	100	MNRD
5	Bank of Kiribati Limited	Local and international banking services	25	MFEP
6	Betio Shipyard Limited	Ship repair and ship building services, upholstery and retailing of hardware goods	100	MICT
7	Bobotin Kiribati Limited	Wholesale household goods and retailing in South Tarawa	100	MLEC
8	Broadcasting and Publication Authority	Broadcasting and production/sale of publications	100	MICT
9	Captain Cook Hotel Limited	Accommodation and catering for visitors to Kiritimati	100	MLIPG
10	Central Pacific Produce	Sale of fisheries produce locally and overseas	100	MNRD
11	Development Bank of Kiribati	Source of loans and advice and assistance to businesses	100	MFEP
12	Kiribati Co-operative Copra Society	Purchase and export of copra	100	MLEC
13	Kiribati Copra Mill Company Limited	Production and export of copra oil and production for domestic sales of cooking oil and soap products	100	MCIT
14	Kiribati Handicraft and Local Produce Limited	Retail and export of local handicrafts and produce (e.g., salted fish)	100	MCIT
15	Kiribati Housing Corporation	Housing and related services, repair and maintenance of government housing, furniture and equipment replacement, etc.	100	PSO
16	Kiribati Insurance Corporation	General insurance services	100	MFEP
17	Kiribati Oil Company Limited	Distribution of petroleum products	100	MWE

Table 4.2 (continued)

Enterprise	Main Activities	Government Share (%) <sup>a</sup>	Responsible Ministry <sup>b</sup>
18 Kiribati Otoshiro Fishing Company	Offshore tuna fishing	49	MNRD
19 Kiribati Ports Authority	Operation of Kiribati's main port in South Tarawa	100	MICT
20 Kiribati Provident Fund	Provision of superannuation services	100	MFEP
21 Kiribati Shipping Services Limited (Main Operation)	Provision of domestic shipping services	100	MICT
22 Kiribati Shipping Services Limited (Te Tauu Bunkering Services)	Receipt of proceeds from the sale of the MV Te Tauu	100	MICT
23 Kiribati Supplies Company Limited	General retailer	100	MFEP
24 Kiritimati Maintenance Company Limited	Maintenance service for Japanese space vehicle project	20	MWE
25 Kiritimati Marine Export Limited	Purchase of marine products (e.g., fish, lobster) for resale locally or overseas	100	MNRD
26 Otintaai Hotel Limited	Provision of hotel accommodation, catering, shopping, and other services	100	MCIT
27 Plant and Vehicle Unit	Financing the provision and maintenance of government plant and vehicles	100	MWE
28 Public Utilities Board	Supply of electricity and water and sewerage disposal on South Tarawa	100	MWE
29 Solar Energy Company Limited	Provision of solar power systems for lights and radios outside South Tarawa	100	MWE
30 Tarawa Biscuits Company Limited	Manufacture of cabin biscuits	100	MCIT
31 Telecom Kiribati Limited	Ownership of telecommunication plant and equipment (leased to TSKL) and retailing electronic goods	100	MICT
32 Telecom Services Kiribati Limited	Provision of domestic and international communication services	100	MICT

<sup>a</sup> Incorporates the ownership of shares held by other PEs (e.g., DBK).

<sup>b</sup> See Table 4.1 for full titles of ministries.

Source: Ministry of Finance and Economic Planning public enterprise database.

## Human Resource Management

The Public Service Office (PSO) is charged with managing the Public Service and undertaking human resource planning and development. The PSO is complemented by the Public Service Commission (PSC), which approves public service appointments.

A key management tool is the National Conditions of Service. These conditions have recently been reviewed and are with Cabinet for approval. There is awareness in the PSO of the need to reflect principles of merit selection and promotion, transparency, and accountability.

The public sector is short of capacity to manage people. Human resource management responsibility is contained in the job descriptions of deputy secretaries and some administrative assistants in each agency, but the opportunities for public sector officers to obtain skills and knowledge in people management or human resource management are limited. Although the PSO offers short training courses on an annual basis, the skills are not being used in the workplace for a variety of reasons. These include the transfer of officers who have been trained to positions where the skills are not needed; the short nature of the training vis-à-vis the complexity of some of the functions; and the attendance at training by lower-level administrative staff, which leaves higher-level management without an appreciation of the usefulness of human resource management activities.

Salaries and the numbers of positions that can be filled in the Public Service are controlled by Cabinet. A recent job evaluation of the Public Service resulted in a 6% increase in staff levels. The evaluation also recommended that the minimum qualification levels for several positions be raised. These recommendations are awaiting Cabinet approval. If they are approved, they could result in many positions being readvertized so that qualification levels can be met.

The PSO and PSC do not have oversight of PEs. The control of numbers of PE employees and their salary levels lies with their boards of directors.<sup>39</sup>

To make decisions about the future human resource needs of the public service it is important to have information from which to

assess those needs. The PSO is developing a database that will provide good decision-making information. The information in the database is currently being checked for accuracy. This process is expected to be complete by the end of 2002, after which the database can be used to provide the PSO and departmental managers with such information as number of people employed by categories, such as level and sex, retirement projections, leave taken and leave due, turnover rates,<sup>40</sup> and discipline and achievement records of individual employees.

The above information will assist the PSO to plan future financial needs for salaries and leave to be taken, to plan leave patterns of employees so as not to disadvantage the employee's agency, to better assess future recruitment and scholarship needs, and to advise the Government on the formulation of human resource policy.<sup>41</sup> The database could also assist senior managers when considering employees for promotion by providing ready access to up-to-date information on achievements and the discipline record of individuals.

It will also be possible to develop the database further by including job descriptions for each position against which the skills held by individuals (e.g., qualifications, participation in additional training courses) could be matched. This would help provide a more refined assessment of human resource development needs and become part of the decision-making process for promotions. Table 4.3 lists the types of data that could be considered for inclusion in an upgraded human resource management database.

## Managing the Budget

Kiribati has historically shown considerable fiscal discipline. Evidence of this is the building up of massive reserves in the RERF per head of population. Governments have made conscious decisions to accumulate reserves for the long term rather than spend more on health, education, physical infrastructure, etc. Facilitating fiscal discipline is one of the requirements of a good budget system, and the Kiribati budget system has performed well in this respect.

The quality of financial management is also shown by the reliable conduct of routine tasks. Budgets are prepared in a timely

**Table 4.3: Human Resource Management Data**

<p><b>Biographical information</b></p> <ul style="list-style-type: none"> <li>Employee skills/qualifications</li> <li>Employee impediment restrictions</li> <li>Employee impediment treatments</li> <li>Employee medical screenings</li> <li>Employee notations</li> <li>Employee biographical information</li> </ul> <p><b>Establishment register</b></p> <ul style="list-style-type: none"> <li>Positions</li> <li>Position occupants</li> <li>Position skills</li> <li>Employee exit interviews</li> <li>Organization units</li> <li>Employee establishment information</li> </ul> <p><b>Training management</b></p> <ul style="list-style-type: none"> <li>Training programs</li> <li>Training courses</li> <li>Training course dates</li> <li>Training schedules</li> <li>Employee training information</li> </ul>	<p><b>Recruitment management</b></p> <ul style="list-style-type: none"> <li>Advertisements</li> <li>Applicants</li> <li>Salary administration</li> <li>Benefit types</li> <li>Employee benefits</li> <li>Employee benefit payments</li> </ul> <p><b>Leave management</b></p> <ul style="list-style-type: none"> <li>Leave requests and approvals</li> <li>Leave parameters</li> <li>Leave totals</li> <li>Leave history</li> </ul> <p><b>Performance management</b></p> <ul style="list-style-type: none"> <li>Performance levels</li> <li>Steps</li> <li>Job grades</li> <li>Employees performance levels</li> <li>Competence levels</li> </ul>
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fashion, budget documents provide considerable detailed information on approved and actual expenditure, there are few problems with arrears, and the procurement process appears to be competitive and reasonably well managed. Further improvements are expected with the enactment of the Public Procurement Act, prepared with assistance from the Pacific Financial Technical Assistance Centre. Kiribati has accepted the eight principles of accountability adapted by Pacific forum countries, and must periodically report progress with their implementation.

Nonetheless, there is considerable room to improve the performance of the budget system. The main areas of weakness are defects in the system of output budgeting; the limited formal controls on individual expenditure items, particularly those outside the recurrent budget; asset management; and the quality of the links between the planning and budget system.

The output budget was first adopted in 1994, but the benefits have fallen well short of expectations. There are problems in ensuring

that outputs defined in the budget accurately reflect what a ministry actually does, and so far the output monitoring system appears to have been largely ineffective. One of the consequences is that ministries can perform poorly, free of any effective mechanism for highlighting the problem and triggering remedial action. Supplementary budget allocations are often made during a year for routine functions, pointing to a weakness in the budget planning process.

The Minister for Finance recently summarized the experience with the output budgeting system in the following terms:

“What I am suggesting .... is that the improvements to public financial management which we have made so far have often been more of form rather than of real substance. We have made changes in the terminology and the presentational aspects of our budgets but have we really brought about change in the way we actually think about public financial management and in monitoring and rewarding performance? This latter is the hard part, which lies ahead. We must strive now to implement the *performance management* part of the financial and budgeting system.” (Minister of Finance and Economic Planning, 2000).

Government expenditure is funded from four sources. On average, around 60% is central government recurrent expenditure funded from the Consolidated Fund. About 30% is central government development expenditure funded from the Development Fund and aid in-kind. The Island Councils account for another 3%, and the remainder is central government expenditure sourced from a number of special funds including an import levy fund that provides the freight subsidy for outer island shipping services.<sup>42</sup>

Expenditure from the Consolidated Fund is appropriated by parliament to a detailed level, but there is considerable flexibility to vary this appropriation within a year without returning to parliament. Parliamentary approval is only required for an increase in the appropriation for a “head.” A head of expenditure normally comprises the allocation of funds to a major function of government, e.g., education, assigned to a ministry. Funds can be moved between outputs within a head (e.g., a ministry) with the approval of the Minister of Finance, while the accounting officer (normally the permanent secretary of the responsible ministry) has the authority

to move funds between the items of an output (e.g., from stationery to electricity), except for wages and salaries.

Such flexibility in the management of the Consolidated Fund is important in allowing agencies to work effectively and efficiently, but it needs to be balanced by appropriate accountability measures. In this respect, the present weakness in the output budget system in adequate reporting on the activities and performance of agencies is of concern.

Parliament has a much more limited role in the operation of the Development Fund. Parliament approves the total government allocation to the Development Fund from the Consolidated Fund. This only accounts for the lesser part of the Development Fund, on average 15% over the 1990s or almost 35% more recently. Parliament does not approve allocation to individual projects.<sup>43</sup> Most of the cash for the Development Fund is provided by donors, who also provide additional in-kind development contributions that are not processed through the Development Fund at all. None of this donor funding is approved by parliament. Parliament is advised of the total that might be allocated to individual projects by the Government and donors (cash and in-kind) as part of the documentation accompanying the annual budget,<sup>44</sup> but there is no reporting to parliament of actual expenditure on individual development projects.

The documents supporting the budget refer only to the total contribution from the Consolidated Fund to the Development Fund and an estimate of the total donor contribution.

Thus, as much as 30% of government expenditure is largely outside public scrutiny.<sup>45</sup> This is an important shortcoming in the accountability framework. It provides the Government with a means of shielding certain expenditures from parliamentary and public attention. For example, if a government wanted to reduce the scrutiny of a new initiative, it could place the initiative under the development budget rather than the recurrent budget. This would avoid the requirement for parliamentary approval of the funding or for reporting on actual expenditure.<sup>46</sup> Although there is no obvious sign that this shortcoming has been abused, it is a weakness that would be better removed.

Expenditures from Special Funds are subject to rules submitted to parliament. In practice these rules provide considerable discretion to the Minister of Finance and there is minimal opportunity for the parliament or the public to scrutinize expenditure from special Funds. This is a further weakness in the accountability system.

Little is known publicly about the expenditure of Island Councils. Their estimates are approved by the Minister of Home Affairs and Rural Development. While local social pressures may be an effective constraint on Island Councils, a better system of monitoring and reporting would provide more opportunity for the general public to discuss and influence their expenditure.

The budgets of PEs are subject to much less public scrutiny than the general government sector, although some are required to submit their budgets for approval of the responsible minister. The only time parliament is required to approve funds to these enterprises is when a subsidy or investment is made from the Consolidated Fund and, as noted above, even this scrutiny could be avoided by shifting the funding to the Development Fund. The public reporting of PE activities is limited to the financial audits of their accounts provided to the Public Accounts Committee of parliament by the auditor-general. Some of these financial audits are several years out of date, and in any event say very little about the operations or performance of the enterprises.

Both the Government and public-enterprise sector have a tendency to poor management of physical assets, highlighted by the deterioration in power and water services on South Tarawa, characterized by regular blackouts and the rationing of piped water supply to one to two hours a day. For some time Air Kiribati has had only one of three aircraft operating and since late 2001 there have been frequent closures of the international airport due to poor maintenance of the runway. There are also widespread problems in maintaining school buildings and health centers, particularly in the outer islands.

In addition to maintenance problems, it appears that significant shortcomings can emerge in the evaluation of some investment decisions. This is evidenced by the recent decision to build a copra mill intended to produce coconut products for local sale and export. The preparatory documentation did not establish the project's

expected profitability or need for financial support. Another example is a recent decision to lease a medium-range aircraft for Air Kiribati to provide international air services in the central Pacific. The lease and insurance cost of the aircraft is substantial at approximately \$3 million per year. These costs are incurred whether the aircraft flies or not. The lease commenced at a time when Air Kiribati was unable to ensure that any of its three existing aircraft were operational, before important operational and marketing arrangements were in place, and without any detailed evaluation of the ongoing subsidy that the aircraft will require. Less-than-commercial viability may be justified in certain circumstances, leading to the need for capital and operating subsidies, but it is dangerous to accept the risk to public funds without quantifying it.

The policy framework guiding the activities of the public sector is spelt out in the National Development Strategies. While the Strategies are a useful statement of how the public sector would like to operate at some point in the future, there are many discrepancies between the policy position and actual implementation, particularly in the areas of economic management. This casts doubt on the extent to which the budget process is being guided by a clear policy direction. Long-term budget planning requires a more realistic and achievable vision of policy objectives and strategies.

A related issue is the need to improve the procedures for integrating donor activities and the budget process. There is a tendency for donors to manage their own projects outside the budget process, a move apparently triggered by concerns about delayed acquittal information and the inflexibility of the budgetary process. The outcome is a weakening of transparency and accountability. As noted above, donor cash contributions do not require parliamentary approval and all in-kind expenditure is effectively off-budget. There is no formal internal mechanism for ensuring the integration of donor activities with accountability to parliament and budget process. This has the potential to encourage inefficient and nontransparent allocation of public resources.

## Performance of Public Enterprises

The Government fully owns 28 businesses and shares with the private sector ownership of another four (Table 4.2). These businesses are either incorporated under the Companies Ordinance or are established under their own legislation as statutory authorities. A small number of business-like activities also operate within ministries, such as the Government Printer, the Post Office, and the workshops of the Ministry of Works and Energy.

Most PEs were established to undertake activities considered by governments to be inappropriate for the private sector or unlikely to attract private investment (e.g., activities that are not commercially viable). In general, the enterprises are run more as extensions of the responsible ministry than as independent businesses aimed at maximizing shareholder value. Most of the economic sector ministries are responsible for at least some such enterprises.

To evaluate the performance of a PE, it is necessary to clarify the factors responsible for its performance, and distinguish between those factors that the enterprise can be expected to control and those it cannot. For example, some PEs are obliged to undertake activities that are not commercially viable because of poor demand or high costs of supply, or are subject to price controls because of a government objective to provide essential services cheaply. Others appear to be weighed down by overstaffing, but are unable to rationalize their operations because of the potential political cost of cutting back staff numbers. Under such constraints, good performance may be precluded.

Despite the emphasis on service delivery, there is little information available on how well the PEs perform. Financial accounts provide almost the only source of relevant information. There are limits to the usefulness of such information. Delays in the preparation of audited accounts can mean the available information is out-of-date and no longer relevant; the accounts may not correctly represent the true financial position of the enterprise;<sup>47</sup> a poor financial performance may have more to do with externally imposed constraints than the quality of management; or an enterprise may be poorly run and inefficient, but still show a profit because it can take advantage of a monopoly position.

The reported financial performance of the PEs is mixed. Some earn high profits, some achieve an acceptable performance with prospects for improvement, while others have sustained losses (Table 4.4). Most of the profitable enterprises are monopolies including the BoK, Telecom Services Kiribati Limited, the Kiribati Ports Authority, and the Kiribati Provident Fund. However, some monopolies are unlikely to earn profits because they have an obligation to undertake activities that are not commercially viable or have constraints on pricing. Enterprises within this group include the Public Utilities Board, the Broadcasting and Publication Authority, the Solar Energy Corporation, and Air Kiribati.

Some PEs achieve acceptable financial results in competition with the private sector. The ability to compete is a *prima facie* indication that such enterprises are operating efficiently.<sup>48</sup> They include the wholesaler/retailer Bobotin Kiribati Limited, the Atoll Seaweed Company Limited, the Otintaai Hotel on South Tarawa, and the Captain Cook Hotel on Kiritimati Island. Some that have struggled to survive because of strong competition include Atoll Motor and Marine Services, Abamakoro Trading Limited, Kiribati Marine Export Limited, Kiribati Shipping Services Limited, Kiribati Co-operative Society, and Te Mautari Limited. Te Mautari collapsed in 2001 and has been revived under new management in the form of Central Pacific Producers.

Some of the enterprises performing well now previously had financial difficulties. Atoll Seaweed has only recently become profitable. The currently successful Bobotin Kiribati Limited was created from the failed Co-operative Wholesale Society. A key contributing factor to the failure of the latter was intense competition from another PE, Abamwakoro Trading Limited. The situation reversed over the 1990s when Bobotin began to earn good profits while Abamwakoro began to make large losses. More recently, Abamwakoro has addressed its management problems and overstaffing, and closed down some branches in an effort to return to profitability in 2002.

Government financial contributions—subsidies and investments—to the PE sector are substantial, totaling \$5.9 million from the Recurrent Budget and \$2.2 million from the Development Fund in 2001.<sup>49</sup> The budgeted cash contributions from the Recurrent

Budget for 2002 are down at only \$1.4 million. However, the cash contributions from the Development Fund over the first half of 2002 were \$4.5 million, with the full year cash contributions budgeted as \$13.1 million. Budgeted in-kind contributions for 2002 are \$21.3 million, mainly in the form of a new power station.

Total company tax receipts from PEs are about \$2.0 million, most of which is paid by BoK and Telecom Services Kiribati Limited. These are also the only two companies to pay dividends to the Government, amounting to about \$1 million per year.

As well as the employment objective in this and other chapters, an often-stated reason for the large number of PEs in Kiribati is the need to provide competition to the private sector. This is seen as a way of keeping the prices of goods and services down and generating benefits for consumers and the economy. There is some anecdotal evidence of a price lowering effect from their presence. For example, the diversification of Betio Shipyards into retailing is credited with a reduction in hardware prices, and private wholesalers argue that the government-owned wholesale businesses simply depress earnings throughout the sector. Such price-reducing competition may be a legitimate tool of policy if the playing field were really level, that is, if the PEs met similar costs to those facing the private sector. It is also possible that rather than reducing prices, an inefficient public enterprise that does not have to compete to stay in business may actually raise average prices.

## **Key Factors in Public Sector Performance**

### **Formal Rules and Informal Understandings**

The formal rules of the public sector are routinely set out in government publications such as budget documents, the National Development Strategies, and the National Conditions of Service. However, these formal rules differ markedly from informal understandings that appear to apply widely in the public sector. Consultations for this report found strong indications that these informal understandings are more influential than the formal rules

Table 4.4: Financial Performance of Public Enterprises

Enterprise	Key Financial Aggregates for the Latest Year <sup>a</sup>	
	Assets (\$ million)	Equity (\$ million)
1 Abamwakoro Trading Limited	3.7	1.0
2 Air Kiribati	2.2	0.7
3 Atoll Motor and Marine Services Limited	1.9	1.1
4 Atoll Seaweed Company Limited	0.6	0.4
5 Bank of Kiribati Limited	58.1	1.9
6 Betio Shipyard Limited	1.8	0.9
7 Bobotin Kiribati Limited	5.3	1.0
8 Broadcasting and Publication Authority	1.0	0.8
9 Captain Cook Hotel Limited	2.1	1.3
10 Central Pacific Producers/Te Mautari Limited	4.8	-4.0
11 Development Bank of Kiribati	5.6	3.8
12 Kiribati Copra Cooperative Society Limited	3.0	2.3
13 Kiribati Copra Mill Company Limited		
14 Kiribati Handicraft and Local Produce Limited		
15 Kiribati Housing Corporation	4.9	4.7
16 Kiribati Insurance Corporation	2.4	1.0
18 Kiribati Oil Company Limited	6.6	5.1
19 Kiribati Otoshiro Fishing Company		
20 Kiribati Ports Authority	23.4	23.1
21 Kiribati Provident Fund	65.1	64.9
22 Kiribati Shipping Services Limited (Main Operation)	14.3	0.3
23 Kiribati Shipping Services Limited (Te Tauu Bunkering Services)	3.1	0.8
24 Kiribati Supplies Company Limited	3.0	2.2
17 Kiritimati Maintenance Company Limited	0.4	0.4
25 Kiritimati Marine Export Limited	0.5	-0.2
26 Otintaai Hotel Limited	2.2	2.0
27 Plant and Vehicle Unit	4.4	5.6
28 Public Utilities Board	7.6	6.0
29 Solar Energy Company Limited	0.3	0.2
30 Tarawa Biscuits Company Limited	0.3	0.1
31 Telecom Kiribati Limited	6.6	1.3
32 Telecom Services Kiribati Limited	5.2	2.0
<b>Total</b>	<b>240.5</b>	<b>130.6</b>

n.c. = not calculated.

<sup>a</sup> Expressed in nominal terms (i.e., without any adjustment for inflation).

<sup>b</sup> Corresponds to the year of the latest audited accounts (note that the period of the financial year varies between enterprises). Data on the value of equity for KPF, DBK, KCCS, KIC, PUB, and Kiribati Otoshiro Fishing Company are for a later year.

Source: Statistical Appendix.

Table 4.4 (continued)

Rate Of Return on Total Assets (%)	After-Tax Rate of Return on Equity (%)	Year <sup>b</sup>	Government Subsidy and Investment	
			2001 (\$ million)	2002 (\$ million, estimated)
-9	-29	2000	0.0	0.0
-10	-27	2000	0.7	3.1
2	3	2000	0.0	0.0
11	60	2001	0.0	0.0
1	97	2000	0.3	0.0
9	21	1995	0.0	0.0
2	21	2001	0.0	0.0
0	0	1999	0.0	0.0
16	21	2000	0.0	0.0
-19	n.c.	1997	0.8	0.1
0	-2	1997	0.0	0.0
-14	-18	1996	0.0	0.0
			0.3	2.4
			0.2	0.0
2	2	1999	0.4	0.4
-2	-4	1992	0.0	0.0
17	22	1998	0.3	0.0
			0.0	0.0
4	8	2000	0.0	0.0
-2	-2	1998	0.0	0.0
-1	-38	2001	0.0	0.0
118	79	1998	0.0	0.0
3	4	2000	0.0	0.0
2	2	2002	0.0	0.0
0	n.c.	1997	0.2	0.0
7	2	1998	0.0	0.0
-6	-6	1994	0.0	0.0
0	0	1995	1.0	8.5
-16	-27	2000	0.0	0.0
13	25	2001	0.0	0.0
-3	-15	1999	0.0	0.0
8	41	2001	3.5	0.0
			<b>7.6</b>	<b>14.6</b>

in guiding the behavior of individual staff members, ministries, and PEs. Some of the most pervasive informal understandings are that

- employment in the public sector is a way of distributing government income through the extended family rather than a contractual obligation to work;
- nonperformance of work obligations will be tolerated if it is not too obvious;
- private enterprise is to be treated with caution bordering on noncooperation;
- information is not to be shared unless asked for, and then only sparingly; and
- issues are best not confronted and problems are best left to solve themselves.

These informal understandings represent a constraint on raising formal performance standards that may prevent significant or sustained change. Failure to take their existence into account in the design of programs and policies leads to unrealistic goals and unachievable schedules. They have an important bearing on strategies for improving public sector performance.

The objective of using public sector employment as a distributive mechanism is perhaps the most important informal understanding. Overemployment adds to the costs of operations and can undermine motivation if it is common knowledge that employment is not solely merit based.<sup>50</sup> Both factors tend to reduce performance of government entities, have a flow-on cost to the general community, and inflate budget allocations. Overemployment also results in payment in excess of productivity levels. To the extent that public sector wages set the benchmark for wages in the country, this can lead to wages being above what the private sector can afford to pay, hindering the emergence of private sector activity and more productive work opportunities.

## Ineffective Supervision of Public Enterprises

Only a small number of PEs regularly receive government subsidies or investment, and associated political and official intervention. Most enterprises enjoy considerable independence in managing their affairs. The boards of most of them are chaired by either the permanent secretary or deputy secretary of the “caretaker” ministry, and these senior public servants provide the main link between the enterprise and the Government.

The main form of external scrutiny is provided by the auditor-general, who monitors their financial performance when auditing their annual financial statements. The regular criticism by the auditor-general of the accounting and reporting standards of a number of the enterprises indicates a vigorous monitoring of financial records. Unfortunately, it appears that the full value of this work has not been realized. Although the auditor-general reports to the Public Accounts Committee and also to the MFEP, there is only partial follow-up by boards and management of the enterprises of adverse findings. This is reflected in the repetition from year to year of adverse findings on the same matter and a high incidence of qualified audit opinions.<sup>51</sup>

The effectiveness of the financial audits is impaired by the delay in the submission of financial accounts by some enterprises. This is mainly a problem in those incorporated under their own legislation, which does not set a time period within which financial accounts must be submitted for audit and in responding to queries by the auditor. In contrast, enterprises incorporated under the Companies Act must submit accounts within 6 months of the completion of their financial year; and there are penalties for late submission.

Apart from arranging generalized “capacity-building” activities, it appears that the central government agencies have a “hands-off” approach to the performance of PEs, showing very little interest in their operations except when extra public funds are requested. The reporting on performance is sparse and there is no formal mechanism for the Government to routinely involve itself in strategic decisions. This means that their performance is largely a matter for their own board and senior management. The effectiveness of this management

appears to be what makes the difference between good and poor performance.

PEs appear to respond to much the same pressures and informal rules as the rest of the public sector. There is a perception that provision of employment is one of their roles, there are few checks on performance, there is little information available on their operations, and—with a few exceptions—the views and needs of customers appear to be a low priority. There is considerable potential to improve the performance of the sector, if the influence of the informal rules can be weakened and more formal performance criteria brought to bear.

### Why Public Sector Performance Matters

Elsewhere in the region, large financial failures and concerns about corruption have triggered major reforms in the public sector, with mixed results. Kiribati has so far been free of those unhappy conditions. The causes of concern about the public sector in Kiribati are different, and the nature and timing of any proposed changes must recognize that. There are strong arguments for improving the performance of the public sector and a number of simple ways of doing so.

First, *accountability* demands improved performance. The Government is elected to serve the community and is entrusted with public resources for which it is constitutionally accountable. The community will be best served when the public sector is efficient in its delivery of goods and services, is responsive to the needs of its customers, and reports regularly and fully on how it uses the community's resources.

Second, the *large size* of the public sector requires increased efficiency of resource use. The public sector dominates the economy and absorbs the major part of the nation's financial and skilled human resources. Safeguarding the community's well-being over the long term requires that the public sector be an efficient user of scarce resources, replenishing existing capital assets, and assisting the economy to create new assets for future incomes.

Third, *development of the private sector* requires its improved performance. The scope of government and PE activity is such that private enterprise is heavily dependent on the quality, timeliness, and price-competitiveness of public sector outputs for its own efficient operations. As mentioned, the private sector operates under difficult conditions because of the endowed handicaps of its atoll location. It is important not to add the extra handicaps of an inefficient and less-than-supportive public sector, if economic growth is to be made more sustainable through a greater role for private capital and enterprise.

## **Ways to Improve Public Sector Performance**

The performance of the public sector in sustaining and distributing economic growth can be improved by action in three areas: improving the flow of information publicly and internally; redefining outputs and refocusing the roles of departments and PEs; and strengthening supervision, performance monitoring, and motivation.

### **Improving the Flow of Information**

A fundamental part of modern public sector management is a good flow of information on the public sector's role, efficiency, and effectiveness.<sup>52</sup> Regular, informative, easy-to-use published reports are essential. Mechanisms need be in place to ensure that this information can be used as a catalyst to improving performance.

Information can empower the general public, the "customer" of the public service, to influence public sector performance. At present, the linkage to the customer appears to suffer from a number of weaknesses. A member of the community would find it very difficult to establish what ministries are supposed to do because the budget statements of most ministries do not provide clear descriptions. There is practically no timely information on what each PE is expected to achieve with its share of the community's resources.

Most people in Kiribati are literate. They are avid readers of the available newspapers and listen keenly to parliamentary sessions. Providing the community with information about public sector intentions and achievements, and the challenges facing Kiribati and the difficulties of meeting them, will demonstrate the will of the Government to engage the community fully in the governance process and produce a better informed, more engaged civil society. People generally will have a better understanding of the roles and responsibilities of citizens, public servants, and politicians and will be able to contribute positively to consultative processes of governance.

### Redefining Outputs and Refocusing Roles

In the present economic circumstances, a large public sector is necessary and appropriate. What is important is that the Government, PEs, and the public should know exactly what the components of the public sector are supposed to be doing, how well they are doing it, and if they are not doing it well, how to improve matters. A comprehensive program is under way in MFEP and line ministries to improve the output budgeting system, redefining outputs so that they can be used to manage and monitor performance. A parallel process is required for PEs (see proposals in Annex A).<sup>53</sup>

There are good reasons why under certain conditions the Government should continue to operate a number of the current PEs for at least the time being. The main reason is that the cost of dealing with a third party supplier of goods and services is so high that it is best for a Government entity to be the supplier.

There are several areas of the economy where there is room for only one supplier and the choice is between a government-owned or a privately-owned monopoly. A privately-owned monopoly would need to be carefully regulated. The prices it charges would need to be monitored and kept to a level that provides a reasonable level of profits on justifiable costs. The administrative cost of the required regulatory regime would be high and may strain the capacity of the Government. It can be more sensible for the Government to own the monopoly in order to have direct control over operations, pricing,

etc. This rationale is most relevant for the Public Utilities Board, Air Kiribati, Kiribati Ports Authority, Broadcasting and Publication Authority, Kiribati Oil Company Limited, Kiribati Provident Fund, and Telecom Services Kiribati Limited.

The Government provides substantial subsidies for the provision of services considered to offer important social benefits. Subsidies for shipping, air freight, and copra exports are justified as one way to ensure that important services are provided to the outer islands at a reasonable cost. Channeling these subsidies through a government entity can be efficient if it avoids the need for costly negotiation and monitoring of contracts with private sector providers.

There are also good reasons why a government would want to avoid owning business enterprises. The experience of many countries is that the incentive to perform and meet customer needs is normally stronger under private ownership than under government ownership. That is, businesses tend to run better when owned by the private sector. The argument for private ownership is strongest when the market is competitive because there is minimal need for regulatory oversight.

It is also important to keep in mind that it is possible to create competition by putting government subsidies out to tender. This could lead to the creation of the beneficial price discipline of competition. Private suppliers could be asked to tender to supply remote island shipping services that they would normally not provide because such services are noncommercial. Providing the tendering process can be made clear and simple, such an approach could avoid the need for a government-run operation. There appear to be many services currently provided by PEs that have the potential for competitive tender.<sup>54</sup> By the same token it is difficult to justify the retention of enterprises that operate in well developed competitive markets without a clear social rationale for their operation, such as the Plant and Vehicle Unit and the two retailers, Atoll Motor and Marine Services Limited and Kiribati Supplies Company Limited.

## Strengthening Supervision and Performance Monitoring

An active search for better performance is an integral part of the private sector model of business. This attitude is also highly appropriate to ministries and PEs, even though it seems to run counter to the informal rules mentioned earlier. Somehow, the private sector's continuous drive to improve performance—to do any task better because if you don't your competitors will beat you—has to be imported into government departments and enterprises.<sup>55</sup>

Public sector managers, both in the Public Service and private enterprise, will be better able to improve performance if they are skilled and knowledgeable about management techniques that have been proven to be effective in situations not too different from Kiribati, and how to implement and monitor them. An outline of a management program that would impart such skills and knowledge and provide the opportunity for managers to improve their organization's performance is outlined in Annex B.

Most PEs have little guidance from the Government on what it expects them to achieve, and there is only occasional scrutiny of their performance. It is important for these enterprises to be responsible for their own day-to-day management, but it is equally important that the Government as owner accept responsibility for strategic issues. Based on the general private sector model of running a business, there is a sound case for a more active system of external supervision.

This would provide many opportunities to improve the financial and service delivery performance of PEs, provide early warning of emerging problems and any need for budget funds, help the Government provide appropriate support via strategic investment or pricing decisions, and enhance the incentive to perform.

A system of independent supervision would also enhance the accountability of PEs by providing more information to parliament and the general public on their activities. An illustrative system of supervision for PEs including a number of policy initiatives that could be readily adopted to provide the basis for gradual improvement in performance, is described in Annex A. The initiatives include a code of governance for the enterprises, the adoption of

service agreements that essentially act as a contract between the enterprise and the Government, the expansion of the role of the auditor-general to undertake performance audits in addition to the current financial audits, and strengthening the role of the Public Accounts Committee as the keystone of the public sector supervisory system.

Box 4.1 uses the case of Telecom Services Kiribati Limited to illustrate the type of analysis likely to be undertaken and the issues that may arise. This enterprise stands out in its advanced information systems backed up by corporate planning. This makes it possible to readily identify the strengths and weaknesses of the organization and its emerging needs.

### **Box 4.1: Strategic Planning at Telecom Services Kiribati Limited (TSKL)**

TSKL is the monopoly provider of telecommunication services in Kiribati. Services provided on South Tarawa include a landline phone system, a mobile phone network, internet services, public phones, PABX, and fax services. TSKL also operates a radio system for the outer islands and provides mobile services to three nearby islands. The corporation operated over much of the 1990s as a joint venture with Telstra, Australia's main telecommunications provider, and entered into full government ownership in June 2001 following the purchase for \$3.4 million of Telstra's 49% stake.

Prior to Telstra's departure, the corporation reported high levels of profitability. Every dollar in sales revenues provided around 25 cents in profit and the return on (the book value of) equity was typically in the order of 75% per annum. On the one hand, the very high profits reported are encouraging because an efficient, well-run operation would be expected to make profits. On the other hand, such a return is considerably higher than competitive benchmarks and this suggests that the corporation may be exercising its monopoly power and setting prices too high. It is also possible that the exercise of monopoly power could be hiding inefficiencies in the operation, in which case action could be justified to reduce prices and raise efficiency levels.

Given the risk that TSKL is exercising its monopoly power, a ministry overseeing the corporation would ideally examine the operation closely. The starting point would be information on productivity and service standards by business segment. The organization's future capital requirements would also need to be examined closely. High prices normally point to the abuse of a monopoly position, but they can also be a sensible way of rationing access to equipment reaching full capacity and may actually be a signal that additional investment is warranted.

Much of the required information is provided in the corporation's business plan for 2002–2007. The plan does point to weakness in efficiency, a key factor being high labor costs. This is reflected in the low number of subscriber

lines per employee—22 compared to 61 for the Fiji Islands, 90 for the Federated States of Micronesia (FSM), 116 for Australia, and 152 for the Asia-Pacific region—and can be partly traced back to a 25% increase in staff numbers over 2000. TSKL's fault rates are high at 171 per 1,000 calls compared to 153 in the Fiji Islands, 89 in FSM, and 64 for the Asia-Pacific region. But revenue and operating expenses per subscriber line compare favorably to regional benchmarks.

The business plan points to the need to invest more in the business. Much of the electronic equipment is 10 years old and requiring major upgrades, the mobile phone system is almost fully subscribed, and there are plans to develop an outer island phone system. Projected capital expenditure over the next 10 years is \$16.8 million. Of this amount, \$10 million for the outer island phone system which will provide phones to the Island Council offices, health facilities, schools, and two pay phones per island.

The corporation plans to fund the initial phase of the outer island phone system from accumulated reserves and the retention of dividends. The latter requires the approval of the responsible minister. Current charges for radio-based outer island calls of \$0.90 per minute for private calls and \$3 per minute for government calls are likely to be well below the full cost, at least until traffic volumes grow, and this implies the need for a cross-subsidy from other activities (mainly international calls).

Profits are projected to continue at between \$1.5 million and \$2.5 million per annum until 2004. Much of the planned capital works could be funded from retained profits over the next 10 years. Alternatively, as argued in this report, financially viable telecommunications development is an excellent opportunity for the use of medium-term loans from, for example, KPF and BoK, thus putting domestic savings to developmental use and allowing TSKL to continue to distribute profits while undertaking capital investment.

Source: TSKL 2002 and personal communications.

# Making Room for the Private Sector

## Composition of the Private Sector

The private sector comprises all activities other than those undertaken by ministries, PEs, and other government entities. Churches and households form part of the private sector, as do a variety of income-earning activities ranging from incorporated businesses to small-scale activities, such as a family's sale of fish on the street or at the local market. This chapter is concerned with the income-earning activities of the private sector—what they are and how their contribution to sustained economic growth can be enhanced.

In examining the income-earning activities of the private sector, it is helpful to draw a distinction between formal and informal activities. This distinction is important because the needs of the two forms of activity can be very different.

Informal activities comprise those persons and families engaged in subsistence and semi-subsistence activities in the rural areas and those working in urban areas without formal employment arrangements. Formal activities usually involve regular wage and salary employment, but they also include activities run as a business that go beyond being just a by-product of subsistence living. Formal activities are normally undertaken by businesses that are incorporated or licensed to do business, are registered with the local authorities and pay government fees and taxes.

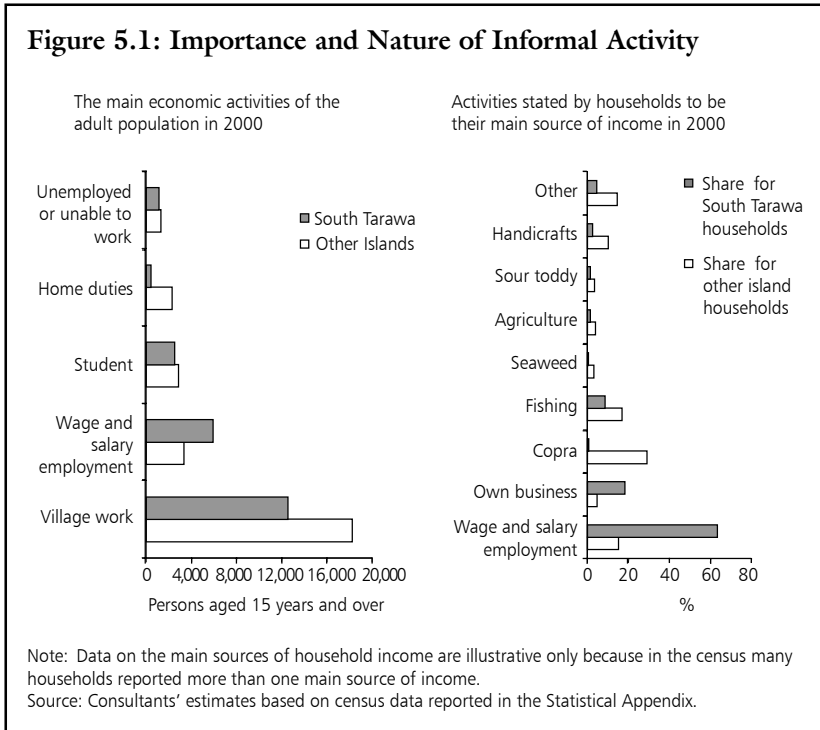
Most people earn at least some income from informal activity. The 2000 census found that more than 30,000 adults, or around 60% of the adult population, are engaged in village work (see Figure 5.1). This comprises informal, private sector activities. In contrast, the census found that less than 10,000 or 20% of adults were engaged in formal wage and salary employment, most of which is in the public sector. It is estimated that less than 4% of all adults are engaged in formal, private sector activities. This means that for every adult engaged in formal private sector activity in Kiribati, another 15 or so adults are engaged in informal private sector activity.

Informal activities are particularly important in the outer islands where they provide most people their only opportunity to earn cash. The most important informal activities there are copra harvesting, fishing and handicrafts (which include weaving), followed by seaweed farming, sour toddy, and other agricultural activities. In South Tarawa, an individual's own business provides the main source of informal activity, with fishing also important (Figure 5.1).

While only a small part of the adult population is engaged in formal private sector activity, formal wage and salary employment is highly sought after because of the relatively high pay rates. Formal sector incomes are redistributed widely through the community, with the result that the sector supports far more people than are directly engaged. But the system of redistribution is not entirely egalitarian and those families with formal sector employment tend to have higher cash expenditure levels than those without.

Because the calculated monetary equivalent of nonmonetary incomes in informal activity is relatively low, the total value assigned to informal activity is much the same as the total value of formal private sector activity. Preliminary estimates of the MFEP suggest that informal activity may account for 20% of GDP while formal, private sector activity probably accounts for around 15% of GDP.

Formal private sector business activity has shown good growth in recent years. In 1995, private sector businesses accounted for 18% of total wage and salary employment, and by 2000 this figure had grown to 25% (Figure 5.2). This amounts to an annual growth rate of 10%, much of which was in small-scale manufacturing (mainly clothing and food), construction, and transport (mainly private buses



and shipping services) that more than offset a contraction in agriculture, fishing, and business services.

This growth appears to have continued in South Tarawa and the Line Islands. In the capital, there has been a further expansion in clothing manufacturing that now employs around 100 people; construction has expanded as government projects have created new opportunities; the number of rooms at private hotels has increased; and new restaurants, nightclubs, and bakery businesses have opened. In the Line Islands, the main development has been the significant expansion on Kiritimati (see Annex D) and Tabuaeran centered on tourism activities (associated with increased frequency of visits by cruise ships together with a continuing flow of sports fishers flying in from Hawaii). In the outer islands generally, there has been a shift of retailing activities away from island cooperatives to private retailers.<sup>56</sup>

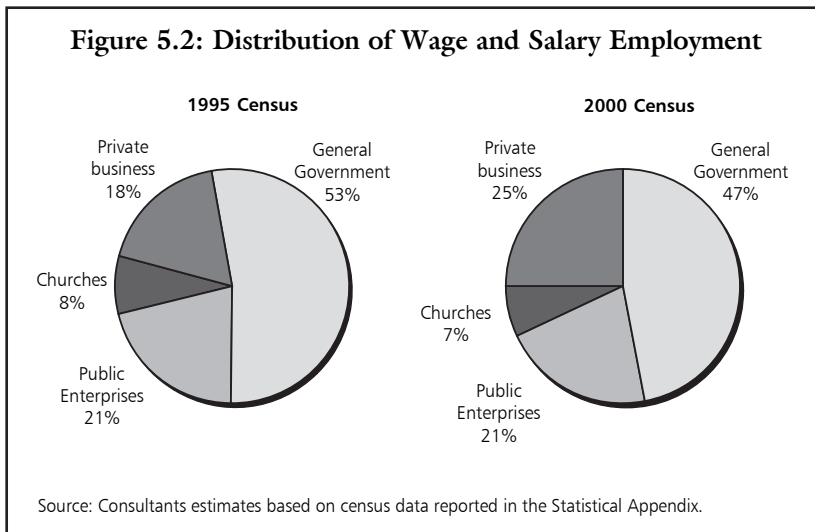


Table 5.1 summarizes the scope and nature of private businesses. Most are involved in retailing and wholesaling, the conduct of bus and shipping operations, and provision of basic services. Important services provided by the private sector include accommodation, restaurants and bars, mechanical and electrical repairs, representation of seafarers and fishers, and the operation (mainly by churches) of secondary schools and colleges. Private businesses are typically small to medium size, with an average annual wage and salary bill of \$28,000.

One of the important characteristics of the formal private sector in Kiribati is the extensive competition it faces from larger PEs and some ministries as described earlier. The private and public sectors are effectively direct competitors in the wholesale and retail sectors, shipping, small-scale construction, hotels, and some small-scale manufacturing (e.g., upholstery and furniture manufacture). PEs operate in many sectors where private business could successfully operate under the right conditions, such as the export of marine products and the provision of electricity, water, and telecommunications. The broad engagement of PEs in business is reflected in the wide scope of the PEs (Table 5.1).

**Table 5.1: Comparative Profile of Formal Private and Public Enterprises in 2001**

Main Business Activity	Private Business				Public Enterprises			
	Number of Businesses	Implied Annual Wages and Salaries		Number of Businesses	Implied Annual Wages and Salaries		Average Per Business (\$'000)	
		\$'000	Share of Total (%)		\$'000	Share of Total (%)		
Agriculture	0	0	0	1	226	3	226	
Marine products	8	198	4	25	3	427	5	
Trade	57	1,624	30	28	6	1,017	13	
Transport	18	506	9	28	4	1,988	26	
Construction and engineering services	2	157	3	78	0	0	0	
Utilities	0	0	0	4	1,106	14	276	
Manufacturing	6	118	2	20	2	51	1	
Services	51	2,123	39	42	10	3,202	41	
Cooperatives	10	123	2	12	0	0	0	
Not specified	37	527	10	14	0	0	0	
<b>Total</b>	<b>189</b>	<b>5,376</b>	<b>100</b>	<b>28</b>	<b>29</b>	<b>7,791</b>	<b>100</b>	

Source: Consultants estimates based on Census data report in the Statistical Appendix.

In most areas, PEs are substantially larger than their private sector competitors. Although reliable data are scarce, PEs are on average about 10 times the size of private businesses in terms of payments to employees (Table 5.1).

In addition to competing for customers, PEs compete with the formal private sector for some important inputs to production. This is particularly the case for labor, where PEs are at an advantage because they can afford higher rates of pay. Although there are six or seven times as many formal private undertakings as PEs, and employ in total 50% more persons, their total wage and salary bill is only two thirds that of the PEs (Table 5.1).

There is little private foreign investment. The major recent private investments have been the purchase by ANZ Bank of a share of BoK (to replace the departing Australian bank, Westpac) and the development of a base on Kiritimati Island for an experimental Japanese space shuttle. In a typical year, total private direct investment is less than \$0.5 million.

## What Holds the Private Sector Back?

There are many inherent handicaps to private sector development in Kiribati, such as the long distances to major markets, the small and dispersed local population that restricts local markets, and the narrow natural resource base. These factors are likely to prevent the Kiribati economy diversifying to support an extensive private sector as seen in better-endowed Pacific island economies.

The private sector is also constrained by a range of human-made handicaps. Of note are the uncompetitive wage rates, the use of the Australian dollar as the national currency, and the operation of PEs.

The ready access of the public sector to buoyant government revenue has helped support wages in the public sector well above incomes available from most alternative activities. Contributing factors to this situation are “cost of living adjustments” independent of productivity improvements, and pay rates linked to qualifications and years of service rather than productivity or merit.

The possibility of securing a well-paid public service position, or the ability to share in the income from a job held by a relative, lessens the incentive to pursue alternative forms of earning income. The private sector can find it hard to match such salaries and employ the right staff, limiting the resource base available for private sector activities. Further, the wages and salaries that have to be paid can make the cost of operations too high—a particularly important problem for activities seeking to export or compete against imports, such as agriculture and fishing. The result is that opportunities available to the private sector are not fully utilized.

The opportunities to work overseas and associated remittances can have a similar constraining effect on the domestic private sector. For some, the wage rate or income sought domestically is influenced by the higher level of wages that a seafarer, fisher, or other offshore worker can hope to earn. Also, remittances from offshore supplement income, which adds to the wage or income level that must be available before a person is induced to work. These problems affect participation in both formal and informal activities.

The use of the Australian dollar as the national currency limits the flexibility of the economy to improve its competitiveness through depreciation of the currency.<sup>57</sup> In the present currency situation, Kiribati's ability to compete internationally is limited to areas where it enjoys a cost advantage because of its endowment of marine resources, or where informal sector labor is prepared to accept low rates of pay, or where high transport costs offer some natural protection from imports.

Many of the human-made handicaps facing the private sector revolve around the performance of PEs. It is generally acknowledged that some PEs are failing to provide goods and services of an appropriate price or quality, even though they have a critical role to play in supporting the economy. Poorly performing PEs can undermine the private sector for the following reasons.

- They require financial support, which diverts funds from alternative uses important to the private sector, such as infrastructure provision, or they require a higher level of taxes than need otherwise apply. Unnecessarily high taxes reduce the purchasing power of households and, if levied on business, can act as a direct constraint to expansion.
- They can fail to provide essential services, such as shipping, air freight, telecommunications, and electricity, at a reasonable cost and/or level of service. This makes it harder for import-competing and export activities to become internationally competitive and for informal activities to evolve into formal activities. This problem is particularly noticeable in the provision of services to the outer islands, where high cost and/or poor reliability can prevent suppliers accessing markets in South Tarawa.
- They crowd out the private sector by taking up opportunities that could otherwise be pursued by private business. Examples of this problem are found in the retail and wholesale sectors and the provision of shipping services.

- They tend to be poor payers for goods and services supplied by the private sector and this makes it harder for private businesses to operate. Several PEs with poor financial performance owe creditors considerable sums.

Some PEs are also protected from competition by statutory monopolies that exclude the private sector from important areas of the economy. For example, the Public Utilities Board (PUB) has a statutory monopoly to supply water and electricity on South Tarawa. The electricity supply is subject to numerous disruptions and the cost is high by regional standards. Yet businesses and households seeking to install their own generator for permanent supply or even as a back-up generator must seek the approval of the PUB.<sup>58</sup> The Solar Energy Company has a statutory monopoly to supply solar energy systems to outer islands. The Kiribati Insurance Corporation has a statutory monopoly to provide insurance services (although it may choose to allow competition) and the Kiribati Provident Fund holds a monopoly on the provision of superannuation.

Other PEs are protected by nonstatutory, policy-based monopolies. These include the BoK, Air Kiribati with respect to domestic air services, the Plant and Vehicle Unit that has a monopoly over the supply of vehicles to ministries, and the Ministry of Works and Energy that has an effective monopoly over the conduct of small maintenance work for ministries (because it controls maintenance funds).

Poorly performing ministries can also undermine the private sector if they fail to ensure that important services are in place. There are some activities in the economy that the private sector cannot be relied upon to initiate without government involvement. Unless the ministries intervene to ensure that such activities do happen, important gaps can emerge in the economy. Ministries need not actually undertake the activities, but they need to at least facilitate them.<sup>59</sup>

The rules and regulations of the public sector need to take into account the commercial realities affecting the private sector. For example, it is important that the price controls currently applying to fuel, bus fares, and some basic food and household items allow opportunity for a reasonable profit. A sound case can also be made to remove price controls in areas where there is strong competition

in the supply of these goods and services, such as for buses and basic foodstuffs on South Tarawa.

A further issue is the role of Island Councils. Councils have the power to levy license fees and charges for revenue raising purposes. Some Councils levy very high charges that appear to rise as perceived profitability rises and are unrelated to the levels of service provided by Councils. This can amount to an unreasonable imposition on private business. Some Councils also play an active role in business, for example, in transport and retailing, directly crowding out private sector activity.

In contrast to the local government revenue system, the revenue system of the central Government is reasonably efficient and probably does not present a major impediment to the private sector.<sup>60</sup> The main exceptions are the imposition of a high withholding tax on foreign investment, the levying of tariffs on a number of business inputs, and the considerable variability in tariff rates.<sup>61</sup>

The limited land area is in itself an important constraint on private sector development. But it appears that systems for obtaining access to the very limited land on South Tarawa are operating reasonably well. There is considerable leased land on South Tarawa that can be traded and a land titling system is in place. Obtaining access to land is more of a problem on Kiritimati where lengthy administrative delays in allocating Crown leases are a potential constraint to the development of the island.

The finance sector is dominated by PEs and because some are taking advantage of their monopoly position (e.g., by overcharging or paying too low a return on deposits), the price of capital is probably higher than it should be. But the supply of capital appears to be more than adequate. Leases of land are now accepted as security by lending institutions, as is a public sector wage or salary. These innovations have done much to ensure that funds are available for business investment. Nevertheless, the considerable reserves held offshore by the financial sector indicate that the use of domestic credit for development is still constrained by factors other than the level of domestic savings.

A final human-made handicap, mentioned in several parts of this report, is a widely held and generally negative attitude to the private sector that has tended to deter the emergence and expansion

of formal private business. This attitude appears to have cultural origins, and is only likely to change slowly. There are signs, however, that more positive attitudes to the private sector are gradually taking root, as more people make the transition from informal to formal modes of risk-taking enterprise.

## **Reducing the Handicaps Facing the Private Sector**

The handicap created by high public sector wages cannot be readily corrected. But its impact could be lessened over time if there were an improved alignment between public sector wages and productivity levels. Improved human resource management systems can help in this regard by facilitating merit-based appointment. It would also be assisted by a tighter focus on performance of both the general government and PE sectors.

The human-made handicap most open to correction is the wide scope and inefficient operation of the PEs. The crowding out of the private sector could be reduced by efforts to limit the scope of the PEs. Improved performance of the PE sector would generally help lift the performance of the private sector (both formal and informal activities).

It is very difficult to present a sound justification for maintaining all the existing monopolies indefinitely. But immediate removal of these monopolies may be impractical in many cases, as new regulatory systems may be required before the exemptions could be removed. This is the case for financial sector PEs (BoK, KPF, and the Kiribati Insurance Corporation). The MFEP is preparing an appropriate regime for the sector with the aim, among others, of facilitating competition.

In some areas, it is difficult to expect new competitors to emerge even if restrictions are relaxed because of the high cost of entry (e.g., telecommunications and domestic air services). But some smaller-scale activities of PEs, in which private suppliers are already operating, could be readily opened to competition. For example, the right of the PUB to prevent the establishment of own-use generating systems could be removed to facilitate the use of

small-scale generators and solar systems. Also, the provision of vehicles by the Plant and Vehicle Unit and of certain maintenance work by the Ministry of Works and Energy could be opened to competition.<sup>62</sup> A ready example of the potential benefits of such reform is provided by the South Tarawa bus system that was previously government run but is now run efficiently and profitably by the private sector.

The performance of the PEs would be improved by opening them to competition and providing for improved supervision and monitoring of their performance by the Government. Such supervision and monitoring could be used as a basis for a system of rewards and sanctions that could provide better incentives to PEs. Unprofitable PEs competing against the private sector should be allowed to close and be replaced by private sector providers.

There are a number of other broad measures that the Government can provide to help all private enterprises offset the handicaps they face. For example, sustaining good land management systems can help reduce the constraints created by traditional systems of land ownership. Innovative sources of credit can be used to help overcome any problems faced in using land as collateral for bank loans. Efficient transport and telecommunication systems can help correct for the long distances between islands.

There are a number of subsidies provided to the outer islands to facilitate their economies. Direct subsidies include a freight subsidy funded by a 3% levy on imports (valued at \$1.3 million in 2001) and a copra price subsidy (valued at \$4 million in 2001). Some subsidies are provided indirectly via the PEs. For example, capital and/or operating subsidies are provided to Kiribati Shipping Services Limited and Air Kiribati to help fund outer island transport, the Kiribati Copra Cooperative Society Limited receives operating subsidies, and at least initially a capital subsidy is being provided to the new copra mill which it is hoped will increase returns to copra cutters.

It is important that such subsidies are provided in a targeted and efficient manner so as to make their maximum contribution to the private sector. The copra price subsidy should not become a deterrent to the adoption of more efficient management practices

(e.g., of replacing old trees) or of labor being reallocated to activities offering better long term prospects (e.g., seaweed farming or fishing). The presence of two competitive private shipping lines and a church-run line presents the opportunity to put out to open tender the subsidies provided to Kiribati Shipping Services Limited. Similarly, airlines such as Air Marshall and Air Fiji could be allowed to compete for the subsidy provided to Air Kiribati.

The small size of the economy makes it particularly vulnerable to market power problems.<sup>63</sup> These are most likely to arise when a market is controlled by a monopoly, but they can also arise when there are only few suppliers. In this instance, the main concern relates to the market power of PEs, notably BoK, TSKL, and PUB. Both the BoK and TSKL appear to have earned excessive profits in the past, meaning their charges were much higher than could have been sustained in a competitive environment, while PUB provides a low quality and expensive service.<sup>64</sup>

Regulatory initiatives can be employed to help correct these problems. For example, a policy or legislation on competition, with measures to prevent unnecessary restrictions to competition and to guard against the abuse of market power, would provide a basis for the promotion of competition in the economy. A simpler and more sensible initial response would be to consider using the existing Prices Ordinance (that is used to set price controls on some goods) to set limits on the prices and charges of monopoly enterprises of concern.<sup>65</sup>

## **Private Sector-led Growth: When, How, and How Much?**

Despite recent good growth, the formal private sector is still small. Informal activities will provide the main source of private sector activity for some time. There is scope to expand informal activities through exporting or import-competing activity. For example, there is physical capacity to increase copra exports because poor pest control is resulting in significant crop losses and not all coconuts are harvested. The import-competing activities largely rest on the expansion of the sale of local food in South Tarawa. For

example, local fresh meat and, at the right price, fresh fish can be expected to displace some of the large imports of tinned meat and fish.

Many actions required to increase informal private sector activities will have to come from the Government. For example, rat control requires a coordinated approach best led by government. Increasing the fish supply to South Tarawa requires infrastructure (e.g., cold storage) and government intervention is probably needed to coordinate the provision of such infrastructure. It is important that the considerable subsidies provided by the Government to assist outer island economic activity are well targeted to enable informal activities to maximize their potential.

Within the Government, there appears to be a general fear of the private sector because of a concern that successful enterprise will enrich a few people at the expense of the community. The economic benefits of profitable businesses providing improved services, paying taxes, increasing employment, saving, and reinvesting profits are not widely perceived. As noted earlier, attitudes are slowly changing as more people gain direct experience of business. The sector can be expected to continue to grow as existing businesses mature, as rising cash income levels increase market opportunities and allow village economies to become more sophisticated, and as new opportunities are pursued (for example in marine resource development, and on Kiritimati). However, the private sector will remain the junior partner of the public sector for the foreseeable future.

A necessary condition for active government support of the private sector appears to be more confidence within the Government and the general community in the merits of private sector activity. As long as the private sector is seen as some kind of threat to equitable distribution and there is limited voter support for improving the business environment, it will be accorded a low priority. Developing confidence in the private sector is probably best pursued gradually through incremental change rather than attempts at radical reform.

The private sector itself needs time to learn new ideas, to build up its capital base, and to gain experience in running businesses. Consultations with entrepreneurs during the present study pointed to a tendency for private operators to focus on their existing business

and not branch out into new, unfamiliar areas. Developing the willingness to diversify, attracting new market entrants, and allowing them to grow will take time. A useful move would be to make greater use of the existing skills and experience within the private sector. At present training courses in running business are conducted by public servants and there is little involvement of those with experience in running a private business.

Foreign direct investment is small and with the exception of marine resources and the tourism industry on Kiritimati and Fanning Island, major new foreign investments are unlikely. There are many countries competing for foreign investment that offer a broader resource base, larger markets, better priced services, and proximity to export markets.

The Government undertakes important market development initiatives, but there is a tendency to treat the information collected with secrecy. For example, considerable research has been undertaken into the establishment of a pearl industry. Rather than freely releasing this information and fostering a private sector-led pearl industry, the Government is considering forming a government corporation to control the industry and provide the Government a return on its investment in research. The international experience is that the taking of research findings forward to commercial realization, when substantial capital must be placed at risk, is a role best suited to the private sector.

It is probably impractical for the PEs to withdraw quickly from their current areas of operation. But it is important that that they seek to maximize their performance. There is also an opportunity for certain restrictions on competition by the private sector to be relaxed. A sound case can also be made for restricting the entry of PEs into new areas. For example, as much room as possible should be made for the private sector on Kiritimati, where inward migration is rapidly increasing the number of people seeking work.

Improving the services standards of PEs and lowering their prices would benefit from actions in two main areas. The first is the establishment of a mechanism for monitoring their performance, which was discussed in detail in the previous chapter. The second is to put in place regulatory-backed controls on prices. In this respect, there is value in reviewing the Prices Ordinance (CAP 75) to examine

its suitability as a tool for regulatory control. One issue is whether responsibility for the legislation could be usefully transferred from the Ministry of Commerce, Industry and Tourism to the MFEP to take advantage of the latter's role in helping supervise all PEs.

The worst case scenario is probably when an unprofitable PE competes with the private sector and is provided with capital injections to compensate for its inefficiency. It would be preferable to avoid the provision of such funds and instead to allow such a PE to close down, as is the case with the Atoll Motor and Marine Services Limited (some activities are being shut down and some will be absorbed by Bobotin Kiribati Limited).

Reducing the activities of PEs and relaxing the restrictions on competition with them by the private sector is likely to take considerable time. One reason is the need to implement complementary legislative reform. For example, a precondition to allowing competition to the financial PEs is the establishment of new financial institutions legislation. But some initiatives, such as allowing more competition with the PVU and the Ministry of Works and Energy could be implemented quickly. In exposing these organizations to competition, the key issue to be faced is the future of any excess staff.



# Facing the Future: Education, Training, and Employment

## Laying the Foundations

Kiribati is laying a sound foundation for the continued development of a literate population. Successive governments' commitment to providing more and better education has been reflected in the consistent allocation to METT of around 20% of government recurrent expenditure. This is one of the highest proportions of public funds spent on education in Pacific island countries.

The basic strategy in recent years has been to assume government responsibility for compulsory education to 12 years of age and free education for all students to 14 years of age. The result is that in 2000 around 80% of children aged 6–14 were enrolled in schools, where they received education in the Kiribati language to grade 3 and in English from grade 4 up. Table 6.1 reflects the rise in all school enrollments from 1982 to 2000. In recent years, the gender balance has been slightly in favor of females. Numbers of girls and boys in primary and junior secondary were usually equal, but there were 25% more girls than boys enrolled at the secondary level in 2000. This may in part reflect the departure of males to apply for training places at MTC or the FTC, but the difference of over 600 students suggests that girls are more motivated to make use of secondary opportunities than boys.

This public investment in education, particularly at the primary level, should pay dividends in maintaining high literacy rates and providing a base for the development of a skilled work force with potential for productive participation in economic activity.

**Table 6.1: School Enrollments**

	1982 <sup>a</sup>			1992 <sup>a</sup>			2000 <sup>b</sup>		
	M	F	T	M	F	T	M	F	T
Primary			7,014	6,822	8,115	16,020	8,160	7,936	16,096 <sup>c</sup>
Community/JSS				106	98	204	1,857	1,808	3,665
Secondary	792	869	1,661	1,468	1,601	3,069	2,550	3,193	5,743
Total	7,806	7,691	15,497	9,479	9,814	19,293	12,567	1,2937	25,505
% by Sex	50	50		49	51		49	51	

F = female; JSS = junior secondary school; M = male; T = total.

<sup>a</sup> Digest of Education Statistics, METT.

<sup>b</sup> Republic of Kiribati 2002.

<sup>c</sup> Includes 403 students enrolled in primary classes 7–9.

<sup>d</sup> Includes Forms 1–7.

The JSS program, which started in 1998, has supported this improvement in enrollment at the basic secondary level (Forms 1–3). The JSS program has seen 19 junior secondary schools built to date with another to be located in an existing facility in Banaba. Teraina and Tabuaeran are now the only permanently inhabited islands without a JSS, and Tabuaeran has a full-range secondary school.

There has also been an increase in the provision of secondary school places. The number of secondary schools increased from 10 to 13 in the last four years, while enrollment increased by 87% from 1992 to 2000, largely due to the expansion in church schools. The latter now account for about 77% of secondary school enrollments.<sup>66</sup> From a government standpoint this is very cost effective. A student in a church secondary school costs the Government about \$300 per year, compared with \$2,000 per year for a student in a government secondary school. The difference in the cost to government is borne by the parents of students attending church schools, who pay fees and are heavily involved in fund raising.

Preschool education is encouraged, although METT expects it to be funded by parents and NGOs, mainly churches. METT sees its role as training trainers of preschool teachers and registering preschool premises.

Government vocational and tertiary education provision is through the range of vocationally oriented colleges in agriculture, nursing, teaching, seamanship, police training, the Tarawa Technical Institute (TTI), and the extension program of the University of the South Pacific (USP). The courses that lead to direct employment, such as teaching nursing, agriculture, police, and seamanship, are all provided free. Courses at TTI and USP cost from \$30 for short courses to about \$1,800 for a year of university study.

## **Current Government Policies and Priorities**

NDS 2000–2003 (Box 1.2 in Chapter 1) states that the national priority for education is an education system that achieves high standards, broad coverage, relevance, and cost-effective delivery through strengthening of the primary school system, universal access to education up to Form 3, and improved quality and relevance of the education system.<sup>67</sup> NDS priority developments for 2000–2003 are

- strengthening and expanding preschool facilities;
- strengthening primary education including teacher skills, facilities, and resources;
- completion of the JSS program;
- expanding capacity and enrollments in Forms 4–6 by 25%;
- improving vocational technical programs in the JSSs and extending them to Forms 5 and 6;

- upgrading TTI and Kiribati Teachers College by increasing courses and staffing, and by strengthening curricula and lecturer qualifications;
- expanding linkages with USP and other tertiary institutions; and
- completion of planning for consolidation of higher education programs.

These statements indicate that METT will be stressing the improvement of quality at each stage of the education system. The need to strengthen teacher skills and raise qualifications in the sciences and vocational-technical areas including accounting, computer studies, and commerce, has been identified at the JSS level.

The Government also states that it wishes to achieve a minimum 25% increase in enrollment of students in government and missionary secondary schools (Forms 4-6).<sup>68</sup> This expansion of secondary capacity is seen as achieving the strategic outcome of providing the work-force skills needed to support private sector development.

With the stated government commitment to these strategies, the people of Kiribati can expect that budget allocations will reflect these priorities and that government performance will reflect achievement in these priority areas. Ways in which the budget reflects these priorities will demonstrate the Government's progress in achieving its desired results. This is discussed in the next section.

## **Intention and Reality**

The ready accessibility<sup>69</sup> of recurrent budget information makes it easy to identify allocations to priority outputs. The total recurrent allocation for education in 2002 at \$17.4 million is almost 25% of the recurrent budget and \$4.5 million or one third higher than in 2000. This rate of growth will be impossible to sustain, but it clearly reflects continuing government commitment to education.

METT is continuing to allocate increased funds to the JSS program and the teacher training program in the current budget.

Additionally, there have been increases in funds through donor activities to such education priorities as the strengthening of primary schools through the Australian International Development Agency (AusAID)-funded Kiribati Education Sector Program and support to technical training through the EU-funded Kiribati Training Program II.

One priority area appears, however, to have fewer funds in the 2002 recurrent budget. This is primary education services. It may be that METT is relying on donor funds to replace local recurrent funds in this area. If so, the sustainability of strengthening these services may be at risk when the project support is completed.

Other priority areas appear, to have no financial allocation, such as the expansion of preschool facilities, and expanding the capacity and enrollments in Forms 4–6 by 25%. The assumption in these cases is that churches will provide these services. This is a reasonable assumption given that the churches are already heavily involved in these areas. There is a need, however, for the Government to discuss the resources available and the capacity of the churches to achieve in these targets. Churches, the Government, and parents who will be funding substantial amounts of this expansion all need to be involved in setting the targets to be achieved.

## **Performance**

The importance of primary education in cultivating attitudes toward learning and laying the foundations of numeracy and literacy skills is well recognized. Key elements of the NDS in education are strengthening primary education by increasing classroom resources, upgrading teacher qualifications and skills, and renovating facilities. Strengthening these inputs to education should result in quality services, improved attendance, and continued high literacy rates.

### **Increasing Classroom Resources**

It is reported by teachers, particularly in the outer islands, that classroom resources in primary schools, such as readers for English

and textbooks, are meager, in some cases almost nonexistent. There has, however, recently been important progress in this area with the launch by the Curriculum Development Unit of new syllabuses in English, mathematics, writing, environmental science, and physical education (Box 6.1).

### Teacher Qualifications and Skills

METT statistics, which provide *inter alia* information on the qualifications of current teachers, indicate that more than 500 of the current 627 teachers in primary schools require upgrading to certificate level.<sup>70</sup> Because of teacher shortages many class monitors, appointed by Island Councils, have been acting as classroom teachers. Some of the more able teachers are probably performing their jobs competently without needing to upgrade their skills. There is no doubt, however, that overall there is a great need to upgrade teachers' qualifications at the primary level.

At the current rate of upgrading teachers' qualifications, and with the input of the AusAID-funded Primary Education Teacher Upgrade Project, it will take almost 10 years to upgrade all primary teachers to a minimum of certificate level. A similar situation exists for JSS teachers where 186 of 206 teachers hold only a teaching certificate.<sup>71</sup> The METT intends to upgrade all JSS teachers to diploma level, clearly a massive undertaking. The implication for METT planning and financing is that there will be a continuing need to upgrade qualifications and to train teachers at the primary and JSS level for many years to come.

A useful strategy to give more students access to qualified teachers at the primary level would be to increase the teacher/pupil ratio from its current 1:25 to 1:30. This strategy would require fewer qualified teachers overall, and enable qualified teachers to be appointed to all classes more quickly.

### Maintenance

School facilities, other than those recently constructed by donors or made of locally available materials, are generally in poor

### Box 6.1: Progress in Curriculum Development

The Curriculum Development Unit of the Ministry of Education, Training and Technology (METT) has just launched five primary syllabuses in English, mathematics, writing, environmental science, and physical education, respectively, the first such revisions since the 1970s.

Teachers in South Tarawa have attended workshops to launch the syllabuses and were able to obtain copies. Teachers on other islands will be attending workshops but they will have to wait much longer to receive the syllabuses and a small supply of supporting books.

Teachers and students in the outer islands do not have the same access to classroom resource materials as those in South Tarawa because of transport constraints and lack of coordination between divisions in METT.

An AusAID-funded project starting in July 2002 is supporting the development of materials to accompany these syllabuses and will assist in filling the backlog of need for classroom resources at the primary level.

The result should be equitable access to classroom materials by primary children nationally. To demonstrate the success of this strategy, METT will need to show that the classroom resources are available in minimum numbers and on a continuous basis. METT will need to provide funding, supervision, and collection of information on the availability and condition of teaching resources.

condition. The buildings most in need of repair are the so-called permanent buildings, particularly in the outer islands. Roofs are often leaking, in some instances reported as collapsing, walls can be damp, and window shutters and doors broken or missing. There also appears to be a wide difference in the quality standards between the JSS schools that government agencies have had responsibility for constructing, and those constructed with foreign supervision under a donor project. Many of the maintenance needs identified in older buildings are already evident in JSSs newly constructed by the Government.

It seems that in many schools nobody feels responsible for the maintenance of these so-called “permanent” buildings. They are often covered in graffiti, have no furniture, broken blackboards, leaking

tanks, no toilets, and cannot be locked. It is demoralizing for both staff and students to work in such environments and it would be difficult to implement a health curriculum (as is being developed as part of the health education strategy) in schools where good health practice is not possible.

Head teachers are reportedly unhappy and frustrated by this situation. Other groups that might be expected to be concerned such as school committees, parents, and Island Councils seem to feel that repairs are the Government's responsibility, even if that means that the repairs obviously will not be made.

In the primary education services item in the 2002 budget, building repairs and maintenance receive the second largest allocation of funds (\$714,362). This amount may be insufficient to meet the backlog of needs. The funds might be used more effectively if they were managed by people with a direct interest in the school. For example, funds could be allocated directly to the head teacher who could then, with the assistance of the school committee, use local labor (voluntary or paid) or contract out the work locally to get the best maintenance value for the school from whatever funds are allocated.

If METT adopts such an approach, senior managers will need to set minimum standards for maintenance and the resources that METT would provide, i.e., minimum funding for maintenance and minimum numbers of classroom resources. The community could then supplement these minimum standards by providing resources, labor, and expertise. The capacity of communities to care for schools should not be underestimated. If they have ownership of the outcomes, they can transform the school environment.

## Attendance

METT is aiming to achieve 100% attendance at primary level.<sup>72</sup> In 2000, approximately 80% of age-eligible children were enrolled at the primary level.

METT collects attendance data but it does not routinely record and analyze the information. Returns from schools are irregular and in many cases appear unreliable. An analysis of the attendance data

### Box 6.2: Enabling Children with Disabilities

Some of the children not enrolled at primary schools are children with disabilities.

There is no public provision of education for children with disabilities. Some children with mild disabilities are already attending school, but those with moderate or more severe handicaps are denied any formal education. Children with disabilities often need additional support to assist them to integrate. Where they are unable to integrate, they need as normal as possible an educational program with as much exposure to peers as possible. Children with disabilities are capable of growing into independent and productive members of society. To help them do this, community support through nongovernment organizations, churches, and volunteers will be needed to organize and provide facilities and teachers. Government funding for training and assistance with buildings, equipment and transport can appropriately be fitted into a small corner of the Ministry of Education, Training and Technology budget.

available for 2001 (see Statistical Appendix) indicates that in most schools where attendance has been reported the average rate of attendance is a little over 80% of those enrolled.<sup>73</sup> Thus, METT has a long way to go to its full attendance target. If attendance is to be used as a quality measure, METT will need to train teachers in submitting data, check the data for accuracy and reliability, and then use them as part of a regular statistical reporting process.

### Further Education

TTI offers a range of vocational courses ranging from 2 weeks to 3 years for which it charges fees ranging from \$40 to \$200. In 2002, the staff included a principal, 24 lecturers, an administrative support staff of 9, and a librarian<sup>74</sup> as well as a number of part-time lecturers. TTI enrolled 1,072 students in 2000.<sup>75</sup> Generally, students were employed office workers and other self-employed persons, with some students and school leavers. They enrolled in courses in language, secretarial and business, computing, management,

mechanical and electrical engineering, building and carpentry, accounting, finance mathematics, and science. In addition TTI provides local government training and provides trainer support to the extension campus of the USP and MTC as needed.

The facilities and teaching capacity of TTI will be upgraded with the implementation of the EU-funded Kiribati Training Program II. This program will fund 10 to 12 Island Learning Centres (ILCs) in the outer islands that will be operational by 2004. These ILCs will provide formal and nonformal vocational education. Their nonformal courses will focus on livelihood activities. There will be a need to introduce standards in vocational and professional areas in the future. Motor mechanics, welders, personal assistants, accountants, engineers, etc., will be more competitive if they are able to demonstrate minimum standards of performance and professionalism.

The USP has an extension center in Tarawa, which offers distance and flexible learning programs from preliminary certificate courses (at Form 6 level) to foundation courses, which prepare students for admission to degree studies at the university. The center in Tarawa is the second largest extension center of the university, with an enrollment in first semester 2002 of 1,471 students (585 male and 886 female).

Many of these students borrow money from the BoK for their fees. Most students at USP are already employed and are upgrading their qualifications in order to increase their salaries. All Form 7 students from King George Fifth School (KGV) attend USP to undertake their foundation studies. Two hundred students currently at USP are on government scholarships. About 70 are from KGV; the remainder are on government scholarships administered through the Public Service Office. There are 40 JSS teachers upgrading their qualifications at USP.

The Government is currently supporting 33 students, all of them government employees, on overseas scholarships. AusAID is supporting approximately 70 scholarship students overseas and the New Zealand Government supports approximately 8 scholarship students in that country. Students awarded overseas scholarships are expected to serve in the public service for at least two years on their return.

Comments have been made in past reports regarding a large gender imbalance at the tertiary and post-school education level. This is not the situation currently; scholarship allocation and USP enrollment figures indicate a distribution in favor of females (see above). TTI enrollment figures, which indicate very low female participation in the METT Statistics Annual Report 2001, are at variance with the observed classroom situation. While the gender balance at TTI still appears to favor males, strong female participation is evident in accounting and computing courses, but not accurately recorded. As females have had the opportunity to complete high school and compete for employment, their participation at the tertiary and post-school level has increased.

### Prospects of Formal Employment

Up to and after independence, the completion of 8 or 10 years of formal education meant a very good chance of landing a government job or a scholarship for further training, after which employment was virtually guaranteed. Attitudes to education are still colored by the memories of those days, but the reality is now quite different.

Around 1,700 students—soon to reach 2,000 and growing—leave school every year, and 450–500 jobs become available in the formal economy. Even the most optimistic (or unsustainable) economic growth scenarios would yield only an additional 200–300 jobs annually in addition to the present number. It is critically important to the future well-being of Kiribati that the solution is found to this conundrum: how can the same public education system equip young people both for the practical realities of the lifestyle that most will lead and the intellectual demands that a much smaller number must confront. Education systems in developing countries everywhere are facing a similar problem. Kiribati has to work out its own way forward.

NDS states that upgrading vocational technical education at the secondary and post-secondary level will improve the occupational skills of the workforce and facilitate sustainable growth in employment. In an important sense that is true, but it is even more

important that the process produces young people with skills and attitudes appropriate to a lifestyle that combines elements of the monetary economy with elements of subsistence living. That requires a revolution in the philosophy of an education system historically geared to supplying the Government and the churches with paid employees.

In November 2000, the census counted 9,200 people working in the cash economy. Two thirds of them were employed by the public sector, either in the Public Service or in PEs.<sup>76</sup> Of these, 37% were female and 64% were in South Tarawa.

Other large employers were the South Pacific Marine Services (SPMS), which currently has 1,050 merchant seafarers on board German merchant ships, the Kiribati Fishermen's Service (KFS), which has 325 fishers on board Japanese Tuna Company fishing boats, and the churches, which now employ more than 700 people. The Nauru Phosphate Corporation has been employing some 270 workers, but they are expected to return to Kiribati in late 2002 with further employment opportunities in Nauru unlikely.

The opportunities for Kiribati seafarers to be employed aboard international ships do not come without a price in terms of social stress and health risks, but on balance the opportunities to earn foreign income appear to outweigh the disadvantages (Box 6.3).

The formal private sector accounts for about one third of paid jobs. It consists of a few large and many small businesses, mostly retail, transport, and construction with employment opportunities for motor and electrical mechanics, carpenters, and financial and administrative officers with IT skills. Industries in which employment fell from the 1995 to 2000 census were agriculture, fisheries, and financial services, while public administration (including churches) and land/air transport, especially the bus service in Tarawa, experienced significant growth. Construction and the wholesale industry also showed increases in employment over the period (Table 6.2).

## Employment Opportunities

Table 6.3 illustrates the current possible paid employment opportunities for school leavers and the qualifications required. Based

### Box 6.3: Exporting World-standard Skills: Seafarers and Tuna Fishers

Kiribati has a long and successful history of providing seafarers of international standard. This success can be attributed to the people's close relationship with the sea, the skills and knowledge they acquire to complement their natural abilities, their natural upper body strength and their command of English. Both the Marine Training Centre (MTC) and the Fisheries Training Centre (FTC) have close and well-developed relationships with overseas marine companies, which have been in place for almost 30 years. The standard of training delivered by MTC and FTC is high and internationally respected.

The overseas employment of Kiribati seafarers and fishers (currently about 1,050 and 350, respectively, away at any time) could continue to expand gradually, by 200–300 in each case. While there is pressure to increase the supply of seafarers, it is important to maintain the standards of training, which both the South Pacific Marine Services and Kiribati Fishermen's Service expect. It is essential, therefore, that qualified and competent staff and well-equipped training facilities be available before training can be increased. The Kiribati Seamen's Union is very aware of the need to continue to provide seafarers of good quality and to maintain their access to the job market, and plays an active role in support of seafarers and their wives.

Seafarers lead a hard life with most of their time spent away from home. Tuna fishers usually spend 5 to 10 years on the tuna boats before retiring from their life at sea, while seafarers can work into their 50s. This separation from family results in inevitable pressures on relationships and sometimes, family break-up. Seafarers have also been involved in the transmission of the HIV/AIDS virus and now all must be tested for HIV/AIDS before signing on for each new 12-month contract. These social and health outcomes are addressed through the Ministry of Environment and Social Development and the Ministry of Health. The remittances of around \$10,000 per man per year that seafarers send home are an important source of income to households in Kiribati.

Kiribati is currently on the "white list" of countries accredited to deliver the Standard Training Certificate of Watchkeeping, which enables seafarers to be employed on internationally registered ships. There is a risk that Kiribati could lose its white list accreditation unless the domestic shipping standards, which are part of the white list accreditation process, are improved. The implications for government and private shipping companies are that their standards of safety and service must be upgraded and maintained if Kiribati is to retain its accreditation to deliver this training.

**Table 6.2: Five-year Changes in Formal Employment**

Industry	1995	2000	Change	% change
Agriculture and Fisheries	487	254	-233	-47.8
Manufacturing	104	150	46	44.2
Electricity	182	187	5	2.7
Construction	215	346	131	60.9
Wholesale	222	323	101	45.5
Retail	627	672	45	7.2
Hotels	177	186	9	5.1
Land/Air Transport	710	944	234	33.0
Financial Services	349	317	-32	-9.2
Public Administration	4,775	4,989	214	4.5
Total	7,848	8,368*	520	6.6

\* There is an unexplained discrepancy in the 2000 census table from which these data are taken. The total of this column is 832 less than the figure of 9,200 given elsewhere in the census report for total employment. The difference is significant when considering employment growth rates. The higher figure is used in the following discussion.

Sources: Kiribati Statistics Office 1997, and Republic of Kiribati 2001b.

on estimates compiled in consultations for the present report, about 500 school leavers could expect to gain paid employment in 2002. Currently, about 1,700 students leave school each year<sup>77</sup> and, as mentioned, this will increase to more than 2,000 per year in the next few years. Two thirds to three quarters of school leavers in the future are not likely to find formal wage employment.

Between the 1995 and 2000 censuses, total reported employment in the formal sector grew by 17% or about 3.2% per year, close to the estimated rate of growth of real GDP and equivalent to 250–300 new jobs a year. In the same period, the number of persons 15–49 years old grew by about 11%. The result is that there were slightly more jobs available per person in the job-seeking age group in 2000 than in 1995, but there were still jobs for only a fraction of those looking for them.

Most of the growth in employment is in Tarawa and Kiritimati. People in Tarawa have the best chance of obtaining government employment because of the need to apply in person for government jobs through the National Employment Register office in Tarawa.

Future public service opportunities are likely to grow more slowly than in recent years as fiscal expansion levels off—the public service has increased by about 3% per year in the last five years. Turnover in the public service is about 1% per year because people

**Table 6.3: Identified Training and Employment Opportunities for School Leavers, 2002**

Employment	Qualifications	Number per year	Graduate to job
Merchant seafarer (MTC)	Entry test, quota by island	100	70 <sup>a</sup>
Fisher on tuna boats (FTC)	Entry test, fitness test, medical test, quota by island	108	100
Tungaru School of Nursing (3-year course)	Entry Form 5/6	25/30	18
Kiribati Teachers College	Primary Certificate (25)	38	31
	Primary Diploma	17	12
	JSS Diploma	59	48
	Upgrade to JSS Diploma	25	25
	AusAID additional persons	37 <sup>b</sup>	35
Police Training College		23-25	20
Agricultural Training College	9-month course	10	7
National Public Service through National Employment Register	Generally minimum Form 5 <sup>c</sup> entry, very low turnover	30+	35
Public Enterprises	Approx 2,000 currently employed		44 <sup>d</sup>
Private Sector construction (through Councils, funded by Councils, aid projects), land/sea transport, wholesale, retail	Approximately 2,300 currently employed, low turnover		55 <sup>e</sup>
<b>Total</b>			<b>500</b>

FTC = Fisheries Training Centre; MTC = Marine Training Centre.

Source: Consultants' estimates based on information from educational institutions, census data, and Chamber of Commerce.

- <sup>a</sup> The graduation rate for the past few years has been below 30, but with a revision of instructional approaches it is expected to increase to more than 70.
- <sup>b</sup> The AusAID project will be training an additional 50 teachers per year, but the Kiribati Teachers College would like to take the opportunity to reduce its intake when the project starts.
- <sup>c</sup> The minimum qualification was Form 3, but was recently raised to Form 5 for most positions. Candidates are expected to apply in person in Tarawa.
- <sup>d</sup> Estimate is based on less than 1% turnover in public service and slower growth.
- <sup>e</sup> Estimate is based on information from the Chamber of Commerce.

do not leave the service readily and most try to remain employed beyond the 50-year retirement age. The National Employment Registry often has as few as two vacancies each month on its register and at least 100 to 200 applications will be received for each vacancy. The most likely opportunities in the public service will come through undertaking studies in teaching, nursing, agriculture, and the police service and gaining subsequent employment in those areas.

Consultations for the present report indicated that the private sector has potential to expand and will be able to offer some full-time employment opportunities to vocationally oriented school leavers. Currently, however, there is no shortage of skilled and qualified persons available for hire by the private sector (other than in the area of accounting). The private sector's ability to expand is reported to be hampered not by skill shortages, but by regulatory and cost constraints, and subsidized competition from PEs (see discussion in Chapters 4 and 5).

SPMS and KFS could each increase employment opportunities by 200–300 if they can maintain and improve the relevant standards (Box 6.3) and, in the case of tuna fishers, depending on tuna market and resource conditions.

## Education for Livelihood

An education system is not designed only to prepare students for paid employment. It has a broader purpose and responsibility: to prepare students for life in the community in which they will live. There are warning signs in the experience of other Pacific island countries. Papua New Guinea and Solomon Islands both have fast-growing young populations, small formal employment sectors, and big problems with law and order and security. Kiribati has these factors without the same level of law and order problems. There are indications, however, that this is changing, particularly in South Tarawa where house-breaking, alcohol abuse, and gang activity are increasing.

It is vitally important that the education system equip students and their families with fuller understanding of their future lives in Kiribati and prepare them better to manage their opportunities. This includes the opportunities for income and quality of life presented by own production of food, amenities, security, and shelter. Most people will spend their lives at least partly dependent on subsistence production. The ILCs, which provide livelihood education for outer island dwellers including adults, are based on the recognition that education is a life-long activity.

A livelihood is the combination of resources, relationships, and responsibilities that define the ability of individuals or households

to survive and improve their standard of living. A livelihood should not undermine the natural resource base, and should be able to recover from economic and environmental shocks. The scope of foreseeable livelihoods includes subsistence farming and fishing, and small business enterprises such as handicrafts, sewing, baking, carpentry, motor repair, plumbing, electrical work, thatching, and participation in community activities, the *maneaba*, church, dancing, sport, and village banking.

Education for livelihood in Kiribati needs to prepare people for participation in family and community activities, to be able to analyze and discuss issues, to take part in the decision making that takes place at all levels, and to display leadership. Young people need to absorb and apply health information about nutrition, causes of diseases, alcohol abuse, smoking, and family health; extension information about fishing and crop cultivation; and information about education and the environment. People will also need to be flexible and able to take up a variety of money-earning activities, including small-scale business enterprises.

The current education system orients young people to nonmanual employment, primarily in the Government and in an urban setting. Many young people know that the formal job market is overcrowded and realize that the education they have received has failed to equip them for the lives they are actually going to lead.

It would be sensible for the Government to strengthen the provision of education for livelihood as part of the compulsory and free basic education system, and to shift more of the cost of academic and tertiary education onto those families whose children receive it, through increases in fees and other cost recovery measures. The formal education system has to adapt to the changing needs of the people.

The planned focus on improving the quality of education is sound, but the content of the better-quality education to be delivered by the system should reflect the livelihood skill requirements of the next 10–20 years, rather than those of the past. Through careful planning, this can be done and still reflect the values of a Kiribati culture based on limited natural resources and sharing with others of less means. The policy challenge is great, but the alternative is an increasingly alienated population of young people who have not been well prepared for life.

## Migration as an Economic Strategy

The Government has successfully employed internal migration to relieve population pressure, through its resettlement program in the Line Islands in the 1980s. Individual migration to Tabuaeran and Kiritimati is continuing (see Statistical Appendix), at rates that would place around half of the projected national population increment of 15,000 in the next 10 years in Kiritimati. Crucial questions of governance, land allocation, and economic management are already arising there, and will become increasingly urgent in the next two or three years.

Even as substantial internal migration occurs, an overall land shortage and limited domestic economic opportunities mean that some skilled and qualified I-Kiribati will want to move to other countries in search of employment and eventually to settle. Some have taken this path, mostly in New Zealand, as part of a family strategy to increase present income and gain access to future employment opportunities. This trend is likely to increase, albeit at a statistically insignificant level, even without any official encouragement.<sup>78</sup>

Other Pacific island countries that have universal basic education and produce more skilled and qualified people than their economies can absorb have adopted emigration as a deliberate part of national economic strategy. Samoa, Tonga, and Cook Islands have contained their population growth through emigration, used remittance income to support domestic living standards, and now benefit from the capital, skills, and business acumen brought back by nationals who have lived overseas for many years.

There is nothing unusual or wrong about emigration in search of greater economic opportunity. It happens whether governments want it to or not. It is better that it be explicitly recognized in the social and economic plans of Kiribati as a legitimate aspect of economic and social change. This gives a better chance for the Government to influence the skills of the emigrants. Ways of facilitating orderly and successful emigration can then be sought in the context of Kiribati's relations with its neighbors.

# Better Health for More People: Self-help and Outreach in Health Services

## Achievements and Policy

There have been notable achievements in the health sector in Kiribati. Despite the constraints of distance, transport, and telecommunications, all islands have access to health facilities. It was estimated by the Ministry of Health (MOH) in 1999 that 100% of the population had access<sup>79</sup> to a public health facility. All these facilities have qualified staff, either public health nurses or medical assistants, supported by nurse aides who are appointed and paid for by Island Councils. As a result there have been improvements in many of the key health indicators over the last few years.

The basis of a good data collection system exists and is already used to monitor diseases and health center activity. The data indicate that many common health problems have declined over the last decade (Table 7.1). A feature of the health problems that have declined is the erratic nature of their progress, with cyclical steep increases followed by repeated gradual declines reflecting influenza epidemics, and outbreaks of disease that have been brought under control. There has been a decrease in both the incidence of and deaths from communicable diseases.

**Table 7.1: Total Fertility Rate, Infant Mortality Rate, and Population Growth Rate**

Years for TFR & IMR	Total Fertility Rate (TFR)		Infant Mortality Rate (IMR)		Population Growth Rate (%)	Years for Population Growth
	Rate	% Change	Rate	% Change		
1965	7.1				1.59	1968–1973
1970–1975	5.7	-19.7	120		2.00	1973–1978
1980–1885	4.9	-14.0	82	-31.7	2.10	1978–1985
1989–1994	3.8	-22.4	65	-20.7	2.24	1985–1990
1995–2000	4.3	+13	43	-33.8	1.69	1995–2000

Source: Ministry of Health.

The national priorities for health in the NDS 2000–2003, shown below, have no clear priority.

The country is in a health transition, with infectious diseases, complications of pregnancy, and postnatal problems still major causes of death. At the same time there is an increased incidence of noncommunicable diseases, such as heart disease, diabetes, liver disease, and cancer.

The health priority strategies stated in the current NDS are

- upgrading the standard of health care at all levels;
- making the primary health care system more responsive to community needs;
- improving outer island health services and referral system;
- development and implementation of a human resources plan for nursing and other medical staff that includes upgrading training facilities and courses;
- increasing the cost recovery of health services;
- working closely with all stakeholders through a multisectoral approach; and
- integration of traditional medicine into public health care.

In recent years, the Government has allocated 10–14% of its annual budget to health. As a ratio of GDP, health expenditure in the budget has ranged from 8% to 12%, with a decline in allocation since 1997. The \$9 million recurrent budget allocation for 2002 was \$0.5 million less than the 2001 revised estimate and almost 13% of the total recurrent budget.

Given the complexity of health issues and the 2002 budget, it will be difficult for many of the NDS to be realized. Delivery of health services is costly because of the wide dispersal of population and expensive transport and communications services. A strong fiscal commitment to covering the recurrent costs of health services is essential if past gains are to be maintained.

## **Budget and Performance**

Many of the outputs described in the 2002 health budget are actually education and training activities, which appear to be mostly delivered at the central level. Where resources are limited, it is necessary to target them to obtain specific results rather than take a general centralized approach. For example, the most common reasons for visits to health centers and clinics (see Statistical Appendix) suggest that respiratory tract infections and diarrheal diseases, nutritional conditions, and lifestyle diseases occur more frequently in some areas than others. Betio is an area of high risk for respiratory tract infection, diarrhea, tuberculosis, and gonorrhoea, while Banaba has high levels of nutritional problems and lifestyle diseases. Other islands with higher than average levels of particular diseases are Tamana for respiratory tract infection and diarrhea; Marakei, Abiang, and Kiritimati for lifestyle diseases; and Kuria and Marakai for fish poisoning. Subject to check of the data, some of which may be unreliable because of small numbers, targeting of activities and funds could still be warranted. Such site-specific problems could well be targeted for maximum health benefits.

General observations and comments noted during consultations for the present report indicate that in many instances, skills and knowledge delivered in health training are not being applied in the workplace or, in the case of the public, in the home. Observations

by MOH managers and nurses indicate that basic hygiene principles are often not applied in hospital settings. It has been reported by the MOH that there is a 40% take-up rate of public health education principles. There is a need to monitor the effect of management actions and directions, for example, the direct effect of education programs and the application of basic hygiene principles.

An intention to implement cost recovery in the NDS is reflected in an expectation of almost \$94,000 in fees (the same as in 2001) under administration and \$130,00 in fees under nurses and medical assistants training (for students from overseas). The administrative fees generally come from the issue of medical certificates and medical clearances. Income from fees is to increase and private sector participation in the health care sector is to be encouraged. This will be achieved through doctors' participation in private practice and investigation of contracting out services such as food, laundry, and transport. Little action by MOH to charge fees or for doctors to provide private services appears to have been taken to date. The political sensitivity of charging fees for services that have previously been free is understandable. However, charging fees while maintaining free basic services and ensuring equity, will strengthen the health system and give it access to further funding. South Tarawa and Betio are the locations where most employment exists. Charging a small fee for clinic visits in these locations could recover some costs and allow people in the outer islands to retain their smaller incomes for other necessities.

Given the amount of remittances coming from overseas workers, a market study regarding private provision of health services could be undertaken. Samoa supports a small private hospital and several doctors in private practice; these activities are viable because of the large contribution of remittances to the economy.

## **Basic Health Indicators**

The population reached about 87,000 in 2002, reflecting an increase in population growth rate and fertility rate since the 1995 census. This gives cause for concern when about 47% of the population is currently under 18 years of age, and a signal that

population growth will increase. Given the pressure on the limited resources, the reason for this rise in fertility rate also needs to be identified and consideration given to ways in which it can be lowered.

The implications for future pressure on the health system are enormous. By the end of another decade, the health system will be required to attend to an additional 600 births a year, and to provide immunization and maternal and child care to these additional babies. Meanwhile, the elderly are likely to exhibit increasing diabetes, cardiovascular diseases, and hypertension.

The infant mortality rate fell from 120 in the mid-1970s to 42 in 2000, while life expectancy increased from 50.3 years for males and 54.5 for females to 58.2 for males and 67.3 for females. I-Kiribati born today can expect to live longer than their parents did and they will generally have better access to health services. This is a reflection of increased budget allocation and improved management of performance in the MOH over the last 5 years (Table 7.2).

As noted earlier, several improbable statistics have been noted in the data on health and education. An example is the divergence

**Table 7.2: Basic Health Indicators**

Indicator	Measure as of	
	1995	2000
Population <sup>a</sup> – total	77,658	84,494
– 0–14 yrs	31,957	33,772
	(41%)	(40%)
– 50+ yrs	8,414	9,290
	(11%)	(11%)
Crude birth rate /1,000 population	32.2	26.4
Infant mortality rate (per 1,000 live births)	65	43
Maternal mortality rate (per 100,000 live births)	225	56
Life expectancy at birth		
– male	57.2	62.3
– female	58.2	67.3
Total fertility rate	3.8	4.3
Population served with safe water	51% <sup>b</sup>	
Population served with adequate sanitary facilities	46% <sup>b</sup>	

<sup>a</sup> Kiribati Statistics Office 1997, and Republic of Kiribati 2001b.

<sup>b</sup> WHO Country Liaison Officer Tarawa (1999), WHO 2001.

Source: 2000 census and World Health Organization.

between the crude birth rate and the total fertility rate in Table 7.2. The Ministry of Health has commented on the difficulty of collecting reliable statistics relating to childbirth, and infant and maternal mortality. The increase in total fertility corresponds to a reported decrease in the use of family planning methods, and is considered more likely than the reported crude birth rate to reflect the actual trend in total fertility. More generally, all data currently collected by field posts need to be treated with caution. Total numbers in Kiribati are small, and an error of a few units in one or two islands can have a significant distorting effect on national statistics.

Water and sanitation indicators for Kiribati compare poorly with those of other Pacific island countries, mainly because of the nature of the atoll environment and the particular problems of South Tarawa, where nearly half the population live in exceptionally crowded conditions. In the outer islands, the freshwater lenses are less exposed to surface pollution and—with normal rainfall—better able to deliver a safe water supply, while traditional waste disposal can be practised, using reasonable care, with much less risk to public health.

The improvements now planned to the water and sanitation systems in South Tarawa through the ADB-funded Sanitation and Public Health Education (SAPHE) Project are expected to have a marked impact on general health and amenity, and to reduce the incidence of intestinal and skin infections in urban areas. Implementation of this project should see halve the proportion of people in Kiribati without access to safe drinking water, enabling Kiribati to meet this millennium development goal. In Kiritimati, the construction phase of an AusAID-funded project to construct a piped water supply from protected freshwater lenses to the main residential areas, and to provide a large-scale trial of composting household latrines, is being completed in 2002.

The expected improvements in South Tarawa and the recent investments in Kiritimati will, however, be at risk unless the refurbished systems are maintained; the Government continues to regularly invest in water and sanitation provision in the future; and social change programs are implemented to address social attitudes regarding using the beach for defecation, especially in urban areas.

The history of the performance of the Ministry of Works and Energy with the PUB regarding maintenance of water and sanitation provision indicates that future maintenance of the water and sanitation systems could be in doubt.

## Health Trends

An overview of the purpose of outpatient visits to health centers and dispensaries from 1992 to 2000 (Table 7.3) indicates that rates of most diseases and other health problems have fallen. There have been falls in the rate of such childhood diseases as measles and whooping cough, indicating the effectiveness of programs in these areas.

**Table 7.3: Purpose of Visits to Health Centers and Dispensaries ('000 visits)**

Ailment	1992	1993	1994	1995	1996	1997	1998	1999	2000
Respiratory tract infection	95.7	122.7	109.4	105.7	121.5	142.4	86.6	80.6	72.1
Wound/accidents	21.2	26.8	23.7	15.9	15.8	16.5	18.7	17.4	16.0
Diarrheal diseases	23.7	19.2	17.2	14.2	14.4	16.2	14.4	14.7	12.4
Skin diseases	15.0	19.1	16.5	9.6	9.3	11.7	11.5	9.6	8.1
Noncommunicable diseases	0.40	0.4	0.4	0.50	0.7	0.8	1.2	1.6	1.6
Anemia and nutritional disorders	1.7	1.5	1.3	1.0	1.2	1.5	1.3	1.5	1.3
Communicable diseases	5.7	1.3	1.2	0.7	1.3	1.6	1.4	0.8	0.5
<b>Total</b>	<b>163.4</b>	<b>191.1</b>	<b>169.8</b>	<b>147.5</b>	<b>164.2</b>	<b>190.1</b>	<b>135.2</b>	<b>126.3</b>	<b>112.1</b>

Source: Ministry of Health records and WHO 2001.

These improvements can be attributed to the use of health statistics as a management tool to give staff feedback and also to plan future actions along with increased budget allocations. The rates of respiratory tract infections, diarrheal diseases, and skin diseases are still unacceptably high. The death rate for children under 5 years of age is higher than for any other Pacific island country except the Marshall Islands.<sup>80</sup> Kiribati and Solomon Islands are the

only two Pacific island countries in which diarrhea is one of the top three causes of death.<sup>81</sup> Diarrhea and respiratory infections are the main killers, while water and food borne diseases are major causes of illness.

Flies, mosquitoes, rats, and scavenging dogs are important disease carriers, and the lack of waste disposal facilities exacerbates this problem. Overcrowding, scarcity of clean water, and poor sanitary conditions hinder the control of communicable diseases in Betio in particular, where the rates for most respiratory infections and diarrhea are highest.

## Emerging Diseases

There is evidence that diseases associated with diet and lifestyle, such as diabetes and hypertension (noncommunicable diseases), are increasing. Cancer and tuberculosis are emerging as serious and increasing problems. Tobacco is smoked in more 80% of households.<sup>82</sup> Motor vehicle accidents and domestic violence are increasing and are often accompanied by alcohol consumption. There are verbal reports of increasing consumption of alcohol related to under-age drinking<sup>83</sup> and hospital staff have observed more accidents (at home, during social functions, and on the road) related to under-age drinking. Hospital staff also report increasing problems of drinking by overseas seafarers both during training and in their working lives.

Many people have poor diets because traditional foods have been replaced by large quantities of imported foods, such as white flour, sugar, and fatty meat. Particularly in South Tarawa, people have acquired a taste for these foods without realizing the associated health risks. The imported foods are also cheaper and usually easier to prepare than traditional foods, which are limited, particularly in South Tarawa, because of poor quality soil, scarcity of land, and poor rainfall. Adults suffer from diet-related conditions, such as obesity, diabetes, and heart disease. Anemia is a significant problem for women of childbearing age. The lack of exercise undertaken by many people exacerbates these dietary problems.

**Table 7.4: Five Leading Causes of Morbidity and Mortality, July 1999**

Morbidity	No./100,000 Persons	Mortality	No./100,000 Persons
Acute respiratory infections	106,881	Cardiovascular diseases	93
Wounds and sores	23,102	Perinatal period deaths	63
Diarrheal diseases	18,054	Liver diseases	57
Infectious skin diseases	14,200	Intestinal infectious diseases	27
Conjunctivitis	6,478	Diseases of the respiratory system	27

Source: WHO 2001.

Nutrition-related diseases are now a major health concern among children as well as adults. The MOH has instituted a Vitamin A supplement program for children, but Vitamin A deficiency is still high in some of the outer islands.

There is no specific surveillance of sexually transmitted disease (STD) in Kiribati, other than for gonorrhoea. STDs are, however, an emerging concern. Cervical cancer, which is often preceded by STD, is now the most common form of cancer.

HIV/AIDS is identified in the routine tests for merchant seafarers taking up new contracts and hepatitis B (along with tuberculosis) is identified as part of the medical test for applicants for the FTC. The MOH estimated in 1995 that as much as 30% of the population are hepatitis B positive.<sup>84</sup>

There were 38 cases of HIV/AIDS reported by September 2001 (up from 3 in 1995) and 17 people had died from AIDS.<sup>85</sup> Most of the people infected were seafarers and their wives and children. While the tracing of contacts of HIV-positive people is MOH policy, confidentiality of the HIV-positive person is also policy. The result is that contacts are not as routinely traced as would be desired. Many people have multiple sex partners; although condoms are freely available, they have a poor acceptance rate.

Youth suicide was identified as an emerging issue in an earlier economic report, but at this stage is not regarded as a problem. Given the trends in other countries, however, MOH officers are alert to this possible emerging problem.

Mental illness also appears to have increased. The number of reported cases increased from 43 in 1999 to 125 in 2000.<sup>86</sup> It is possible that the large increase is the result of higher reporting or an

error in collection of data. Two areas need further investigation: the reliability of the data and, if this trend is verified, the implications for budget allocations and management strategies.

## Women's Health

The issue of women's health is clouded by traditional attitudes toward women, which have discouraged discussion of their health problems. These attitudes are changing, particularly in South Tarawa, but their effects are evident. Data on women's health are presented in broad terms, but the specific health problems of women as they relate to their reproductive role are not dealt with in a consistent manner.

The most common reasons for women to be hospitalized relate to their reproductive health and associated internal conditions (some of which often precede cervical cancer). It is estimated that about 25% of women (generally in the outer islands) do not have access to health services prior to giving birth.<sup>87</sup> Data are not collected on the range of problems that women might experience related to reproductive functions and complications of childbirth.

Data relating to maternal mortality are also regarded as unreliable<sup>88</sup> because of the small population size. The figures available in 1993 suggested that the level of maternal mortality then (225/100,000) was the fourth highest of 16 Pacific island countries. The MOH suggests that the maternal mortality rate would have improved since then, but data are not available. The MOH estimates that unsupervised traditional birth attendants attend 25–30% of deliveries and it aims to work closely with them. However, most traditional birth attendants prefer to work independently rather than share their traditional knowledge with health professionals.

The most common cause of death among women is classified as "ill defined conditions."<sup>89</sup> A recent UN report suggested that the cause of some of these deaths could be abortion, which is illegal but practised.<sup>90</sup> Information and access to different forms of family planning are readily available in South Tarawa but limited in the outer islands. In 2001, coverage of family planning information and access were reported by MOH to be 18.6%, a decline from 28% in the early 1990s.

## Family Planning

The decline in family planning coverage has been attributed by the MOH partly to the change in orientation, from a program in the 1970s that focused on family planning to the integrated primary health care approach, adopted in the early 1980s. Additionally, the attitude of some churches that deter contraceptive use, the reluctance of men to allow their wives to use contraceptives, poor ordering and distribution systems, and problems with staff capacity and workload at the clinic level, have all contributed to the decline in family planning coverage.

The MOH view is that health issues related to reproduction should be openly discussed and addressed. For example, condoms are freely available in health clinics and a teenage health clinic has recently been established at Betio. There are reports however, that patient confidentiality is not respected in MOH clinics, which would deter women from seeking assistance from them. In Tarawa, families also have access to family health services through the Kiribati Family Health Association, an NGO that provides confidential information and services regarding family planning and women's health, and also distributes free condoms through supermarkets and bars.

It is timely now for the national Government to adopt a national policy to promote the considered planning of the size of families. Implementation of such a policy will require that the community be given information about the implications of continued increases in population, allocation of resources to implement family planning activities, and a review of family planning management systems and services to increase the coverage of family planning methods.

## Services in Outer Islands

There is a noticeable difference between the health care available in South Tarawa and that in the outer islands. Health clinics in South Tarawa are better stocked, more accessible because of their proximity to the population they serve and their hours of operation, have more reliable cold chain facilities, and have better communications. Also, patients can easily be transferred to Tungaru

Hospital. A survey of families in a typical village in Butaritari (see Annex E) during consultations for this report indicated that people have faith in their health center or clinic. But experiences reported in the village indicated that while health staff could deal with mild conditions they could not treat more serious conditions, such as severe burns or complications in pregnancy. The availability of staff in the outer islands is also an issue. Every health center and clinic has a qualified nurse or medical assistant but they need to take leave, are sometimes sick themselves, and sometimes are just not available.

Problems encountered by outer island health centers and clinics also relate to availability of drugs. The ordering and transportation system appears to be unreliable and clinic staff stated that they often did not receive stocks they had ordered, so medications were not available. The use of two-way radios to communicate with MOH headquarters is often not effective. Radios are broken and not serviced, and the attitude of “It’s not my responsibility to get it fixed, I have reported it,” is widespread. Solar batteries to maintain cold chains (for storing vaccines) are ageing and expensive to replace. As a result, cold chains in the outer islands can be ineffective.

Given the uneven spread of medical practitioners (currently 22 doctors in Kiribati: 21 in South Tarawa and one in Kiritimati Island), much of the population does not have access to a doctor. Theoretically this situation could be improved through access to advice from a doctor on the two-way radio or the ability to transfer patients to Tungaru Hospital by air. In fact, communications to the outer islands are frequently unserviceable and air services are undependable, hampered by lack of funding and safety concerns. Regular island visits by doctors based in Tarawa would help to raise standards on the outer islands.

## **Policy Challenges**

### **The Interdependence of Health-related Services**

The progress by MOH over the last few years with many infectious and communicable diseases decreasing in incidence is

laudable, but while management can continue to improve and funds may increase, there must be an improvement in supporting services if the health of I-Kiribati is to be comparable to the health of other peoples in the Pacific.

Activities that affect health are not confined to the health sector. Services that support health include water, sanitation, and waste management (Box 7.1). The past provision of services in South Tarawa, especially Betio, has been substandard and has contributed directly to the poor health of people living there, particularly the vulnerable group of infants and under-5 children. In the outer islands, transport and telecommunications are also vital. In order for the health system to be able to deal with future pressure, it is essential that these related services be much improved.

It is unrealistic to expect that each outer island will be serviced by its own doctor. It is not unrealistic, however, to expect that with advances in telecommunications an accessible and reliable telecommunications system could be installed and operational on a cost-recovery basis in the outer islands. Likewise the provision of a reliable domestic air service would appear to be an essential investment for a country with the geographic features and economic income of Kiribati.

### Limiting Future Health Costs

Population increase and the spread of lifestyle diseases are health issues that will have a strong effect on the government budget and economy in future.

Lifestyle diseases are costly to treat but can be contained through preventive programs. Changes in diet and exercise levels, consumption of alcohol, and tobacco are all choices that can be made and implemented by individuals. The challenge for MOH is to monitor the effectiveness of their public education programs and to change their approaches to public education and introduce additional activities as needed. The public education sessions broadcast regularly on the radio are well presented and have a wide audience, but more effective public education is needed in view of the increase in these lifestyle diseases.

### **Box 7.1: Water, Sanitation, and Waste Management in South Tarawa**

Households in South Tarawa, including Betio, receive intermittent supplies of water that is not potable. It was estimated in 1995 that the daily consumption of water in Tarawa probably averaged no more than 25 liters per person per day, almost down to a “lifeline” level of supply.<sup>91</sup>

Water must be boiled for drinking, there is insufficient water to maintain hygienic conditions through washing and bathing, and a heavy workload and responsibility fall on women and children, who bear the burden of water provision.

Betio Health Centre, which functions as a satellite hospital, has had to rely on a twice-daily delivery of water that is grossly insufficient to meet its needs, resulting in unhygienic and unsanitary conditions. Schools rarely have adequate access to potable drinking water. Few households or public buildings have rainwater tanks. A major ADB-funded water and sanitation project (the SAPHE Project) is providing a microcredit facility for people to purchase rainwater tanks through the Housing Corporation.

The situation regarding sanitation is equally serious. In South Tarawa, the 2000 census reported that 53% of households regularly used the ocean beach or lagoon beach as their toilet. In an urban environment, this practice poses a public health risk, particularly on the lagoon beach. About 30% of households in South Tarawa use water-seal toilets, which contribute to polluting the water lens that feeds household wells. Cost and culture are factors in the choice of toilet types and the desire of most people now is for a flush toilet. It is unlikely that the Government or households can fund the

### **Better Management and Improved Outreach of the Health System**

MOH has developed planning procedures to address the multiple health problems of a country in transition, which is still experiencing the problems of communicable diseases while noncommunicable and lifestyle diseases are increasing. Management systems are needed that focus on the achievement of outputs through streamlined implementation, supervision of staff, monitoring of results, and redesign of activities and systems as required.

**Box 7.1 (continued)**

provision of flush toilets for all households. Consideration may have to be given to encouraging a change in cultural habits and subsidy of cost-effective alternatives such as composting toilets (now being installed on a major trial scale in Kiritimati). The management of sanitation will become more serious as the population of South Tarawa continues to expand. Garbage disposal presents a problem and the management of waste disposal sites has not been addressed.

The SAPHE Project will bring water from a North Tarawa water source to increase the available water and restore or connect water to about 3,000 houses in South Tarawa. The project will also rehabilitate the existing sewerage system, which was constructed about 30 years ago, and facilitate household garbage removal.

There is an expectation in government circles that the SAPHE Project will solve the water sanitation and waste management problems that have dogged South Tarawa for the last 20 years or so. Actually, it will give the Government only a short time in which to plan and mobilize resources for future infrastructure maintenance and development for South Tarawa. Past arrangements for water and sewerage planning, maintenance, and operations have not worked. Population trends indicate that the population of South Tarawa will continue to grow, probably doubling in the next 10–15 years. This situation requires that the Government adopt a proactive approach to the management, maintenance, and development of the water supply and sanitation system.

The targeting of results to be achieved in the outer islands and the allocation of resources to achieve those results will enable MOH to quantify its commitment to raising the standards of service in the outer islands. A suggested strategy is to identify in the budget document the outputs to be achieved and the resources to be allocated to the outer islands. The availability of this information would illustrate MOH commitment and provide information to the public about government activities that will improve their health services.

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# Annexes

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# A Framework for the Supervision of Public Enterprises

## Who Should Be Involved?

One of the current impediments to improving the performance of public enterprises (PEs) is the absence of an appropriate system of external, independent supervision. There are a number of options for such a system, each with its strengths and weaknesses.

A common approach internationally is to share responsibility for supervision between the policy agency, which is normally the line ministry with responsibility for the relevant sector, and the central finance agency, normally the Treasury or Ministry of Finance. This would allow the combination of important policy skills from the line ministry with the economic and financial skills (and a concern for the budget bottom line) of the central finance agency.

In Kiribati, the line ministries tend to also control or heavily influence the boards of PEs (through having senior officers on the board). The conflict of interest that arises is unavoidable and for most PEs, effective supervision will require that ultimate responsibility rests with a separate agency (although both the line ministry and the PE itself should, of course, have some involvement in the system of supervision). This separate agency could be the Ministry of Finance and Economic planning (MFEP), but even this option suffers from important limitations: the MFEP is the responsible agency for some PEs, and there would be potential

resistance from other agencies to the MFEP gaining additional influence over their activities.

These considerations point to the value of allocating supervision responsibilities to an independent agency. One option is to expand the responsibilities of the Office of the Auditor-General beyond financial compliance audits to also include performance audits. This is attractive as the Office already has powers under the Public Finance Ordinance to request information and an ability and obligation to report directly to parliament and hence the public. The Office has also demonstrated independence and determination in its current work. This option would require a substantial development of the skill base of the Office (beyond accounting) and it may be difficult to attract nonaccounting staff away from the established career paths.

Yet another option is to establish a new independent agency that also reports directly to parliament. Such an agency would naturally report to the Public Accounts Committee (PAC), as does the auditor-general. This option essentially amounts to establishing a professional and well resourced secretariat for the PAC. There are two main advantages. First, it would avoid the conflict of interest inherent in requiring line agencies or the MFEP undertaking supervision. Second, it would strengthen a critical component of the government machinery. One of the existing weaknesses of the public sector is the weak demand for performance. A more effective PAC could do much to improve this situation.

An independent agency could also report to the Office of the President. However, this may actually limit the independence of the agency and is a higher-risk option.

If supervision responsibilities are kept within the MFEP or line ministries, it would be important to consider changes to the structure of the boards of PEs. Ideally, the board would comprise individuals chosen for their ability to manage a commercially-driven organization. Such skills are in short supply in a public service and more suitable board members would be available from the private sector. However, the private sector is shallow and may also be unable to provide individuals with both the right skills and absence of conflict of interest.

It is possible to bring in board members from overseas, an option that would greatly expand the pool of suitable candidates.

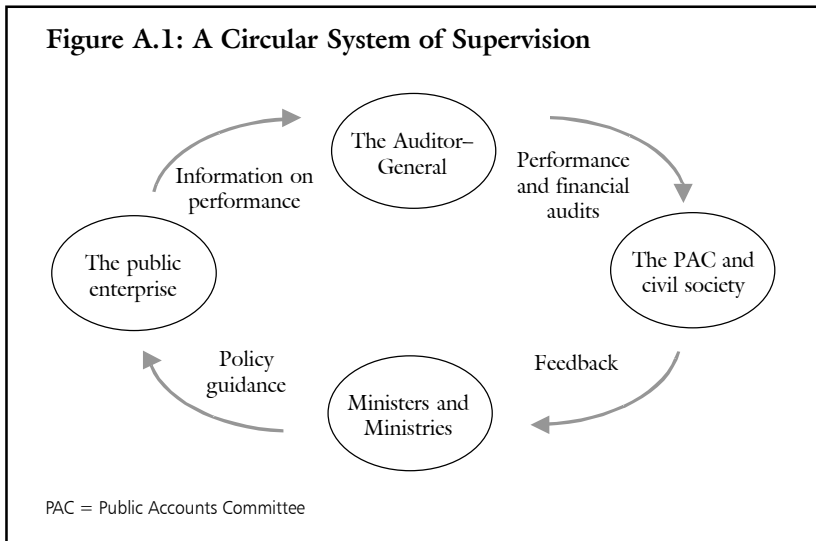
To keep costs within a reasonable level, private representatives could sit on more than one board or a number of PEs could be grouped under a holding company, where overseas board members could sit on the board of the holding company.

A very much suboptimal option would be to replace the senior ministry staff on boards with more junior staff, and grouping such PEs under a holding company led by a board of permanent secretaries or other senior staff. This may help distance permanent secretaries from the individual PEs and potentially create more independence. There may also be benefits from grouping permanent secretaries within the board of a holding company so that they jointly hold responsibility for a PE, rather than expecting one permanent secretary as supervisor to scrutinize the work of another as chair.

Clearly, there is no uniquely correct system. Figure A.1 summarizes one alternative to illustrate how such a system could operate. The figure represents the process of supervision as a circular system in which a flow of information between the various parties builds on the provision of information on performance by the board and senior management of the PEs.

Under this illustrative system, the Office of the Auditor-General provides independent scrutiny of the performance information of the PEs, with the findings of this work contained in performance and financial audits (discussed below). Those audits must in turn be scrutinized by the community as the owner and customers of the PEs. In this illustrative case, the community is represented by the PAC of parliament, but it is also desirable that civil society be provided the opportunity for a direct involvement in supervision via the provision of information. The work of the Office of the Auditor-General and feedback from the PAC and civil society can be thought of as flowing through to the relevant ministers and their ministries. They have a critical role to play in setting the policy environment of the PEs. This role encompasses the mentoring of the system of supervision, setting the activities of the PEs, and working with PEs to improve their performance.

Under such a circular system, each party adds value to the information it receives. Each party to the system of supervision improves on the work of others and over time this can be expected to help build up the performance of the PEs.



## The Role of Key Parties in Supervision

### The Role of a PE Board

The board of a PE is responsible for ensuring the efficient accomplishment of the purposes of the enterprise. This purpose would normally be defined in the establishing ordinance or articles, and any service or operating agreement reached with the Government (as described below).

Ideally, a board would not be involved in day-to-day management. It is normal practice for a board to delegate authority to manage a PE to the chief executive officer, specifying the powers that are delegated and a requirement to report and account to the board for the exercise of those powers, and the extent to which the chief executive officer may further delegate them.

In implementing its responsibilities, a board would normally oversee a continuous planning and management process within a PE, preparing and monitoring strategic and annual plans, ensuring that foreseeable risks are identified, and seeing that they are managed, as well as safeguarding the financial and other assets of a PE.

A Board would also normally be expected to undertake the following.

- Exercise particular care to see that annual reports and audited accounts of the PE are prepared and presented in accordance with the establishing statute and the provisions of the Public Finance Ordinance.
- Ensure, through competitive recruitment, continuing supervision, and succession planning, that honest and competent executive and senior management is always in place.
- Ensure that meetings of the full board are held at designated intervals (e.g., at least once every three months).
- Ensure the systematic and timely preparation and distribution of board papers, minutes of board meetings, recording and dissemination of board decisions, reminders on action to be taken, and reports on implementation.
- Ensure the declaration of interest, withdrawal from discussion, and abstention from voting on any matter by a board member whose interests are or may be affected by that matter.
- Provide for the use of board committees, including but not limited to a finance and audit committee, to pursue and oversee specific issues assigned to them by the full board.
- Ensure that board meetings are conducted in a timely and businesslike manner to avoid unnecessary costs and to set an example of productivity to PE staff and employees.
- See that the affairs of the PE are promptly, transparently, and accountably reported to the Government, parliament, and the people by the publication of annual and ad hoc reports and news releases.

- The responsible minister(s) should be promptly informed of any situation beyond the board's control that prevents compliance with the directions and requests of the minister(s).

The composition of a board is very important for ensuring that it can implement its responsibilities, and it is desirable that rules are established on board composition. For example, it would be sensible to establish that not more than one quarter of the directors of a PE may be persons holding executive management positions or be otherwise employed by the PE. Remaining directors should be appointed because of their professional and technical knowledge and experience of the field of operation of the PE, their known record of achievement in the direction of commercial and economic affairs, or their ability to represent in the board a significant body of the PE's stakeholders. Board members should not have an active interest in a competing organization.

### The Role of Directors

Directors carry an individual responsibility for the appropriate direction and conduct of the affairs of a PE through the board's comprehensive authority over executive management, and for the quality of board proceedings and the integrity of its systems.

### The Role of the Chief Executive Officer

The chief executive officer is to establish with the board clear performance standards and agreed targets to be met by the PE. Accountability is enhanced when such standards and targets are incorporated into the employment agreement of the chief executive officer.

The chief executive officer is the key individual responsible for ensuring sound financial management by a PE. It would be expected that this person would be accountable for ensuring that

- a PE maintains a high standard of financial accounting, security of cash and other financial resources, budgeting, and financial planning;

- accounting systems are properly designed, installed, and operated, and that reports and financial statements are promptly prepared and submitted to management and the board;
- accounting procedures are clearly set out in manuals prepared and periodically reviewed by management and approved by the board, and implemented by management through explicit training and supervision of staff;
- annual and quarterly budgets are submitted to the board in good time for board consideration and approval, and describe in sufficient detail for proper supervision and accountability the proposed sources of funds for the PE's operations for the period ahead, together with the most recent actual income and expenditure results and revised estimates for the current period;
- upon approval by the board, a copy of such budgets are sent to the minister(s) with portfolio responsibility for the PE;
- internal audit processes are in place and appropriate to the size and nature of operations of the PE in order to maintain the oversight of financial management and accounting procedures, and that report directly to the board of the PE;
- bank accounts shall be subject to stringent control and prompt reconciliation with the transaction records of the PE;
- funds surplus to the operational needs of the PE are invested in deposits with licensed commercial banks in Kiribati or in securities issued by the Government of Kiribati; and
- the board is promptly informed of any situation beyond the chief executive officer's control that prevents compliance with the directions and requests of the board.

The chief executive officer has an important role to play in ensuring that a PE operates ethically. It is appropriate that PEs set and adhere to high standards of honesty and integrity in the conduct

of their business affairs, and they should also require that their suppliers and contractors adhere to similarly high standards. This would normally require that rules be established to ensure that procurement processes are open and transparent, that all payments and receipts are fully documented and brought promptly to account, and that no activities of a corrupt or financially improper nature are tolerated.

Chief executive officers who are also directors of the PE need to have a balanced regard to their duties as a director, as a technical adviser to the board, and as a leader (or member) of the management team charged with implementation of approved programs.

### **The Role of the Auditor-General**

The role of the auditor-general is to conduct audits in compliance with the Public Finance Act and the enacting legislation of the PE or the Companies Ordinance as appropriate. Audit reports are submitted to the PAC. The auditor-general has an important role to play in providing technical assistance to the Committee in helping interpret the audit findings.

### **The Role of the Public Accounts Committee**

The PAC is responsible for the scrutiny of the reports of the auditor-general. Through parliamentary processes, the PAC provides the main formal mechanism for the scrutiny of PEs by their effective owners, the community.

The PAC has the power to issue directions or requests for the purposes of ensuring the appropriate scrutiny of PEs or improving the performance of PEs.

### **The Role of Ministers and their Ministries**

PEs are responsible for the careful, efficient, and accountable use of public resources; and for the safe and timely production and delivery to the public of goods and services of good quality and at a

fair price, in a manner that reflects the legitimate interests of the community at large. Ministers and their ministries are responsible for clearly defining the Government's expectations with respect to such matters.

Such expectations would normally be set out in a service agreement prepared by ministries in cooperation with the PE, setting out the detailed rights and obligations of the Government and the PE toward each other. A service agreement would normally be established as a legally binding contract between the PE and the Government (as represented by appropriate minister(s)), upon which either party could sue or be sued by the other.

The relevant ministers and their ministries have an important role to play in working with PEs to improve their performance and to ensure that their activities are aligned with the Government's objectives. Only in exceptional circumstances would these responsibilities extend to an involvement in day-to-day management. Their usual role would be as a source of strategic analysis of performance and advice on future directions.

Ministers and their ministries would carry much of the responsibility for ensuring the implementation of any directions or requests of the PAC based on its review of PE performance.

In order to carry out their responsibilities, it is important that the secretary of finance and other relevant permanent secretaries be able at any time, by writing to the chief executive officer of a PE, to access an up-to-date and comprehensive statement of the financial position of that PE, and that the chief executive officer responds promptly to any such request.

Ministries would normally be expected to maintain an up-to-date record of information from PEs reporting to their minister.

## **Possible Components of a System of Supervision**

Potential components of a practical system of supervision are explained below. Initially, a system of supervision could be a very simple one, using only some components or a simplified version of a component. Or the system may only apply to some PEs in the first

instance, in which case it could become more sophisticated over time and its coverage expanded as familiarity and confidence in the worth of the system develops.

### A Code of Governance for PEs

A code of governance is potentially a key building block of a system of supervision. Its purpose is to set out clearly the roles of key parties, and mechanisms for ensuring that each party can carry out its responsibilities. The code puts in place important principles relevant to all PEs.

A code of governance would look very similar to the description provided above of the roles of key parties (with some rewording). It may also include additional material defining other important obligations of a PE, for example with respect to ethical standards, the environment, standards for setting employment terms, and conditions for and payments to board members.

The code could be established by statute as a legal requirement binding on those individuals with a formal role in the system of oversight (e.g., board members, heads of ministries). Alternatively, it could be established as a policy document with no legal force but used as the main guide to appropriate behavior.

### Service Agreements

A code of governance would be expected to specify a requirement for a service agreement be put in place between the PE and the Government. Thus, the service agreement would indirectly form part of the code.

A carefully drafted and negotiated service agreement would be an important mechanism for supervising and improving the performance of a PE. In particular, it could be sufficiently flexible to allow a PE considerable autonomy in day-to-day operations, while providing rigorous monitoring of key strategic outcomes. Such an agreement allows a government as owner to reduce its control of day-to-day matters in the knowledge that limits are set on the PE's behavior and that performance will be checked.

Ideally a service agreement would flow from a PE's corporate planning process and present a helpful opportunity for the PE to clarify its obligations and interaction with government.

A service agreement could include statements regarding

- objectives, nature, and scope of the main activities of the PE;
- service performance standards;
- mechanisms for measuring performance against agreed criteria;
- the nature of information to be provided to the Government by the PE during the course of the financial year, including information to be included in quarterly and half-yearly reports;
- required government financial contributions to cover operating and/or capital costs;
- impending major investments and proposed financing arrangements;
- proposals for varying the Government's equity contribution;
- the PE's dividend policy;
- terms of access to and the use of land and other fixed assets;
- pricing policies (e.g., tariff structures and amendment procedures) in cases where a PE lacks effective competition;
- accounting policies to be applied;
- specific employment, wage, and industrial regulations requirements not reflected in general legislation;
- mechanisms for periodically revising the service agreement; and

- such other matters as might be agreed on by the shareholding ministers and the board from time to time.

### Performance Criteria

The performance criteria depend on the nature of the PE. The criteria for monitoring performance would normally be simpler when PEs face effective competition with the private sector on all aspects of their business (and compete on similar terms to those applying to the private sector without any unfair competitive advantage). In this instance, the key performance criteria would be profitability as indicated by the PE's return on assets and return on equity. If similar returns to those earned by private sector competitors are achieved, it would be reasonable to assume that the PE is operating efficiently and setting appropriate prices/charges.

The process of comparing a PE's performance against a reasonable market standard is termed benchmarking and is an important aspect of monitoring the performance of PEs.

Within Kiribati, a number of the larger PEs do not face effective competition with the private sector; they hold monopoly power in at least some aspects of the business. In such cases, it is not sufficient to monitor profitability only. A monopolist can have the power to set high prices while operating inefficiently and providing poor service. For these PEs, it is important to set performance criteria based on service standards and efficiency. There are many ways of defining such performance criteria. For example:

- Performance criteria could be set at existing levels subject to the PE making a steady improvement over time. For example, an annual increase of  $y\%$  could be requested in sales per employee starting from current levels.
- Prices could be allowed to increase at the rate of inflation less  $x\%$ . This would force the PE to find some way to keep costs below the level of inflation if profits are to be preserved. This is often called CPI-X regulation.

- Performance criteria could be set based on benchmarking with international standards. For example, it is possible to set targets based on international standards for the number of phone lines per employee or, the number of water connections per employee.

Ideally performance criteria would flow from the corporate planning process of the PE and be of use to both the PE and those overseeing its performance.

## Performance and Financial Audits

At present, investigations by the auditor-general are limited to financial compliance audits as per the provisions of the Public Finance Ordinance. The illustrative framework proposes that the powers of the auditor-general are extended to also conduct performance audits. In this context, the performance audit would rest on an examination of the compliance of the PE with the provisions of the code of governance inclusive of any service agreement.

This means that the audit process would have a very broad scope, encompassing such matters as financial systems, administrative practices, and reporting and service standards. The “rules” of the pure financial audits would continue to be set by accounting standards, while the “rules” for performance audits would be established in the code of governance and any service agreement.

The reports of the performance audits should contain a summary of the PE’s service agreement, in the same way that existing financial audits contain a summary of a PE’s financial accounts.

## Public Reporting

Under this illustrative system of supervision, performance and audited accounts would be publicly released via the auditor-general’s report to parliament. The code of governance could also be publicly released, with its summary of any service agreements.

The role of civil society would be enhanced if summary information on the state and performance of the PEs were regularly released. One feasible option would be the preparation of an annual statement that accompanied the budget, but there is a wide range of alternatives.

# **Upgrading Qualifications and Professional Development for Senior Managers in the Public Service and Public Enterprises**

The following professional development program is proposed for senior managers of ministries or public enterprises (PEs) who want to update their management skills and upgrade their qualifications.

The objective of the program would be to support the performance of senior public service and PE managers by delivering a program through which managers could gain an internationally accredited diploma in management, contracted through a tertiary institution in the Pacific region.

The course would be based on management competencies required by senior managers. It would offer the opportunity for managers to specialize in corporate enterprise or government finance. In addition to financial management modules, the course would include developing strategic and corporate plans, leadership,

teamwork, human resource management and development, staff supervision, and performance management. The course would involve practical and written assessments and course material. Case studies would be based on the Kiribati experience with reference to countries with comparative experiences.

The course would be delivered in modules, probably over a two-year period and would involve face-to-face workshops, action research projects that will result in measurable improvement of performance in organizations, in-country mentoring and tutoring, and video conferencing with E-mail and/or telephone hotline assistance for students. The pattern of course delivery could include 5-day workshops with weekly seminars and follow-up tutorials. This pattern would require the extended presence in Kiribati of a coordinator/mentor who is an experienced senior manager able to act as a tutor, provide mentoring, and facilitate the seminars.

In order to reward those managers who complete the course successfully, the final module could be conducted at the campus of the tertiary institution conducting the course. Students eligible to attend the final module overseas would be those who had successfully completed all the previous modules. The final module would involve site visits and possible work attachments with organizations similar to those in which the students were employed in Kiribati. Students would be expected to produce a comparative research paper based on their international experiences and outlining future strategies to improve their organization.

Outputs from the course would include training materials and manuals, graduates with diploma-level qualifications, and measurable performance improvement in an aspect of the organizations from which students have come.

Outcomes from the course would include a cadre of senior-level managers with knowledge, skills, and experience to implement corporate plans and continuously improve their organizations. Additionally, a professional development organization could be established from the cadre of managers taking part in the program and other public and private sector managers in Kiribati.

It is possible that a course of this kind could attract external funding under a bilateral or regional aid program.

# Statutory Restructuring of the Revenue Equalisation Reserve Fund

The proposed strategy to restructure the Revenue Equalisation Reserve Fund (RERF) has two main components:

- The enactment of legislation governing the funds now included in the RERF. The status of the RERF as a crucially important national asset would be recognized by a new law defining its nature, purpose, and rules of governance. The title of the new law might be the Kiribati Reserve Funds Act.
- The separation of the present RERF into two funds. The new law would establish a protected reserve fund (or core reserve), invested in international financial markets, to which the Government would not have access, and an accessible reserve fund, invested in Australian dollar assets only, from which the Government could draw down money into the national budget by parliamentary appropriation.

For discussion here, the protected fund is called the National Reserve Fund (NRF) and the accessible fund is called the Government Reserve Fund (GRF).

The NRF would feed the GRF by automatically paying over its surplus earnings after maintaining its own real value per head of population. The statutory first call on the earnings of NRF would be to maintain its own required real value per head. If market or exchange rate movements caused the fund value to fall below that level, no transfer to GRF would be permitted until NRF value had been rebuilt to the required level and a surplus earned. Surplus capital value in the NRF, accumulated in excess of the maintained real value per head, would be transferable to the GRF on government request in the form of a motion approved by parliamentary resolution.

The GRF, which would not incur exchange rate gains or losses because it would hold only Australian dollar assets, would also hold and suitably invest such funds as the Government has from time to time surplus to current needs, e.g., unappropriated or unspent windfall revenues.<sup>92</sup>

This strategy recognizes that the core reserves are a national asset, to be held in the NRF, protected, and passed on undiminished in real value per head from government to government under the supervision of parliament. It also recognizes the need for the government of the day to have access through suitably formal process to money held in the GRF for both recurrent budget support and development projects, and provides for this access to be through appropriation by parliament on motion by the Government.

The act of parliament establishing this structure would be entrenched in a similar manner to the Constitution itself, requiring a two thirds majority in parliament to change it.<sup>93</sup> The act would provide rules for the transparent and accountable governance of both funds.

Importantly, the proposed strategy removes the need to have a preset limit on the draw down into the budget in any given year. Because the drawings no longer come from the NRF, the core reserves held there are not exposed to the risk of an excessive draw down. The NRF is not accessible to the Government, except by moving an amendment to the entrenched statute—a process that ensures full public and parliamentary transparency and makes the event one of major political significance.

The status of the GRF would be closer to that of the present RERF, with some important differences. The Government will be

able to draw what it needs for current and capital purposes from the GRF by including those amounts and purposes in an Appropriation Act, thus ensuring public knowledge of the proposed transactions. The statute would provide that GRF moneys cannot be drawn down other than by a voted appropriation, i.e., access to GRF as a contingency provision would not be allowed.

By the same token, however, the Government will only be able to draw down what is available in the GRF. This limitation will require the use of multiyear budget projections and active forecasting and management of government cash flow. It will promote the use from time to time of local bank overdraft facilities, and in due course the issue of Treasury bills into the local capital market<sup>94</sup> to raise short-term funds for the Government and put some domestic impetus into deposit interest rates.

To back the issue of government debt and as a matter of wider public confidence, there will be a need for the GRF to contain sufficient funds to act as a cushion in case the NRF encounters one or more years of adverse market conditions that limit or even prevent the transfer of surplus income to the GRF.

A critical decision to be made within the strategy is how to divide the RERF between the two new funds. Trade-offs between conflicting objectives are involved, and this is one of the key points at which they will be decided. The Government would need to consider the matter carefully and justify its conclusions to parliament when bringing forward the proposed new law. The conflicting requirements are that

- the NRF should be established with as large a real value-per-head base as possible, to provide the greatest assurance of future budget support;
- the GRF should be established with a base big enough to provide funds for several years recurrent budget support—the "buffer" function—plus a reasonable "capital reserve" to enable transfers to the Development Fund for domestically-funded projects.

To illustrate this, assume the RERF has a value of \$650 million at change-over day at the start of 2004.<sup>95</sup> Assume a decision is

made to establish the NRF at a value of \$600 million and the GRF at \$50 million. The NRF then has a value of about \$6,300 per head in 2004 prices, or \$5,000 in 1996 prices, about 11% higher in real terms than the current mandatory real value set in 1996. This could be adopted as the new real value per head to be maintained by NRF.

Assuming an opening value of \$600 million, a nominal rate of return on the NRF portfolio investments of 6.5%, stable exchange rates, population growth at 1.7% and inflation at 2.5%, NRF would be earning \$38–40 million a year in 2004–2005, retaining about \$25 million to maintain its real value per head of population, and transferring \$13–15 million to GRF.<sup>96</sup>

GRF would start off with \$50 million (around four times its expected income from NRF), and would receive the \$13–15 million from NRF at the end of the year. GRF would earn an investment income on undisbursed funds of around 5% (Australian bonds), say \$2 million a year on an average balance of \$40 million.

The distinct objectives and procedures of the two funds would be spelled out in the establishing statute. They could readily share one board of directors, chaired by the Minister of Finance. The board should include financially experienced members from civil society, with reasonable security of tenure. The board would meet regularly, and the secretarial and local accounting operation would require a competent full-time secretary-accountant.

GRF would be established by liquidating (in the above example) \$50 million worth of RERF assets and transferring the proceeds to GRF, to be invested in Australian dollar assets and managed according to objectives and performance criteria reflecting the purposes of the GRF.

Existing RERF funds managers would be invited to bid for management of the GRF, along with others with institutional links with Kiribati. Close liaison between the GRF fund manager and budget planners and cash flow managers of the Ministry of Finance and Economic Planning would enable the transaction costs of GRF to be minimized.

Adoption of the proposed strategy would set off a process involving considerable administrative and legislative activity, likely to take a year to complete. The outcome would be a set of

arrangements providing much greater protection for the core functions of the RERF, together with increased flexibility in budgetary and financial management for the government of the day, all under more effective parliamentary supervision.

# Kiritimati (Christmas Island), Kiribati's Newfound Land

Kiritimati, with a land area of 388 square kilometers (km<sup>2</sup>), is the largest atoll in the Pacific. It lies at the southeast end of the Northern Line Islands, 3,500 km east of Tarawa and 2,200 km south of Honolulu. The Line (except for Palmyra) and Phoenix islands were included in the Republic of Kiribati at independence, more than doubling its land area and extending its EEZ 5,000 km across the central Pacific. During the colonial period, when they were administered as part of Gilbert and Ellice Islands colony of the United Kingdom (UK), coconut plantations and a trans-Pacific cable relay station were established on Teraina (Washington) and Fanning (Tabuaeran) islands. Further south, in the Phoenix group, a short-lived government resettlement scheme for people from the southern Gilberts was established in the 1940s, and a trans-Pacific air refueling station set up on Kanton during the Pacific War was maintained into the 1970s.

Kiritimati was virtually uninhabited until the mid-1950s. It was then chosen as the base for the UK's H-bomb tests because it was a remote colonial possession, generally enjoying fine weather and used only as a breeding-ground by millions of sea-birds. Now, two thirds of the atoll is a government-administered wildlife reserve with a rich and rare stock of fish and birds. The other third is inhabited by about 5,000 people living in three villages and one urban center, among scattered coconut plantations dating from the

1960s and 1970s. The equatorial climate is moderated by year-round easterly winds. The island is prone to droughts broken by periods of heavy rain. Kiritimati is atop a mountain thought to be still rising from the seabed.

Since the mid-1980s, the Government has been resettling people from the Gilbert Islands into Teraina, Tabuaeran, and Kiritimati, and encouraging economic development on Kiritimati based on sport fishing and marine exports. As a result, Kiritimati has experienced rapid population growth and in the 2000 census, 50% of persons aged 15–54 were reported to be engaged in cash-earning activity, a similar rate to that in South Tarawa.

Most residents of Kiritimati feel that they are better off than people elsewhere in the country, citing as the reasons:

- Availability of land free of customary interests. All land in the Line and Phoenix islands is owned by the State. There are no indigenous inhabitants. Grants of freehold and leasehold interests carry none of the inherited kinship obligations that burden land at home. A sense of space and freedom pervades Kiritimati society.
- Easy access to plentiful natural resources, in contrast to the Gilbert Islands and the smaller Line and Phoenix islands. Coconuts are easy to find and free to the finder (licenses to make copra are available at a small fee). Fish are plentiful in the lagoon and open sea. Large freshwater lenses are now being tapped by an AusAID project for safe drinking water in villages (cost to the consumer through metered supply to individual household header tanks is \$1.50/1,000 liters).
- Relative proximity to the commercial and communications facilities of Honolulu, three hours away by jet, putting Kiritimati within easy reach of the United States and Canada.
- Better availability of jobs and business opportunities.

They also cite negative aspects of life and work on Kiritimati:

- The sense shared by many public officers of being both excluded from policymaking in Tarawa and micromanaged (badly) by departments 3,500 km away.
- The higher cost of petroleum fuel and goods shipped from Tarawa (the inter-island freight levy only equalizes costs in the Gilbert Islands).
- Distance from specialist health services and higher education and training facilities.
- Lack of the intellectual and social stimulus (and stress) that occurs in more crowded communities, reflected in some residents' description of Kiritimati as "boring."
- Family separation. People in Kiribati are used to this, but for those in Kiritimati the distances are greater and the opportunities for visits less frequent.

On balance the positive factors win. Kiritimati is attracting a net inflow from the rest of Kiribati, estimated locally at more than 500 persons a year, coming to join relatives and look for work. The 2000 census population of just fewer than 3,500 was believed to be about 5,000 in mid-2002 (close to 4,000 in Ronton and Tabwakea). There are mixed reactions to this growth among the existing residents. Many feel that inward movement should be restricted, as when Kiritimati was a closed district under colonial legislation. Others accept that freedom of movement is a constitutional right in Kiribati, and that access to the "good life" of Kiritimati cannot be limited to a lucky few.

Kiritimati is administered by the Government through the Ministry of Line and Phoenix Group (MLPG). Unlike Teraina and Tabuaeran, there is no Island Council. Power and water are supplied in the main settlement areas by units of MLPG. Other ministries maintain departmental branches or technical units attached to MLPG, funded by warrants on main budget heads issued to MLPG. Conflicts

arise about the use of such funds. The coordinating role of MLPG is reported to be problematic, with Tarawa ministries issuing direct orders to their Kiritimati offices without consulting MLPG, often with inadequate grasp of the local situation, leading to confusion and delay. An area of particular concern is the land-use planning and allocation process, where large numbers of apparently in-order applications have been held up in Tarawa for two years without explanation. Effective development administration requires executive powers to be delegated and exercised locally, under clear policy rules and strong accountability.

All the main public enterprises (PEs) are represented in Kiritimati, plus extra PEs in fisheries and tourism. Many of them suffer from uncompetitive cost structures and attitudes and lack of market awareness, like their Tarawa counterparts. This is handicapping the Kiritimati economy, particularly in the export-oriented sectors of fisheries and tourism (seaweed and copra are exported through Tarawa). The private sector consists of a small group of large trading operations, a strong live-fish export sector, several well-established small building contractors/brick makers, an emerging bus transport sector, several bars and discos, and large numbers of retail shops, hawkers, bakeries, video libraries, and fish sellers. Attempts to organize a business association have faltered and private enterprise lacks a unified voice. More private investment, including foreign investment, is needed in the productive and export-oriented sectors if the Kiritimati economy is to keep pace with the growth of population. Tourism, food-fish export, and solar-salt enterprises are all candidates for expansion through injections of overseas capital, management, and marketing skills.

At the same time, the natural resources that attract investment will have to be sensibly managed. Falling catches of bonefish are reported by (catch-and-release) tourist fishers, and of aquarium fish by live-fish exporters, indicating increased catch of bonefish for food by local fishers and unsustainable collection by aquarium fishers. The Conservation Unit, patrolling the vast nature reserve to protect fish and birds, reports continued problems with human poachers, and with wild cats, dogs, and rats—some of the four-legged predators descended from shipwrecked ancestors long ago; some are more recent arrivals.

Kiribati Oil Company has a substantial operation on Kiritimati, selling weekly 40,000 liters of diesel, 15,000 liters of gasoline, and 12,000 liters of aviation kerosene. The storage tanks (some built in the mid-1950s) are refilled by a coastal tanker from the Fiji Islands every three months. Kiribati Ports Authority has acquired a new wharf on the northwest ocean coast and a 45-ton mobile crane, transferred by NASDA (the Japanese aerospace development agency) as part of the space vehicle test program HOPE-X deal, and has purchased equipment and buildings left from the wharf construction. The Authority plans major storage construction in the wharf area.

Branches of Telecom Services Kiribati Limited (TSKL) and the Bank of Kiribati make strong contributions to the total profits of each organization by providing technically adequate services at prices free of competitive constraints. TSKL faces a pressing need to upgrade the telephone and internet service to important outlying commercial and residential sites. The Development Bank of Kiribati, Kiribati Provident Fund, and Kiribati Insurance Corporation operate branch offices in Kiritimati, nominally also serving the other Line and Phoenix communities. All these agencies provide readily accessible services in “secondhand” but pleasant and well-kept premises in the chaotically laid-out government and business center, Ronton (London).

Education services are well up to national standard, with over 800 children in primary schools, 350 in one junior secondary school and 100 in a new church-run senior secondary school, all located between the main settlements of Ronton and Tabwakea. Some students attend senior secondary schools on Tabuaeran (and elsewhere). University of the South Pacific Foundation and 100-series courses are accessible through the Education Office. There are presently no formal facilities for infants or the disabled.

Health services are based on a health center with four beds, and village clinics. When fully staffed with 3 doctors and 15 nursing staff, this will provide adequate coverage for primary health care and basic surgery. Health problems show patterns normal for Kiribati but include higher levels of obesity than Tarawa, particularly among women, attributed to the relatively easy access to fish and coconuts, and higher cash incomes per head. Medical and surgical cases requiring referral go by sea to Tarawa or in emergency by air to Honolulu.

All the main churches operating in Kiribati are active on Kiritimati, providing support for youth and women's group activities and counseling for those in need. Juvenile crime and family break-up are reported to be at a low level. There is no standing coordinating machinery for churches or other civil society organizations.

Air and sea transport is crucial to the Kiritimati economy. Weekly passenger and monthly freight services are provided by Aloha Airlines on charter to Air Kiribati, with costs shared by NASDA. Freight services have been chartered by private enterprise on occasion, despite official opposition, when the regular freight charter was withdrawn. There are proposals to base an inter-island plane at Kiritimati to link the Line and Phoenix islands as was done some years ago. This would greatly improve urgent freight and government services to the outer islands.

Shipping services from Tarawa by private vessels operate every one to two months, calling also at Tabuaeran and Teraina, and occasionally at Kanton. These bring in passengers and general cargo, and take out passengers, copra, seaweed, and dried and frozen fish. Occasionally, a cargo ship calls from Hawaii or Japan, e.g., for the NASDA project. The MLPG is preparing to operate a confiscated longline fishing vessel, refitted for passengers and cargo, as an inter-island government service. Tourist vessels have suspended calls at Kiritimati because of the removal of reception facilities and a sharp rise in fees—decisions attributed in Kiritimati to a misguided bureaucracy in Tarawa. By contrast, tourist cruise ships are calling at Tabuaeran weekly, soon increasing to twice-weekly, transforming the local economy and causing decline of the formerly flourishing production of seaweed by villagers who do not have time for both tourism and seaweed farming activities.

The Kiritimati economy has been boosted by the NASDA HOPE-X project. The 20-year agreement for use of the 1.8-km Aeon airfield provides for transfer to the Government of the deepwater wharf and various civil works needed for the project, and annual rent of \$1.3 million from 2007 to 2020. The engineering works are completed and a joint venture company has been formed by the Government and Dai Nippon to maintain them. It would be unwise to base wider development plans for Kiritimati on expectations of NASDA expenditures. Such budgets are notoriously

liable to substantial adjustment or postponement in both Japan and the United States.

A further boost should come in 2003–2004 from the clean-up of 40-year-old military waste on Kiritimati. No radioactive material is believed to be present, but there are numerous dumps of rusted vehicles, asbestos materials and other long-lasting relics to be removed, with the aim of restoring the land to its pre-1956 condition. The project, to be wholly funded by the UK Ministry of Defence, is expected to take up to two years. It is being designed to provide technical training and short-term employment for artisans on the atoll. If increased investment in tourism and shore-side fisheries activities can be organized during that period, there is scope for a sustained uplift in economic activity on Kiritimati.



# An Outer Island Village: Onomwaru, Butaritari

## The Onomwaru Village Survey

A survey was conducted of Onomwaru Village on Butaritari Island to explore issues raised in consultation with the Island Council, national government officers, and representatives of key community groups.

Butaritari Island, the second most northern island of the Gilbert Group, is characterized by the highest rainfall in Kiribati and a relatively good agricultural potential. It is a coral atoll of approximately 13.5 square kilometers with a population of approximately 3,500 (the second largest population outside Tarawa).

Onomwaru is one of 13 villages on the island. Most facilities used by the community are found in the neighboring village, which houses a staffed health center, a primary school, the Island Council's offices, and the island's only junior secondary school (JSS).

## Survey Methodology

The survey was based on a short questionnaire of 26 questions covering aspects of education, health, telecommunications, rubbish disposal, drinking water, expenditure, village activities, and coconut production.

The survey was implemented by two mixed-sex groups, each comprising an I-Kiribati enumerator who conducted the interviews and an international consultant as a second enumerator.

The interviews/survey questions were conducted in the I-Kiribati language drawing on an English questionnaire. The questionnaire was tested within the survey groups and with the village councilor, who is also the chief councilor of the island.

Onomwaru was selected because it overlapped the catchment area of the local health center and village primary school, staff of which had been consulted separately to establish key issues affecting the local community.

Residents of randomly selected households in the village were interviewed. A household was defined as a group of persons who share the same food (and would normally encompass a number of dwellings on a small plot of family land). A household member was anyone normally sleeping with the group at the time of the survey.

The list of households from which the sample was selected was prepared by the village councilor. The household list drew on the councilor's local knowledge and the list of households identified in the village bank records (of which the councilor was the secretary). Respondents in 35 of a total of 53 households were interviewed in late May 2002.

## Key Findings

The key results of the survey are presented in Table E.1. This section summarizes the key implications of these results and provides additional insights based on consultation with government officials and community representatives.

The survey presents encouraging perspectives on the usage of key government services: education and health. Almost all families reported that all school-age children were at school at the village primary school. Of the small number of children not attending school, half were older children no longer interested in school, while the remainder had special educational needs. The high participation rate is a positive indicator of the ability for households to access schools and of the perceived value of education. The latter appears to be a reflection of both the quality of schooling and the potential use of an education (e.g., securing a government job).

Encouraging perspectives on the quality of education were also provided by the findings that all adults could easily read the Uekera (the local language newspaper), and that most parents believe their children are receiving a better education than they did. Reasons cited for the improvement in education included improved teaching skills and resources and improved accessibility to classrooms (which encompassed an improved availability of classrooms). Only parents educated elsewhere spoke negatively of the current quality of education.

However, there were some negative observations on education in the village. The survey found some instances of over-age children, and the lack of options for children with learning difficulties is of some concern. Separate discussion with village representatives raised some concerns regarding truancy, and the poor state of the school buildings of both the old primary school and the new JSS. The poor state of the JSS (e.g., cracked water tanks, no toilet facilities, no electricity, poorly fitted doors, absence of painting, cracked floors) is particularly disappointing given its very recent construction.

Slightly more than half of the households surveyed reported that at least one household member had been sick in the previous five months (since Christmas). Almost all of those that fell sick attended the health clinic and received treatment. This high attendance is a further encouraging finding of the survey. Typical sicknesses reported were flu, coughing, and diarrhea. Consultation separate to the survey pointed to considerable difficulties faced in treating serious cases (e.g., life threatening births and burns) because of communication and transport constraints and the (understandably) limited training of staff.

A good awareness in the community of health issues was also evident in the finding that almost 100% of households boiled their drinking water. Households that did not always boil drinking water all sourced their drinking water from either their own rainwater tank or a tap connected to the village's rainwater tank. It was reported that there had previously been a widespread occurrence of diarrhea, but this had been controlled when all users of groundwater began boiling their drinking water.

Rubbish disposal was found to be fairly evenly spread among the three options of throwing the rubbish in the water/leaving on

the beach, leaving in a heap on the household's property, and burial. Some households also burned their rubbish.

The absence of reliable, affordable, and private telecommunications appears to be an important issue. At present, outward calls from the island can be made either via private CB radio to another CB, or calls can be made to Telecom Services Kiribati Limited (TSKL) in Tarawa via the Island Council's CBs, which provide a connection to the TSKL phone network. The cost of an outward call on the latter is \$2.70 for 3 minutes for private individuals. The police, the airport, and the health clinic also have their own radios, although the CB of the health clinic had not been operating for at least 12 months. The Island Council's CB had also been in a poor state for some months.

Twenty of the 35 households surveyed had not contacted anyone off the island in the previous five months. Most of those households reported that they did not have a message that was important enough to warrant a call. A few reported difficulty using the service because it was complicated and they were concerned by the lack of privacy. Almost all households reported that they were prepared to pay for a better service. Discussion suggested that an important aspect of a better service was improved reliability and an ability to make private calls (e.g., via a public phone and not on open radio system).

Most households interviewed also reported a willingness to pay for better education and health services. Specifically, there was a willingness to pay for medicine if it was not available at the health center/clinic and for school books for children. This is significant because both the local health facilities and schools were short of materials, but at present households are unable to help correct this shortage through their own contributions. The willingness to contribute was normally expressed subject to the qualification that the cost be affordable.

The strong sense of community apparent in consultation was confirmed by an active interest in village activities. *Maneaba* services/meetings and church services were reported as the most enjoyable village activities.

Copra provides one of the main on-island sources of income. However, almost all households pointed to difficulties in copra

production arising from coconut trees not bearing enough fruit. Almost two thirds of those cited rats as the main problem. In discussion, some success with rat poison was identified. However, it appears that households believe that the distribution of rat poison is the responsibility of the Ministry of Natural Resources and Development and do not place poison themselves. This is probably because, to work well, rat poison must be spread widely and not just by an individual household.

Cash expenditure on household items was used in the survey as a proxy for income. Income can be very variable whereas expenditures tend to be smoothed over time and provide a better means of estimating the average or typical income level. Actual incomes may exceed expenditure if households save or, and this is more likely, if incomes are redistributed to other family members.

A considerable share of food in the village is harvested from, or grown on, a household's property (e.g., taro, breadfruit, eggs, and chickens) or from the lagoon or sea. Most structures are built from traditional materials. Consequently, cash expenditures can be low, yet a household can be well fed and housed.

Normal monthly household expenditure was found to range from \$6.50 to \$200.00, or \$1.10 to \$100.00 per household member. While some households appeared to achieve a good standard of living on low cost expenditures, it was clear that some households were in a difficult position. Although the causes of hardship were not investigated in detail, it appears that contributing factors were a small block of land and the absence of a male old enough to work.

High household expenditure was reported by households where either the son or, more usually, the husband worked as a seafarer or offshore fisher. Expenditures also tended to be relatively higher in households where one member worked for either the national Government or local Island Council. Other important sources of cash were relatives, weaving, copra, and local fishing.

Table E.1: Tabulation of Results from the Onomwaru Village Survey

	Total Households (No.)	Proportion of Households (%)
<b>A. Health</b>		
Households with someone sick in previous 5 months	19	54
Of these, households that visited a health center/clinic for their most serious illness	17	49
For those that did not, main reason why they did not:		
- sought traditional healer	1	3
- other	1	3
- total	2	6
Households prepared to pay for medicine if unavailable at the health center/facility	24	69
<b>B. Rubbish</b>		
Main way of disposing of rubbish (number):		
- burn	5	14
- bury	8	23
- throw in water/on the beach	12	34
- make a heap	10	29
Households prepared to pay to have rubbish collected	10	29
<b>C. Water</b>		
Main source of drinking water (number of households):		
- total	35	100
- groundwater	21	60
- tank water	8	23
- piped water from a tap	6	17
Households that always boil their drinking water by source:		
- total	28	80
- groundwater	21	60
- tank water	3	9
- piped water	4	11
<b>D. Education</b>		
Households where all school-age children are at school	26	74
Households with school age children	30	86
Main reason for not attending school:		
- total	4	11
- not interested	2	6
- education impaired	2	6
Households that believe their children are getting a better education than they did	22	63
Households seeing the main reason for this as		
- total	23	66
- better access to/availability of facilities	6	17
- better teaching skills	7	20

Table E.1: (continued)

	Total Households (No.)	Proportion of Households (%)
- better teaching resources	4	11
- other	6	17
Households with members who visited the school in the previous term	15	43
Households where all adults can read the Uekera easily	35	100
Households prepared to pay for books for children at school	28	80
<b>E. Telecommunications</b>		
Households that had not contacted people outside Butaritari in previous 5 months	20	57
Main reason for not contacting anyone:		
- total	17	49
- no one to contact	3	9
- absence of an important message	9	26
- lack of privacy	1	3
- other	4	11
Households prepared to pay for a better service	31	89
<b>F. Village Benefits</b>		
Number of households identifying as the most important village activities:		
- total	35	
- church	11	31
- <i>Maneaba</i> meetings/services	12	34
- dancing	4	11
- other	8	
<b>G. Coconuts</b>		
Households with coconut trees that do not bear enough fruit	30	86
Households where the main reason for this is seen to be		
- rats	21	60
- trees too young		
- soil no good		
- other	9	26
<b>H. Expenditure</b>		
Average monthly expenditure by main income source:		
- relatives	62	15
- local fishing	31	8
- seafarer or offshore fisher	122	20
- agriculture	52	9
- work paying a wage/salary	102	13
- other	76	15



## Annex F

# Persons Consulted

ORGANIZATION	PERSON	POSITION
<b>SOUTH TARAWA</b>		
<i>Aia Maea Ainen Kiribati</i> Air Kiribati	Meere T Riwata Sam Tiira Moemoe Kaam	President Acting CEO Financial Controller
Atoll Motor and Marine Services Ltd Atoll Seaweed Company Ltd Australian High Commission	Baie Teanako Kevin Rouatu Colin Hill Nigel Ewels	Managing Director Chief Executive Officer High Commissioner First Secretary
Bank of Kiribati Betio Shipyards	Tony Corrigan Renata Redfern Temaia Ereata	Managing Director Financial Controller General Manager
Betio Town Council	Tonganibeia Taam Tioera Baitika	Chief Councillor Clerk
Broadcasting and Publication Authority BSVL	Tibwere Bobo Riteti Maninraka	Editor, Te Uekera Chairman
Catholic Education Office	Sister Alaima Talu Sister Margaret	Director of Catholic Schools Senior Education Officer
Central Pacific Producers Chamber of Commerce	Barerei Onorio Lawrence Muller Aree Redfern James Schutz Moannata Ientaake Services Ltd Linda Ueanteang Tatieta Kannangaki Teririko Anre	General Manager President Fern Trading FFC Atoll Motor and Marine
Development Bank of Kiribati	Mareta Teken Naata Tekeaa	LU Trading Abamwakoro Trading Limited DTS Finance Manager Lending Manager

ORGANIZATION	PERSON	POSITION
	Roota Maeao	Senior Loans Officer
European Union	Darryl Sextone	Representative
Fern Trading Fisheries Training Centre Foundation of the South Pacific, Kiribati	Aree Redfern Kamaua Bareua	Manager Principal
I-Kiribati Video Resource Unit	Taoniti Irata Linda Uan John Anderson	Assistant Director Manager Director/Trainer
Kiribati Copra Co-operative Society Ltd	Rutiano Benetito	General Manager
Kiribati Copra Mill Company	Katarina Tofinga	Chief Executive Officer
Kiribati Customs Service	Tonganbeia Tamoa	Senior Customs Officer
Kiribati Development Bank	Kietau Tabwebweiti	General Manager
Kiribati Family Health Association	Katikoua Amon	Executive Director
Kiribati Handicraft and Local Produce Ltd	Ienimoa Kiatoa	Manager
Kiribati Housing Corporation	Taam Biribo	General Manager
Kiribati Seamen's Union	Tatoa Kaiteie	Chairman
Kiribati Ports Authority	Norati Anterea	General Secretary
Kiribati Protestant Church	Willie Maen	
Kiribati Provident Fund	Teruro leuti	Secretary for Education
Kiribati Shipping Services Ltd	Veronica Tibana	Finance Manager
Kiribati Teachers' College	Tetangare Teinai	Financial Manager
Kiribati National Audit Office	Reuee Tabutoa	Director
KSCL	Temanori Tiree	Principal
	Teea Tira	President
	Kabiri Kikih	General Manager
Marine Training Centre	Claus Conen	Captain
Ministry of Commerce, Industry and Tourism	Tenanora Tekanene	Director of Industry
	Bweitu Nabau	Senior Assistant Secretary
	Bweitu Tion	Senior Assistant Secretary
	Martin Tofinga	Director of Commerce
Ministry of Education, Training and Technology	Alisi Tira	Education Officer
	Takei Taoaba	Permanent Secretary
	Timau Tira	Chief Education Officer
	Atireti Taikone	Senior Assistant Secretary
	Karabi Baate	Assistant Curriculum Development Officer

ORGANIZATION	PERSON	POSITION
Ministry of Environment	Bibiana Bureimoa Amon Timan	Assistant Curriculum Development Officer Deputy Director Community Development Services
Ministry of Finance and Economic Planning	Tessie Eria Lambourne Teurakai Ukenio Hon Benjamina Tinga Tebwe Ietaake Teuea Toatu Ngaaina Teiwaki Vass Blanchikov	Senior Assistant Officer in Charge, Social Affairs Minister Permanent Secretary Economic and Finance Adviser Finance Deputy Auditor AusAID Strengthening Mgt. Info. Systems Project Director, NEPO Senior Economist, NEPO Economist, NEPO Senior Economist (Investment)
Ministry of Health	Tukabu Tauati Faitele Mika Takuia Uakeia Timau Tira Elena Tuneti Korimara Takoa Baraniko Viane Ioeru Tatapu Terenga Itibita Akee Rotanu Raera Tamen Dr Airam Metai	Economist (Investment) Senior Assistant Secretary Chief Education Officer Assistant Physiotherapist Assistant Secretary Biomedical Department Chief, Health Information Centre Chief Nursing Educator Chief Nursing Officer Dental Therapist Director of Public Health Services Laboratory Superintendent Nursing School Permanent Secretary Registrar, Tungaru Hospital Senior Health Education Officer
Ministry of Home Affairs and Rural Development	Erene Nikora Harry Redfern Kabure Temariti Kuareta Rimon Rine Ueara Manikaoti Timeon Teramweai Itinraoi	Senior Health Education Officer Director of Land Management Land Planning Officer Assistant Secretary Acting Rural Development Officer (Village Banks) Senior Local Government Officer Senior Rural Development Officer Permanent Secretary

ORGANIZATION	PERSON	POSITION
Ministry of Information, Communication and Transport Ministry of Labour, Employment and Co-operatives	Francis Ngalu  Mareweia Redfern Ngutu Awira Raimon Taake Taatu Teburea Takuia Uakeia	Permanent Secretary  Chief Cooperative Officer Assistant Secretary Permanent Secretary Acting Director Senior Assistant Secretary
Ministry of Natural Resources Development	Tukabu Teroroko Maruia Kamatie Johny Kirata Tetoaiti Tabokai Naomi Atauea	Permanent Secretary Deputy Secretary Chief Fisheries Officer Senior Resource Economist Minerals Officer
Ministry of Works and Energy	Teekabu Tikai Pita Iabeta Daniel K Taeba	Permanent Secretary Assistant Secretary Deputy Secretary
National Employment Register New Zealand High Commission	Tatu Teburea Neil Robertson	Chief Registration Officer High Commissioner
Office of the Auditor-General	David Lambourne  Takinoa Toatu Mr Mareko Tebuabua Mr Toromon Metutera Maunana Tuare	Solicitor-General and Registrar of Companies Auditor-General Officer-in-Charge Principal Auditor General Manager
Office of the <i>Beretitenti</i>	Bureti Williams	Secretary to Cabinet
People's Republic of China Embassy Plant and Vehicle Unit Police Service Public Service Commission	Ma Shuxue Romatoa Ubaitoi Allan Timona Tion Otang Tua Eritai	Ambassador Acting General Manager Statistics Chairman Secretary
Public Service Office	Tebuai Uaai Wiriki Tooma Teakai Tune	Secretary Deputy Secretary Management Information Officer
Public Utilities Board	Tekai Tune Tokia Greig Teburea Maio	Information Officer General Manager Officer in Charge
<i>Reita n Aine i Kiribati</i>	Rite Tira	President

ORGANIZATION	PERSON	POSITION
Sanitation and Public Health Education Project Solar Energy Company Limited South Pacific Marine Services	Kianteata Teabo Rutete Ioteba Volker Kant	Project Manager General Manager Manager
Tarawa Technical Institute Teinaimanao Urban Council	Taeboa Tabanga Kauriaa Buraua Kabwearuru Kirataa Reference Committee	Principal Chief Councillor Clerk Reference Committee
<i>Teitoiningaina</i> (Women's Organization) Telecom Services Kiribati Ltd.	Aren Teannako Riteti Maninraka Taom Kaitara	President Chairman of the Board General Manager
University of the South Pacific	Uentabo Neemia Mackenzie	Associate Professor
Voluntary Service Overseas, Kiribati	Cindy Fair	Director
Women's Development Centre	Aren Teannaki	Executive Officer
<b>BUTARITARI</b>		
Agriculture Section  <i>Aia Botaki Ainen Butaritari</i> (Women's Development Group Butaritari) and Butari Youth Association	Rui Tibau  Ataruru Nanuati, Mereue Enri, Saili Kirititoba, AkataTakea, Teebora Kondria, Rotiari Kanoua, Kiratabweowe Marewe	Agricultural Assistant, Butaritari members
Airenkarawa Memorial Primary School	Routia Takenimwakin	Head Teacher
Butaritari Island Council	Beiabure Beniamina Burantemanoku Timon	Chief Councillor, Butaritari Island Clerk Copra Agent Council member Council member
Butaritari JSS		Teacher accounting, music, social science, Teacher science
Health Clinic, Butaritari	Beia	Officer in Charge

ORGANIZATION	PERSON	POSITION
SDA Church	Tengon Taabuke	SDA pastor, Butaritari
Village Bank Butaritari		Village Bank members
Women's Development Group Butaritari	Saili Kirititoba	
<b>KIRITIMATI (CHRISTMAS ISLAND)</b>		
	Taukeke Karotu Baaroo Namai Jacob Teem	District Education Officer Chief Land Management Officer Member of parliament and businessperson
	Dr Eritane Kamatie John Bryden Alfred Smith, Toarei, Namoriki Eddie Smith Tangi Robuti Iteata Tuana	District Medical Officer Businessperson  Pet fish exporters Fishing guide and lodge owner Immigration Officer in charge Senior Exam. Officer i/c Customs
Atoll Seaweed	Kevin Rouatu	Manager
Bank of Kiribati Limited	Kaimemeri Benetito	Branch Manager
Catholic Community, Kiritimati	Arikita Kakaina	Catholic Community, Kiritimati
Development Bank of Kiribati	Motiti Koea	Branch Manager
HOPE-X Project	Mikaere Baraniko	Coordinator
Kiribati Insurance Corporation Kiribati Oil Company Limited Kiribati Ports Authority Kiribati Protestant Church	Lolina Auriaria Tekaiti Yeeon Koubwere Keakea Rev Inginimarawa Tungoria	Branch Manager Manager Manager District Pastor
Kiritimati Maintenance Co.	Hisataka Endo	Director
Ministry of Commerce Industry and Tourism	Tom Temeta	Business Dev't. Officer

ORGANIZATION	PERSON	POSITION
Ministry of Line and Phoenix Group	Hon. Manraoi Kaiea Iamti Rakautu Elliot Ali Mire Raieta Kintoma Tearo	Minister Permanent Secretary Deputy Secretary Planning Officer Chief Fisheries Officer
Public Works Department	Mabuora Iotua	Manager
Telecom Services Kiribati Limited	Riteti Maninraka  Ubatu Kaubati	Chairman  Branch Manager
Unimane Association, Tabwakea village	Tabu Takaia	President
Village Banks	Ielu Inaantake	Assistant Project Officer

JSS = junior secondary school; NEPO = National Economic Planning Office; SDA = Seventh Day Adventist.  
Note: The consultations were in mid-2002. Changes in positions and titles may have occurred since then.