

# **ASIAN DEVELOPMENT BANK**

## **COUNTRY STRATEGY AND PROGRAM UPDATE (2002-2004)**

### **KIRIBATI**

**July 2001**

## CURRENCY EQUIVALENTS

(as of 27 June 2001)

Currency Unit	–	Australian dollar (A\$)
A\$1.00	=	US\$0.5229
US\$1.00	=	A\$1.9122

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CDP1	–	Community Development and Participation Initiative
CDP2	–	Community Development and Participation Initiative, Phase II
GDP	–	gross domestic product
FEM2	–	Strengthening Institutional Capacity for Financial and Economic Management, Phase II
NDS	–	National Development Strategy
MFEP	–	Ministry of Finance and Economic Planning
MTS	–	medium-term strategy
OIDP	–	Preparing the Outer Islands Development Program
PDMC	–	Pacific developing member country
PSO	–	Public Service Office
PSR	–	Public Service Reform
PUB	–	Public Utility Board
PUB1	–	Management and Financial Advisory Services to PUB
PUB2	–	Strengthening Operations and Management (O&M) Capacity of PUB (Proposed TA)
RERF	–	Revenue Equalization Reserve Fund
SAPHE	–	Sanitation, Public Health, and Environment Improvement Project
TA	–	technical assistance

## NOTE

The fiscal year (FY) of the Government ends on 31 December.

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## I. DEVELOPMENT SITUATION

1. The Republic of Kiribati, which is in the Central Pacific, consists of 33 islands with a total land area of 717 square kilometers (km<sup>2</sup>) dispersed over 3.5 million km<sup>2</sup> of ocean. Around 43 percent of the total population (84,500) is in South Tarawa and the other half is scattered in the outer islands. Most of the islands are low-lying coral atolls, consisting of a narrow band of coral sand overlying hard coral pans, fringed by coral reef on the ocean side and often surrounding a lagoon. The domestic production base is very limited and with copra, fisheries, and seaweed as the main cash-earning products.

### A. Recent Political and Social Developments

2. In October 2000, the Government of Kiribati approved the National Development Strategy<sup>1</sup> (NDS) 2000-2003, which is titled *Working Together for Prosperity and Peace*. The NDS was prepared with Asian Development Bank (ADB) assistance and approved after a broadly based consultation process that included ministries, public enterprises, government agencies, and nongovernment and private sector stakeholders. The NDS recognizes the following unique advantages of Kiribati: (i) large and well-managed foreign reserves in the Revenue Equalization Reserve Fund (RERF), (ii) a history of sound fiscal management, and (iii) a strong traditional culture that promotes social stability and family welfare.

3. However, the NDS also identifies several development constraints: (i) limited natural resources, especially land and fresh water; (ii) a small domestic market with little potential for economies of scale; (iii) widely scattered and sparsely populated islands; (iv) access to major international markets that are expensive and access being hard to arrange; (v) increasingly competitive international markets for tourism and investment; (vi) a population that has limited understanding and experience with business concepts and practices; (vii) a labor force lacking in education and job skills; and (viii) social and cultural constraints to the development of land and capital markets.

### B. Economic Assessment and Outlook

4. With a per capita gross domestic product (GDP) of US\$600 in 2000, Kiribati has the lowest per capita GDP among ADB's Pacific developing member countries (PDMCs) and there is no evidence of significant growth for the next two years. In 2000, the real GDP contracted by 4 percent and in the last five years its growth averaged 2.2 percent per annum. Over the same period, real per capita GDP rose by less than 1 percent per annum. The opportunities, mainly in the outer islands, are limited. However, despite the narrow productive base, the financial situation of Kiribati is sound due to external assistance, fishing licenses, remittances, and the earnings of the RERF, which supplement the income.

5. The RERF (A\$675 million in 2000) provides 15–20 percent of the Government's recurrent expenditures and finances as part of its development expenditures (A\$8.8 million in 2000, most of which was used to pay for the new parliament building). However, in 2000 no disbursement was made from the RERF for these purposes. The RERF is the cornerstone of the Kiribati economy and has provided the country with a degree of security that would have been considered virtually impossible a decade ago. The combination of cautious management

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<sup>1</sup> Ministry of Finance and Economic Planning. 2000. National Development Strategy 2000-2003. MFEP, Tarawa.

and sound investment strategy has ensured that the RERF has performed well.<sup>2</sup> However, several assistance agencies criticized the Government for not making more use of the RERF. They contend that there are many areas in the Kiribati economy where at least part of the funds invested in the RERF could be wisely used.

### **C. Implications for Country Strategy and Program**

6. The frugality and fiscal discipline of the country are commendable but more could be done to improve the economic and social conditions of the poor, improve the efficiency and effectiveness of the public service, and foster private sector development. Key issues are (i) rapid population growth outstripping capacity to provide employment, (ii) risk to health and safety from pollution in South Tarawa, and (iii) access to social services in the outer islands. ADB's Pacific strategy envisages two main priorities for development of the remote resource-poor islands: (i) exploring the potential for labor market exports, and (ii) supporting the establishment and expansion of trust funds to provide sustainable financing of needed services. ADB's strategy for assisting Kiribati is summarized in Appendix 1.

## **II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM**

### **A. Poverty Reduction**

7. Kiribati's human poverty index of 12.7 is one of the lower poverty levels among ADB's PDMCs, despite its very low ranking in terms of GDP per capita. Possible strategies to address key issues affecting poverty in Kiribati include (i) identifying new employment opportunities in Kiribati and overseas, (ii) focusing education and training on provision of internationally marketable skills, (iii) containing population growth, (iv) raising the awareness of the leadership of social and economic systems that sustain pro-poor growth, and (v) improving quality and coverage of education and health services.

8. The main poverty reduction outcomes to be achieved with ADB assistance are (i) increased local capacity for sustained poverty reduction through sound economic management and planning; (ii) reduced inequalities in the access to basic services, especially for people living on the outer islands; and (iii) improved environment, living standards, and employment opportunities.

9. In South Tarawa, the ongoing loan, Sanitation, Public Health, and Environment Improvement Project (SAPHE),<sup>3</sup> the attached technical assistance (TA) Community Development and Participation Initiatives (CDP1),<sup>4</sup> and the second phase of that TA (CDP2) that is proposed for 2001 will significantly help improve the quality of life for the population by providing safe drinking water, improving public health, and enhancing the environment. On the outer islands, the TA for preparing the outer island development program (OIDP)<sup>5</sup> focuses on poverty alleviation and on enhancing social and economic opportunities for the people through employment generation activities and improved physical and social infrastructure, such as for basic health and education. Finally, the proposed 2001 TA to support poverty reduction will

<sup>2</sup> The RERF was created in 1956 with an initial sum of A\$550,000. At independence in 1979, the RERF was valued at A\$56 million; in 1990, at A\$220 million; and, at the end of 2000, at A\$675 million.

<sup>3</sup> Loan 1648-KIR (SF): *Sanitation, Public Health, and Environment Improvement Project*, for US\$10.24 million, approved on 8 December 1998.

<sup>4</sup> TA 3109-KIR: *Community Development and Participation Initiatives*, for US\$300,000, approved on 8 December 1998.

<sup>5</sup> TA 3593-KIR: *Preparing the Outer Island Development Program*, for US\$350,000, approved on 18 December 2000.

assist the Government to (i) identify a country-specific poverty line, (ii) prepare a poverty reduction strategy to be reflected in the NDS, (iii) facilitate completion of the poverty partnership agreement between Kiribati and ADB, and (iv) strengthen government economic management.

## **B. Thematic Priorities**

### **1. Economic Growth**

10. Appendix 2 provides the economic indicators for Kiribati.

11. The ongoing SAPHE loan was established to improve the environment, the supply of potable water, and living standards in South Tarawa. Two associated advisory TAs (Management and Advisory Services to PUB [PUB1]<sup>6</sup> and CDP1) were approved to help the Government implement the project. Two further advisory TAs are in the 2001 and 2002 assistance pipeline: CDP2 for community development and participation and PUB2 for strengthening the capacity of the Public Utility Board (PUB). The TA for community development and participation, phase II will help in training community members to observe safer water and waste management practices. A request has been made to the Japan Fund for Poverty Reduction for financing of this TA. The most challenging issue facing Kiribati is the rapid growth in population and hence the need to find productive employment for workforce. In 2001, the TA to support poverty reduction will also help identify employment opportunities within the country as well as overseas. ADB's Pacific strategy recognizes exploring potential for labor market exports as key for the development of the remote resource-poor islands.

12. The ODP will focus on poverty alleviation and on enhancing social and economic opportunities for the people through employment generation activities. It will include a component to improve physical and social infrastructure, such as for basic health and education, resulting in higher productivity. Further, the ODP will help enhance the capacity of local government by determining the most effective ways of improving the revenue earning capacity of the outer island communities.

### **2. Human Development**

13. Despite the physical and fiscal constraints in Kiribati, the education system has produced substantial results. The adult literacy rate is high and primary education is virtually universal. Notwithstanding these accomplishments, a number of areas require further development, notably (i) the implementation of government policies and strategies regarding quality of, access to, and equity of education; and (ii) relevance of education to the labor market. Social problems encountered in Tarawa are partly a result of rapid urbanization and high levels of population growth which, in turn, is partly a result of in-migration from the outer islands. ODP will focus on social development on the outer islands through improved social infrastructure, such as for basic health and education, and other activities. Appendix 3 provides the social indicators for Kiribati.

14. The Government recognizes the need to have (i) an equitable balance of service delivery to outer islands, and (ii) strengthened urban and rural councils. It is one of the objectives of ODP to alleviate poverty by enhancing the capacity of local government. The assistance will also determine the most effective way of improving the revenue-earning capacity

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<sup>6</sup> TA 3108-KIR: *Management and Financial Advisory Services to PUB*, for US\$1.2 million, approved on 8 December 1998.

of the outer island communities. It will further strengthen the capacity of the local authorities and ensure that the island communities take ownership of the process by encouraging them to invest in their own development.

15. The increasing pressure on the water and sanitation services in South Tarawa has stretched the capacity of the system to the limit. Currently, the average per capita supply of potable water is less than 30 liters per day. This is well below the supply of 100 liters per day that is generally considered adequate. The ADB-assisted SAPHE project will improve the water supply and sanitation system. PUB1 and PUB2 will strengthen PUB's management and financial capacity. The OIDP on the outer islands will provide the financial and technical resources necessary to improve basic physical infrastructure and social services delivery.

### **3. Gender and Development**

16. The social, legal, and economic status of women in Kiribati is generally low. Outside of South Tarawa, the role of women is confined largely to domestic duties, while land tenure and community politics are reserved largely to men. Women traditionally do not have a direct role in community decision making. Instead, they exercise their influence in the family context and through churches and community groups. The poor status of women is often compounded by broader structure of economic dependency and poverty. As more men are forced to leave their homes to find work in the urban centers, overseas, or as seamen, the burden of the traditional role of women as caretakers, nurturers, and providers increases and factors like poor living standards and poor family health directly impinge on their quality of life and health.

17. Therefore, special emphasis on gender and development issues has been placed under SAPHE, CDP1, and CDP2 to enhance the role of women, their influence on the development process, and individual opportunities. During project preparation and implementation of the OIDP, women's needs will be adequately addressed, empowerment of women promoted, and better opportunities for women's personal growth provided within the communities.

### **4. Good Governance**

18. The public sector provides more than 75 percent of the formal employment in Kiribati. More than 15 percent of the workforce are employed in the public service or in government-owned enterprises. State-owned enterprises pervade all aspects of the economy. Some of them provide poor service and are a drain on public resources because of their need for government subsidies and bailouts. Corruption is not a serious problem and accountability is generally sound but delivery of public services is not always good. Decision-making takes time and the Government's stated objectives are not always carried through to implementation. Public sector reform is identified in the NDS as a key policy issue and the Government intends to formulate a comprehensive public sector reform program.

19. The TA, Public Service Reform (PSR),<sup>7</sup> assisted the Ministry of Finance and Economic Planning (MFEP) and the Public Service Office (PSO) to design a method for reviewing the public service. The review is intended to lay the foundation for improving the Government's efficiency and effectiveness. In particular, it should assist the Government to achieve objectives specified in the NDS and the budget. A Cabinet paper describing the process is expected to be submitted to Cabinet for consideration by end of 2001. In parallel, the TA, Strengthening

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<sup>7</sup> TA 3404-KIR: *Public Service Reform*, for US\$150,000, approved on 18 February 2000.

Institutional Capacity for Financial and Economic Management, Phase II (FEM2),<sup>8</sup> is strengthening the economic and financial capacity of MFEP and the Government as a whole and is helping the Government to improve its resource allocation processes and procedures. Assistance is also being provided to improve PUB's services through the TA, PUB1 (footnote 6). Finally, the ongoing CDP1 TA (footnote 4) and the proposed CDP2 TA will foster the development of a community participatory approach to water, sanitation, and waste management in South Tarawa.

## **5. Private Sector Development**

20. The private sector is a very small component of the Kiribati economy. Its growth is somewhat stifled by the Government's continuing support for government-owned commercial enterprises. While some of these enterprises have been successful, notably the joint ventures in the natural monopolies of banking and telecommunications, most continue to require financial support from the Government. The imminent withdrawal of the joint venture partners in banking and telecommunications could cause significant problems for Kiribati. While the banking partner is likely to be replaced by a large regional bank, finding a suitable replacement for the telecom partner may be difficult. The Government is aware that the public sector cannot provide employment opportunities for all the young people entering the labor force and that efforts must be directed to increasing private sector employment both in enterprises and non-profit organizations. Creating an enabling environment for private sector development has been identified in the NDS as a key policy issue.

21. The SAPHE loan; the TAs PUB1, FEM2, and PSR; and the proposed TA PUB2 will all facilitate the growth of the private sector on South Tarawa. In parallel, the ODP will help create opportunities for private sector development in the outer islands.

## **6. Environmental Protection**

22. Environmental indicators are not available for Kiribati. Rapid urban growth coupled with inadequate infrastructure and insufficient capacity to operate and maintain the water supply and sanitation systems has resulted in severe degradation of South Tarawa's environment. The potability of water supply of South Tarawa is a major concern. The Government has taken steps to address the issues, most notably by passing the Environment Act in March 1999. The act provides for the promotion of community participation in environment management, the appointment of environment inspectors, and the penalizing of polluters. Regulations are being prepared and two inspection officers are being appointed. However, implementation of the act is likely to remain problematic since many households do not have toilets and people are used to defecating and dumping on the beaches. The continued use of the water lens catchment area for housing and gardening is also a serious concern. The Government has recently increased the rent payable to landowners who control the water lens area, if they evict the families who are illegally occupying the land over the water lens. The effectiveness of this strategy remains to be seen.

23. The SAPHE project is expected to address the issues of institutional capacity in the sector and to help restore essential water, sanitation, and solid waste management services. Improvements in the sector will markedly reduce pollution and the risk of disease. The SAPHE project including its piggy-backed TAs will enhance the capacity in (i) solid waste management,

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<sup>8</sup> TA 3159-KIR: *Strengthening Institutional Capacity for Financial and Economic Management (Phase 2)*, for US\$861,000, approved on 19 January 1999.

(ii) urban development planning and municipal affairs, and (iii) municipal finance and accounting. The project will also assist in defining the role of the different agencies in the urban development process, particularly regarding monitoring and enforcement of environmental regulations, resettlement issues, land use planning, and public health. Finally, the proposed PUB2 will supplement the ongoing PUB1 to enhance the PUB's capacity to prepare a detailed maintenance schedule and asset management program to be carried out by the Water and Sewage Division.

## 7. Regional Cooperation

24. Kiribati is party to five regional assistance programs, for (i) upper airspace management, (ii) information and communication technology assessment, (iii) public sector development, (iv) statistics, and (v) fisheries.

## III. PORTFOLIO MANAGEMENT ISSUES

### A. Portfolio Performance

25. Since Kiribati joined ADB in 1974, ADB has approved six loans totaling \$15.14 million and 34 TAs totaling \$8.7 million to the country. Of these, one loan is ongoing and two, Betio Shipyard Rehabilitation and Tarawa Power, have been postevaluated (Appendix 4). The Betio Shipyard Rehabilitation was rated unsuccessful and the Tarawa Power was rated as generally successful. In particular, the ADB postevaluation mission for the Tarawa Power Project emphasized how the project's sustainability depends on PUB's ability to provide efficient and cost effective service, which hinges on its institutional framework and its capacity to deal effectively with the operational and management problems of a growing utility company. This issue is still a concern. The ongoing portfolio includes one loan and six TAs.

26. **Loan 1648-KIR (SF) Sanitation, Public Health and Environment (SAPHE).** The SAPHE (footnote 3), the first loan for Kiribati since 1990, became effective on 15 September 1999. It is expected to improve the health and well being of the population of South Tarawa through a sustained program of improvements in water supply, sewerage, solid waste disposal, and environment conservation. More specifically the project will (i) implement institutional reforms in the management of PUB, (ii) improve the quality and availability of safe drinking water, (iii) rehabilitate and expand sewerage and sanitation systems, and (iv) promote hygiene and sanitation through better solid waste management. The project is about 12 months behind schedule. This delay was caused by delays in effectiveness of the loan and in appointment of the design and supervision consultants. However, the project has recently made significant progress. The project management office and implementation unit have been established and the design and supervision consultants have produced draft reports. The progress in implementation and achievement of the objectives of the project is satisfactory.

27. **TA 3108-KIR: Management and Financial Advisory Services for Restructuring the Public Utilities Board (PUB1).** This TA (footnote 6) was approved associated with the SAPHE loan. The TA's objective is to strengthen the institutional base needed for sustainable management of water and sanitation services. More specifically, the TA is expected to (i) support the restructuring of PUB; (ii) provide advisory support to improve the management, finance, accounting, administration, operation, and maintenance capacity of the restructured PUB; and (iii) assist PUB in preparing and implementing a human resource development program for their management and staff. The TA is proceeding satisfactorily. A fully

computerized accounting system has been developed, and staff are being trained in its use. The TA will be completed by the end of December 2001. The Government requested that the TA be extended to cover additional work for developing operational methods of inspecting water, sewerage, and solid waste management facilities for an input of about 14 person-months that would entail a cost of US\$350,000. Consequently, ADB has programmed a new TA (PUB2) for such assistance in 2002.

28. **TA 3109-KIR: Community Development and Participation Initiatives (CDP1).** This TA (footnote 4) is associated with the SAPHE loan. The objective is to strengthen beneficiary participation and enhance community awareness and understanding of the aims and objectives of the SAPHE project. Specifically, the TA will (i) promote water conservation; (ii) promote participation in the construction and use of complementary water supply systems; (iii) promote good sanitation practices; and (iv) support effective environmental, sanitation, and health education. The TA is proceeding satisfactorily. Community information and education materials covering the water cycle, sanitation, and composting toilets have been prepared, and community consultations have begun. The TA is expected to be completed by the end of June 2001. The Government requested that the TA be extended to cover additional work to enhance the well-being of individuals and communities through improved knowledge of water and environment management, increased availability of water, improved sanitation, expansion of gardening, use of groundwater, and disposal of waste products. A new TA (CDP2) has been programmed for ADB assistance in 2001. The expected cost is US\$540,000. The request for Japan Fund for Poverty Reduction financing is under preparation.

29. **TA 3159-KIR: Strengthening Capacity for Financial and Economic Management, Phase II (FEM2).** FEM2 (footnote 8) commenced in September 1999. While the first phase of the TA has been instrumental in assisting the Government to articulate its medium-term strategy (MTS), the TA's impact on implementation of the Government's policy was limited. The second phase of FEM has expanded and worked on the implementation of the recommendations of the MTS. It has also addressed the issues of skills transfer and ownership. The main targeted TA outputs are (i) an annual updating process for the development planning framework including the MTS, annual economic statements, and three-year department strategic plans already in place; (ii) an institutional policy implementation mechanism between the National Economic Planning Office and the ministries through a forum for high level decision makers; and (iii) an institutionalized performance monitoring system for public expenditure management and oversight of the next budgets. The TA is proceeding satisfactorily. The Macroeconomist and the Sector Planning Specialist have given considerable emphasis on establishing and implementing a program of interactive training seminars. The National Development Strategy 2000-2003 has been prepared, widely discussed, and approved in October 2000. The Strategy includes a section on poverty reduction. This is the first time the Government has explicitly acknowledged the existence of poverty and poverty issues in Kiribati.

30. **TA 3404-KIR: Public Service Reform.** The objective of the TA (footnote 7) was to assist the MFEP and the Public Service Office (PSO) to undertake a public service review. The task involved advising members of the Government's public sector reform task force on the appropriate methodology to be used to achieve public sector reform. The aim of the review was to lay the foundation for improving the Government's efficiency and effectiveness in achieving the outputs, objectives and goals specified in the NDS and the budget. A key component in each task was the involvement of, and transfer of skills to, counterpart staff. In addition, the consultant was to formulate a presentation to Cabinet, Parliament, and the wider community on the purposes and benefits of public sector reform. It was hoped that, if successful, this TA would lay the groundwork for a program loan for public sector reform. The individual consultant could

not deliver part of the requested output and devoted most of the time to training PSO staff. In particular, the consultant was unable to assist MFEP and PSO in the review of MFEP's organizational structure and institutional capacity and was not able to formulate a presentation to Cabinet, Parliament, and the wider community of the nature, purpose, and benefit of the PSR. However, PSO staff feels confident that, with the training received through the TA and if so requested, they could perform these two tasks. ADB will monitor whether there is political commitment to proceed with the reform process and will be available to provide assistance, as required.

31. **TA 3593-KIR: Preparing an Outer Islands Development Program.** This TA (footnote 5) is expected to reduce inequalities in income, gender, and access to basic services. The primary objective of the assistance is to support the process of decentralization and earmark part of the trust fund earnings to reduce the disadvantages of the people living in the outer islands.

## **B. Counterpart Funding**

32. Under the ADB's new Graduation Policy, Kiribati remains a Group A country, and as such, continues to be eligible to borrow from ADB's Asian Development Fund (ADF). Despite its status as least developed country, Kiribati has access to significant financial resources through revenue from its RERF. The Government should be encouraged to gradually increase its own expenditure on projects, particularly those that generate revenue.

## **C. Monitoring and Evaluation**

33. Under the TA for public sector reform a method for reviewing the public service was designed, as assistance to MFEP and PSO, aiming at efficiency gains in public service and assisting Government in achieving the objectives as specified in the NDS and the budget. The FEM2 TA is strengthening MFEP's economic and financial capacity and is helping the Government to improve its resource allocation processes and procedures.

# **IV. COUNTRY PERFORMANCE AND LENDING LEVELS**

## **A. Lending Level Proposed**

34. Among the PDMCs, Kiribati scores relatively well in terms of performance criteria for allocating ADF resources. However, improvements are required in several areas, including (i) financial sector efficiencies and soundness, as the sector lacks a supervisory framework; (ii) environmental laws and implementation, pertaining to pollution of the water lens and the lagoon and solid waste management; (iii) a framework for poverty monitoring, especially identification of the poverty line, awareness of poverty, and a poverty reduction strategy; (iv) enhancement of the economic capital of the poor through infrastructure in the outer islands and interisland transport; and (v) management and efficiency of public expenditures, public enterprise reform, and accountability.

35. For the near future, ADB and the Government expect some improvements in these indicators to allow Kiribati to maintain or even increase its ADF allocation. The monitored short-term indicators are (i) progress in implementing the SAPHE project; (ii) Government maintenance of fiscal discipline; and (iii) preparation of the budget for 2002 in output budgeting format.

36. Three scenarios were developed for allocation of ADF resources (Appendix 5). The low case scenario assumes that (i) the SAPHE project encounters major problems, (ii) fiscal discipline cannot be maintained, (iii) MFEP cannot produce its budget in output format, and (iv) no progress is made in the public sector reform. In this case, the ADF allocation for Kiribati will be about \$6 million to \$7 million for the next three years. The base case scenario assumes that (i) the SAPHE project proceeds smoothly, (ii) fiscal discipline is maintained, (iii) MFEP can produce its budget in output format, and (iv) some progress is made in the public sector reform. In this case, the ADF allocation for the next three years will be about US\$8.0 million. The high case scenario assumes that (i) The SAPHE project progresses satisfactorily, (ii) fiscal discipline is maintained, (iii) MFEP produces an output budget with full allocation of costs to output and key performance indicators for benchmarking results, and (iv) significant progress is made in the public sector reform. In this case, the ADF allocation for the next three years will be about US\$9 million to US\$10 million.

37. The proposed loan program for the next three years assumes a base case, US\$8 million, scenario with one loan in the pipeline for 2003. The timing of this loan may vary depending on progress achieved under SAPHE. Total amount of proposed TA is about US\$1.70 million or an average of US\$0.57 million per year. This program may be modified based on the performance as the operational cycle unfolds. A detailed listing of proposed projects in the pipeline is found in Appendix 5.

## **B. Loan Program**

38. A single loan is programmed for 2003, the ODP.

## **C. Technical Assistance and Economic and Sector Work Program**

39. The proposed indicative operational program in Kiribati for 2001-2004 is shown in Table 2. Substantive economic and sector work is being carried out in Kiribati under the FEM2 TA. Additional sector work is carried out in FEM2 and through the TA associated with the ODP. Major economic work—including the preparation of the 2001 Pacific economic report—will take place under proposed TA to support poverty reduction. Appendix 6 summarizes the economic and sector work program.

**Table 2: TA Assistance Program**

<b>Year</b>	<b>Project Name</b>	<b>Type</b>	<b>Amount (in US\$)</b>
2001	Support Poverty Reduction	advisory	500,000
	Community Development and Participation (Phase II)	advisory	350,000
2002	Strengthening O&M Capacity of PUB	advisory	350,000
	Outer Islands Development Program (Phase II)	advisory	250,000
2003	Outer Islands Development Program Implementation	advisory	250,000
2004	None Identified		

**D. Summary of Changes**

40. There are few changes in the program from the previous Kiribati country assistance plan, for 2001–2003. The strategy remains basically the same with more emphasis on poverty reduction. The proposed loan and TA activities have not been changed significantly. The main change is the postponement of the proposed ODP from 2002 to 2003 due to absorptive capacities of the counterpart, the Ministry of Home Affairs and Rural Development. The loan project brief and TA concept papers are given in Appendix 7.

## APPENDIXES

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### STRATEGY SUMMARY

Objectives	Good Governance	Social Development	Pro-Poor Economic Growth
<b>Strategic Focus</b>	Enhance management, policy formulation, and implementation capabilities of key economic and financial institutions for sustainable poverty reduction.	Ensure access to safe water and proper sanitation.  Enhance employment opportunities in the country and overseas.	Promote more equitable use of trust fund resources by earmarking a portion for addressing poverty on the outer islands.
<b>Ongoing and Proposed Loans</b>		Sanitation, Public Health and Environment Improvement Project (1998)	Outer island development program (2003)
<b>Ongoing and Proposed Technical Assistance</b>	<ul style="list-style-type: none"> <li>• Strengthening Institutional Capacity for Financial and Economic Management, Phase 2 (1999)</li> <li>• Public Service Reform (2000)</li> <li>• Strengthening Operations and Maintenance Capacity of Public Utilities Board (2002)</li> </ul>	<ul style="list-style-type: none"> <li>• Community Development and Participation, Phase 2 (2001)</li> <li>• Support for Poverty Reduction (2001)</li> </ul>	<ul style="list-style-type: none"> <li>• Outer island development program (2000)</li> <li>• Outer island development program, phase 2 (2002)</li> <li>• Outer islands development program implementation (2003)</li> </ul>
<b>Other Assistance</b>	Organization of Consultative Group meeting in 2002		
<b>Target Outcomes</b>	Identification of the poverty line in 2002 and signing of the poverty partnership agreement between Kiribati and Asian Development Bank in 2003.	The Sanitation, Public Health, and Environment Improvement consumer survey must show a reduction in the share of population that uses the beach as toilet, from one third in 2000 to one sixth of the population in 2005.	The 2005 census must show a reduction in the average yearly immigration to South Tarawa, from 1,700 people in 1995-2000 to 860 people in 2000-2005.

## ECONOMIC INDICATORS

Item	1995	1996	1997	1998	1999	2000	2001
<b>A. Income and Growth</b>							
1. GDP per Capita (US\$, current)	573	616	570	545	554	469	–
2. GDP Growth (% in constant prices)	3.5	4.3	1.0	7.3	2.3	-4.0	2.0
Agriculture	20.8	21.0	18.0	17.8	17.6	18.2	–
Industry	5.1	4.8	5.8	7.8	11.1	7.3	–
Services	73.7	77.5	79.4	85.2	84.3	82.9	–
<b>B. Savings and Investment</b> (current market prices)							
				(percent of GDP)			
1. Gross Domestic Investment	–	–	–	–	--	–	–
2. Gross Domestic Savings	–	–	–	–	--	–	–
<b>C. Money and Inflation</b>							
				(annual percent change)			
1. Consumer Prices (annual average)	4.1	-1.5	2.2	4.7	0.4	2.0	1.5
2. Broad Money (M2)	-0.9	11.7	-3.1	11.1	0.3	5.0	–
<b>D. Government Finance</b>							
				(percent of GDP)			
1. Total Revenue and Grants	93.5	75.0	122.8	139.9	117.0	111.8	127.3
2. Total Expenditure and Lending	107.8	138.9	111.7	97.8	133.3	123.6	164.6
3. Surplus/Deficit (-)	-14.3	-63.9	11.1	42.1	-16.3	-11.8	-37.3
<b>E. Balance of Payments</b>							
1. Merchandise Trade Balance (% of GDP)	-60.4	-64.9	-68.0	-58.8	-67.4	-80.6	–
2. Current Account Balance (% of GDP)	-5.8	-32.0	5.2	34.0	18.8	-5.0	–
3. Export (US\$) Growth (annual % change)	42.0	-27.9	16.2	-4.9	31.8	-10.1	–
4. Import (US\$) Growth (annual % change)	32.5	8.4	1.6	-13.8	21.2	0.8	–
<b>F. External Payments Indicators</b>							
1. International Reserves (billion US\$, end of period)							
- months of import	–	–	–	–	–	–	–
2. External Debt Service (% of exports of goods and services)	0.8	1.3	1.4	1.4	1.2	1.2	–
3. External Debt (% of GDP)	15.0	19.7	19.9	19.9	19.5	20.4	–
<b>G Memorandum Items</b>							
GDP (current prices, A\$ million)	62.127	64.348	64.878	74.428	75.401	71.999	–
GNP (current prices, A\$ million)	92.613	107.705	95.284	122.643	147.866	155.800	–
Exchange Rate (A\$ per US\$)	1.352	1.275	1.356	1.591	1.553	1.714	–
Population (million)	0.08014	0.08199	0.08387	0.08580	0.08769	0.08962	–

GDP = gross domestic product, GNP = gross national product, – = not available.

Source: Ministry of Finance and Economic Planning, ADB Key Indicators 2000, Staff estimates.

## SOCIAL AND ENVIRONMENTAL INDICATORS

	1985	1990	1999
<b>POPULATION INDICATORS</b>			
Total Population (thousands)	64.0	72.3	85.8
Annual Population Growth Rate (% change)	2.56	4.18	2.15
<b>SOCIAL INDICATORS</b>			
Total Fertility Rate (births per woman)	4.4 (1980-1985)	...	4.5
Maternal Mortality Rate (per 100,000 live births)	...	...	67
Infant Mortality Rate (below 1 year; per 1,000 live births)	67 (1980-1985)	...	62
Life Expectancy at Birth (years)	54 (1980-1985)	...	65
Female	56	...	59
Male	52	...	92
Adult Literacy (%)	...	...	77
Primary School Enrolment (% of school age population)	84 (1980-1985)	...	78
Female	...	...	44
Secondary School Enrolment (% of school age population)	...	...	47
Female	...	...	...
Child Malnutrition	...	...	13
Population Below Poverty Line (%)	...	...	...
Income Ratio of Highest 20% to Lowest 20%	...	...	...
Population with Access to Safe Water (%)	68 (1980-1985)	...	76
Population with Access to Sanitation (%)	...	...	46
Public Education Expenditure as % of GNP	6.7	15.7	6
Public Health Expenditure as % of GDP	...	5.1	...
Human Development Index	...	...	.0515
Human Development Ranking	...	...	129
Human Poverty Index	...	...	12.7
<b>ENVIRONMENTAL INDICATORS</b>			
Forestry	...	...	...
Deforestation	...	...	...
Total Area	...	...	...
Annual Deforestation	...	...	...
Biodiversity	...	...	...
Nationally Protected Area	...	...	...
Area	...	...	...
Number	...	...	...
As % of Land Area	...	...	...
Biosphere Reserves	...	...	...
Area	...	...	...
Number	...	...	...
World Heritage Sites (number)	...	...	...
Wetlands of International Importance	...	...	...
Area	...	...	...
Number	...	...	...
Land Use	...	...	...
Cropland, Permanent Pasture	...	...	...
Air Pollution (ambient concentrations)	...	...	...
Particulates	...	...	...
Sulphur dioxide (SO <sub>2</sub> )	...	...	...
Water Pollution (concentration of pollutants in water bodies)	...	...	...
Biochemical Oxygen Demand (BOD)	...	...	...
Chemical Oxygen Demand (COD)	...	...	...
Global Environmental Problems	...	...	...
Carbon dioxide (CO <sub>2</sub> ) Emissions (total and per capita)	...	...	...

... = data not available, BOD = biochemical oxygen demand, COD = chemical oxygen demand, CO<sub>2</sub> = carbon dioxide, GDP = gross domestic product, GNP = gross national product, SO<sub>2</sub> = sulphur dioxide.

Source: UNDP. 1999. Pacific Human Development Report; World Bank. World Development Report.

## PORTFOLIO PERFORMANCE INDICATORS

**Table A4.1: Implementation, Disbursement Performance, and Postevaluation Results of Public Sector Projects**  
(as of 31 December 2000)

A. Project Portfolio	Net Loan Amount		Rating (No.)										
	\$million	%	Total		Implementation Progress				Development Objectives				
			No.	%	HS	S	PS	U	HS	S	PS	U	
Agriculture & Natural Resources	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0
Energy	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0
Finance & Industry	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0
Social Infrastructure	9.49	100.0	1	100.0	0	0	1	0	0	1	0	0	0
Transport & Communications	0.00	0.0	0	0.0	0	0	0	0	0	0	0	0	0
Others/Multisector	4.09	0.0	0	0.0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>9.49</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

B. Disbursements	OCR	ADF	Total
1. Total funds available for withdrawal (\$ m, active loans only)	0.0	9.49	9.49
2. Disbursed amount (\$ m, cumulative, active loans only)	0.0	1.07	1.07
3. Percentage disbursed [(2)/(1)] (%)	0.0	11.24	11.24
4. Disbursements (\$ m, active loans only, latest year)	0.0	1.07	1.07
5. Disbursement ratio (%) <sup>a</sup>	0.0	10.67	10.67
C. Net Transfer of Resources <sup>b</sup> (\$ million)			
1. 1996	0.0	(0.1)	(0.1)
2. 1997	0.0	(0.1)	(0.1)
3. 1998	0.0	(0.1)	(0.1)
4. 1999	0.0	(0.1)	(0.1)
5. 2000	1.0	1.0	1.0

D. Postevaluated Projects (by Year of Approval)											196-2000											
1. Postevaluation Rating (as of 31 Dec 2000)											No.	%										
Highly Successful (HS)											0	0.0										
Successful (S)											1	50.0										
Partly Successful (PS)											0	0.0										
Unsuccessful (U)											1	50.0										
No Rating (NR)											0	0.0										
<b>Total</b>											<b>2</b>	<b>100.0</b>										
2. Postevaluation Rating by Sector, 1968-2000 (as of 31 December 2000)											HS		S		PS		U		NR		Total	
											No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture & Natural Resources											0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Energy											0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	1	50.0
Finance											0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Social Infrastructure											0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Transport & Communications											0	0.0	0	0.0	0	0.0	1	100.0	0	0.0	1	50.0
Others											0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>											<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>100.0</b>

HS = highly satisfactory, S = satisfactory, PS = partly satisfactory, U = unsatisfactory, NR = no rating.

<sup>a</sup> Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Post Evaluation Information System.

**Table A4.2: Status of Implementation of Public Sector Projects**  
(as of 31 December 2000)

Sector	Project Title	Net Loan Amount		Approval Date	Effectiveness Date	Closing Date		Project Progress	Cumulative Contract Awards (\$ million)	Cumulative Disbursement (\$ million)	Project Performance Rating	
		OCR	ADF			Original	Revised				Implementation Progress	Development Objective
SOC	<b>Sanitation, Public Health, and Environment Improvement</b>		9.487	08 Dec 98	15 Sep 99	31 Dec 03	5%	2.04	1.07	PS	S	
	<b>Total</b>		<b>9.487</b>					<b>2.04</b>	<b>1.07</b>			

ADF = Asian Development Fund, OCR = ordinary capital resources, PS = partly successful, S = satisfactory, SOC = social infrastructure.

## ADF LENDING SCENARIOS AND PERFORMANCE TRIGGERS

**Table A5.1: Proposed Lending Pipeline, 2002-2004**

Sector/Project Name	Poverty Classification	Crosscutting Operational Priority	Responsible Division	Year of PPTA	Project Cost (US\$ million)				
					ADB			Govt	Cofinancing (Others)
					HSP	UNo	. %Ag		
<b>2002 Loan Pipeline</b>									
None Identified									
<b>2003 Loan Pipeline</b>									
<b>Social Infrastructure</b>									
Outer Island Development Program	PI	HD	POHQ	2000	0.0	8.0	8.0	0.0	0.0
<b>2004 Loan Pipeline</b>									
None Identified									
<b>Total</b>					<b>0.0</b>	<b>8.0</b>	<b>8.0</b>	<b>0.0</b>	<b>0.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, HD = human development, OCR = ordinary capital resources, PI = poverty intervention, PPTA = project/program preparatory technical assistance.

**Table A5.2: Proposed Technical Assistance Program, 2002-2004**

Sector/Project Name	Responsible Division	Type of TA	ADB	Amount Others	Total
<b>2002 Technical Assistance Program</b>					
<b>Others</b>					
Strengthening O&M Capacity of the PUB	POHQ	AD	350.0	0.0	350.0
Outer Islands Development Program, Phase 2	POHQ	AD	250.0	0.0	250.0
<b>Total</b>			<b>600.0</b>		<b>600.0</b>
<b>2003 Technical Assistance Program</b>					
<b>Social Infrastructure</b>					
Outer Islands Development Program Implementation	POHQ	AD	250.0		250.0
<b>Total</b>			<b>250.0</b>		<b>250.0</b>
<b>2004 Technical Assistance Program</b>					
None Identified					

AD = advisory, ADB = Asian Development Bank, PUB = Public Utilities Board, TA = technical assistance.

**Table A5.3 Proposed Lending Triggers**

<b>Scenario</b>	<b>Lending Level (2002-2004)</b>	<b>Triggers</b>	
<b>Low Case</b>	\$6 million to \$7 million	(i) (ii) (iii) (iv)	The SAPHE project encounters major problems, fiscal discipline cannot be maintained, MFEP cannot produce its budget in output format, and no progress is made in the public sector reform.
<b>Base Case</b>	\$8 million	(i) (ii) (iii) (iv)	The SAPHE project proceeds satisfactorily, fiscal discipline is maintained, MFEP can produce its budget in output format, and some progress is made in the public sector reform.
<b>High Case</b>	\$9 million to \$10 million	(i) (ii) (iii) (iv)	The SAPHE project progresses satisfactorily, fiscal discipline is maintained, MFEP produces an output budget with full allocation of costs to output and key performance indicators for benchmarking results, and significant progress is made in the public sector reform.

MFEP = Ministry of Finance and Economic Planning, SAPHE = Sanitation, Public Health, and Environment Improvement Project.

### ECONOMIC AND SECTOR WORK PROGRAM

Type of ESW	Strategic or Operational Objective	Modality
<b>1. Economic Work</b>		
Financial and Economic Management (1999)	Establish annual updating process for economic development planning, institutional policy implementation mechanisms, and performance monitoring systems for public expenditure.	ADTA
Pacific Economic Report (2001)	Economic Report	ADTA
<b>2. Thematic Work</b>		
Support for Poverty Reduction (2001)	To develop a better understanding of the poverty profile and, on this base, an appropriate approach towards equitable development in the country.	ADTA
<b>3. Sector Work</b>		
None		

ADTA = advisory technical assistance, ESW = economic and sector work.

**PROJECT SELECTION BRIEF AND TECHNICAL ASSISTANCE CONCEPT PAPERS**

**Table A7.1: Project Selection Brief for Outer Island Development Project**

<b>A. Data</b>	
Project Number	32567-01
Country	Kiribati
Sector	Rural Development
Subsector	
Project Division	POHQ
Contact Person in Project Division	L. Bodda
Programs Division	POHQ
Tentative Loan Amount According to CSP	\$8.0 million (ADF)
Proposed Lending Modality	Program Loan
PPTA	TA 3593-KIR: Outer Island Development Program (approved 2000)
Proposed PPTA Amount	N/A
Attached ADTA	Outer Island Development Program (Phase II); and Outer Islands Development Program Implementation
Proposed ADTA Amount	\$500,000
Start Predesign Phase	2001
Start Design Phase	2002
Approval Year According to CSP	2003
Proposed Executing Agency	Ministry of Home Affairs and Rural Development (MHARD)
Contact Person in Proposed Executing Agency	Teramweia Itinraoi Permanent Secretary, MHARD
<b>B. Description</b>	
Brief Rationale of Project	<p>Substantial rural-urban income disparities have led to an unsustainable flow of people from the subsistence economies of the outer islands to the cash economy of the main island, South Tarawa. This has retarded growth in the outer islands and strained the infrastructure and the environment of South Tarawa.</p> <p>The program loan will support the priority areas of island development. The trust fund it seeks to set up will be designed as a low transaction cost, flexible, and demand-driven mechanism to channel resources to the islands for projects to be identified by the community themselves according to a set of eligibility criteria.</p>
Summary of Preparatory Work by DMC and/or ESW by ADB or Others	None
Comparative Advantage of ADB in Proposed Project	ADB developed a similar program loan in Tuvalu that is successful and could be replicated.

Rationale and Scope of Attached ADTA (if any)	The Government needs assistance to implement the program loan policy matrix, and the MHARD and the island councils need capacity building for project selection and implementation.
Development Objective (thematic priority)	Pro-poor economic growth
Environmental Classification	Category C
Social Issues	The loan will support the outer islands where the most vulnerable groups are concentrated: the old, very young, women, and low-income families. However, women have little power in the traditional setting. The loan will therefore take the gender component into special consideration.

ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = Economic and Sector Work, MHARD = Ministry of Home Affairs and Rural Development, POHQ = Pacific Operations Division, PPTA = project/program preparatory assistance.

**Table A7.2: TA Concept Paper for Strengthening Operations and Maintenance of Water and Sanitation Agencies**

<b>A. Profile</b>	
Department/Division/Officer Concerned:	SPRM
Type of TA:	ADTA
Name of Loan Project to follow (if PPTA):	n/a
Country/Region:	Kiribati
Sector/Subsector:	Social Infrastructure, Water Supply
Poverty Classification and Thematic Priorities <sup>a</sup>	Human Development, Environmental Protection
Program Year <sup>b</sup>	2002
Expected Approval Date:	Feb 2002
Estimated Completion Date:	Mar 2003
<b>B. Concept and Design</b>	
1. Rationale	Two agencies are involved: the Public Utilities Board (PUB) and the urban councils. PUB, which is responsible for water supply and sanitation, has recently been strengthened through changes in its governance and finances. However, it still requires strengthening in its operations related to water loss reduction, asset management, maintenance, and cost recovery. The urban councils, which are responsible for solid waste management, require strengthening in their operations related to separation and recycling of wastes, disposal site operation, and cost recovery.
2. Relation to Strategic Objectives (How the TA addresses the following.) <ul style="list-style-type: none"> <li>poverty reduction/thematic priorities</li> <li>country strategy (where applicable)</li> <li>regional cooperation</li> </ul>	The TA will help address poverty reduction through improving the quality of water available to the poor, improving sanitation, and reducing illness due to waterborne diseases. It will help address environmental protection through improving disposal of both liquid and solid wastes. The TA is consistent with the country strategy which supports provision of environmental infrastructure. Other agencies involved in the sector in Kiribati include SOPAC (waste management policies) and SPREP (community-based environmental sanitation). Both are being consulted during the design of the project and may be interested in cofinancing. AusAID is also being consulted for cofinancing.
3. Scope (specific major components, e.g. capacity building)	For PUB, programs will be designed and pilot-tested for customer relations, water loss reduction, asset management, maintenance operations, and forward budgeting for replacement of capital assets. Support will also be provided for financial management including operation of a new computerized accounting system, and for overall corporate planning and development.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

	<p>Training will be provided to staff in each of these subjects. Implementation of the TA will be contingent upon a commitment to upgrade cost recovery for water supply and sanitation, and to upgrade senior staff capabilities.</p> <p>For the urban councils, programs will be designed and tested for waste separation, recycling, collection, and disposal operations. Training will be provided to staff in each of these subjects. Implementation of the TA will be contingent upon a commitment to upgrade cost recovery for solid waste management. Recommendations may also be prepared for the next stage of expansion of solid waste management operations, including establishment of a joint operation or an operation under a corporate entity.</p>
<p>4. Expected Outcome and Monitorable Indicators</p>	<p>For PUB, it is expected that water losses will be reduced and this will be monitored through bulk and retail meters. It is expected the institution will be strengthened as measured by senior staff positions filled with experienced and qualified persons, and by the level of cost recovery as measured from financial indicators. For the urban councils, the percentage of wastes separated and recycled is expected to increase, leading to changes in the composition and volume of wastes collected. The quality of disposal site operations will also improve. These will be measured through community surveys and the operational records of each urban council.</p>
<p>5. Previous TA in the Same Theme, in the sector, country, or region (last five years)</p> <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	<p>TA 3108, Institutional and Financial Management Strengthening of the PUB, has helped establish a corporate plan, staffing and training programs, a stronger organizational setup, and a financial management system suited to the needs of an autonomous, user-oriented commercial institution. Although the TA has been successful, it has not yet been paralleled by the necessary changes in corporate culture. Nor has PUB yet put in place the operational programs necessary to effectively build upon its new structure.</p>
<p>6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)</p>	<p>The work will be guided by the Steering Committee for the Sanitation, Public Health and Environment Project, chaired by the Cabinet Secretary. The Executing Agency will be the Ministry of Finance and Economic Planning. The implementing agencies will include the Public Utilities Board and the urban councils.</p>

7. Cost and Financing Plan (i) ADB financing (JSF, TASF) (ii) Sources other than JSF/TASF	The total cost will be about \$750,000, of which \$300,000 will be borne by the Asian Development Bank (JSF). Cofinancing is being sought from AusAid, Japan, SOPAC, SPREP, and others.
8. Country/RETA IPF for Relevant Year	\$600,000

ADTA = advisory technical assistance, AusAID = Australian Agency for International Development, IPF = indicative planning figure, JSF = Japan Special Fund, OPO = Office of Pacific Operations, POHQ = Pacific Operations Division, PPTA = project/program preparatory assistance, PUB = Public Utilities Board, RETA = regional technical assistance, RM = resident mission, SOPAC = South Pacific Applied Geoscience Commission, SPREP = South Pacific Regional Environment Programme, SPRM = South Pacific Regional Mission, TA = technical assistance, TASF = Technical Assistance Special Fund.

**Table A7.3: TA Concept Paper for Outer Islands Development Program (Phase 2)**

<b>A. Profile</b>	
Department/Division/Officer Concerned:	OPO/POHQ/Luigi Bodda
Type of TA:	ADTA
Name of Loan Project to follow (if PPTA):	N/A
Country/Region:	Kiribati
Sector/Subsector:	Rural Development
Poverty Classification and Thematic Priorities <sup>a</sup>	Poverty Classification: Poverty Intervention Thematic Priorities: Economic Growth
Program Year <sup>b</sup>	2002
Expected Approval Date:	October 2002
Estimated Completion Date:	October 2003
<b>B. Concept and Design</b>	
1. Rationale	<p>Substantial rural-urban income disparities have led to an unsustainable flow of people from the subsistence economies of the outer islands to the cash economy of the main island, South Tarawa. This has retarded growth in the outer islands and strained the infrastructure and the environment of South Tarawa.</p> <p>The proposed advisory TA will support the preparation of a program loan [Outer Island Development Project (OIDP), proposed for 2003], which aims at providing support for the priority areas of the agenda most relevant to island development toward more balanced regional development.</p>
2. Relation to Strategic Objectives (How the TA addresses the following.) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	<p>The TA will, through the OIDP, support the outer islands where the most vulnerable groups are concentrated: the old, the very young, women, and low-income families. It will therefore directly contribute to poverty reduction.</p> <p>The TA and the OIDP will also directly support sustainable economic growth of the country by fostering investments in economic and social infrastructure, which will improve the productivity of local activities and lead to higher cash incomes as well as enhance the quality of life on the islands. This will result in reduced population drifts towards South Tarawa.</p> <p>At the island level, legislation to support the devolution of Government responsibilities to the island councils and related capacity building will result in improved performance, accountability, and transparency of island governance.</p>

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations.

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

3. Scope (specific major components, e.g. capacity building)	The TA will undertake supporting activities for the ODP in its thrust to create, enable, and provide the necessary support services for regional development. Its scope will mainly include capacity building activities for the implementing government agencies, and assistance in preparing for the required policy changes. The final scope of the TA will be determined during fact-finding.
4. Expected Outcome and Monitorable Indicators	As the major expected outcome, the TA will help lay the foundation for the ODP, which will help the islands become more self-reliant and less dependant on central Government for their economic development. Details will be determined upon fact-finding.
5. Previous TA in the Same Theme, in the sector, country, or region (last five years) • name, amount, status • assessment of outcome	n/a
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Ministry of Home Affairs and Rural Development
7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	\$250,000-JSF \$62,000
8. Country/RETA IPF for Relevant Year	\$600,000

ADTA = advisory technical assistance, IPF = indicative planning figure, JSF = Japan Special Fund, ODP = Outer Islands Development Program, OPO = Office of Pacific Operations, POHQ = Pacific Operations Division, PPTA = project/program preparatory assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance.