

Asian Development Bank & Kiribati

FACT SHEET

Table 1. Kiribati: Development Indicators

Non-MDG	
Population in millions	0.10 (2008)
Annual population growth rate (%)	1.6 (2006–2008)
Adult literacy rate (%)	92 (2005)
Percent of population in urban areas	43.8 (2007)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	50.0 (1996)
Under-5 mortality rate per 1,000 live births	63 (2007)
Percent of population using an improved drinking water source	65 (2006)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.

SPC. 2009. Pacific Regional Information System.

World Bank. 2009. World Development Indicators Online.

Rapid population growth and urban migration have left Kiribati with overcrowded urban areas, with the most pressing development challenges social and environmental concerns, including the impacts of climate change, access to clean water and sanitation, and the spread of HIV/AIDS.

Only a small percentage of the labor force participates in the formal economy in which the Government of Kiribati provides a large part of all wage employment in public service and state-owned enterprises. Formal jobs are concentrated in South Tarawa.

The Government of Kiribati has experienced building fiscal pressure due to a period of high food and fuel prices combined with falling external income. There has been increased reliance on drawing down the Revenue Equalization Reserve Fund. However, expected weaker global equity market returns will necessitate much lower draw-downs in the medium term to ensure sustainability of this important national asset.

The Government endorsed the Kiribati Development Plan (KDP) 2008–2011 in April 2008, with the theme that the lives of Kiribati's people can be best improved through further development of their capabilities and the economy. This will ultimately lead to creating employment opportunities and a skilled workforce that can access not only national, but international labor markets as well. The Government considers this an essential adaptation strategy in the face of climate change impacts.

Relationship with ADB

The Asian Development Bank (ADB) has approved six loan projects amounting to \$15.14 million and 36 technical assistance (TA) projects of more than \$12.84 million for Kiribati since it joined ADB in 1974.

In recent years, ADB's program in Kiribati has shifted focus to pro-poor, economic growth-centered strategic measures, mostly in response to the priorities of the Government, as set out in the National Development Strategy 2004–2007.

Persistent problems providing safe water and sanitation on Tarawa have been partly addressed through the Sanitation, Public Health, and Environment Improvement Project (SAPHE), but more needs to be done. High urban population growth has been driven by limited employment opportunities on the outer islands and, since 2000, ADB has provided assistance to develop outer island resources.

To support the Government's strategic emphasis on expanding economic activity, ADB undertook a feasibility study for an investment loan to develop an economic growth center on Kiritimati atoll (Christmas Island). This study explored the possibilities of sustainable economic growth and identified the infrastructure and services necessary to support private sector development, the sustainable use of natural resources, and livelihoods. Kiritimati is, by far, the biggest atoll in Kiribati and has the most potential to absorb an increasing population and generate the necessary jobs. Its proximity to Hawaii, seasonal deepwater tuna resources, freshwater resources for a population eight times larger than at present, considerable tourism potential, and an attractive and unique environment, justified an innovative approach to

development. However, the Government has deferred its decision to borrow from ADB for this purpose.

Ongoing TA on Kiritimati considers land-use planning and zoning for residential and economic development land uses, including business, recreational, tourism, and protected areas. The TA also takes into account the completed feasibility study on transportation, expanded water and sewer systems, protection of freshwater lenses, solid waste management, and supporting infrastructure. The Government owns all land on the island and, with ADB support, has initiated land management reform. This critical measure will be the cornerstone of all future development. In addition, the Government has an agreement with Air Pacific to stopover in Kiritimati on its Nadi–Honolulu round-trip service.

The most recent Country Operations Business Plan for 2009–2011 can be found at www.adb.org/Documents/CSPs/KIR/2005/CSP-KIR-2005.pdf.

Impact of Assistance

ADB's support has assisted Kiribati in moving toward a number of Millennium Development Goals.

To ensure access to safe water, ADB provided a loan for the SAPHE project which, after considerable implementation delay, was completed in 2005. The environmental and social benefits for people in South Tarawa are significant. Sewerage outfalls were repaired and extended to allow protection of coral reefs; an incinerator was installed for the safe disposal of hospital wastes; and recycling, reuse, and composting of solid wastes was promoted along with improved water conservation. Poor communication with beneficiaries created unrealistic expectations about the rate of water flow from the SAPHE project, leading to some dissatisfaction with this element of the project.

The project involved coordinating consultation between nongovernment organizations and community groups, and promoted ongoing programs to assist in monitoring impacts on the environment. It also provided some important lessons on issues of land acquisition and community consultation on TA that will be useful for future projects of a similar nature.

ADB built on its experience with the SAPHE project in the feasibility study for the development of Kiritimati.

In 2005, heads of government at the Pacific Islands Forum approved the Pacific Plan for Strengthening Regional Cooperation, and implementation progress is monitored by Forum Leaders on an annual basis. ADB supports programs under the Plan, which emphasizes

regional public goods and services. Collective management of increased aviation safety and security requirements under the ADB-financed Pacific Aviation Safety Office is a good example of this potential. Kiribati is benefiting from this and other regional programs.

Future Directions

The first joint country partnership strategy (CPS) for Kiribati will be initiated in 2009, and this is an opportune time to assess lessons from past experience, discuss with the Government the role it perceives for ADB, and ensure the alignment of ADB-supported activities with both the Kiribati Development Plan 2008–2011 and ADB's strategic objectives.

With the Kiritimati investment project on hold, it is difficult to forecast other areas where ADB investment loans can be directed. The Country Operations Business Plan 2009–2011 does not include any new lending or nonlending activities. Policy dialogue will be the key focus of ADB engagement in Kiribati. The 2008 CPA outcomes—and particularly economic management issues—will be the focus of policy dialogue, while this will be underpinned by analysis regarding Kiribati's development risks and lessons learned from TA.

Economic growth potentials in Kiribati are very limited, exacerbated by a plethora of state-owned enterprises and legislation and regulation that hinder private sector development. The TA for Economic Management and Public Sector Reform was approved in November 2008. The intended impact of the TA is to improve fiscal performance and reduce the fiscal deficit through the disciplined use of a medium-term fiscal framework and specific steps to control key expenditure items by improving the management and performance of public enterprises. The TA will be implemented in a phased approach with a strong focus on capacity building.

Operational Challenges

Kiribati has had some unique advantages over other Pacific countries—healthy foreign reserves, a history of sound fiscal management, and a strong culture that promotes social stability and family welfare. However, the current global economic crisis has reduced the value of Kiribati's trust fund, while large drawings on this in recent years is indicative of weaker financial management. Changing patterns of migration and urbanization are also putting pressure on traditional family structures.

The country faces some major development constraints. Limited natural resources, especially land and freshwater, hamper development

Table 2. Kiribati: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,070	1,170	1,240	1,170	...
GDP growth (% change per year)	-1.7	1.6	-5.2	0.5	0.6
CPI (% change per year)	-0.7	-0.4	-1.5	4.2	11.0
Unemployment rate (%)	...	6.1
Fiscal balance (% of GDP)	-16.9	-2.8	-5.7	-3.4	-13.0
Export growth (% change per year)	-26.4	63.6	-55.1
Import growth (% change per year)	1.5	23.3	-15.5
Current account balance (% of GDP)	-40.3	-98.5	-69.8	-75.4	-71.3
External debt (% of GNI)	34.9	41.0	38.8	39.6	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates.
World Bank. 2009. World Development Indicators Online.

Table 3. Kiribati: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	–	0.8	–	0.8

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$15.1 million
Cumulative Disbursements (as of 31 Dec 2008) : \$13.7 million

Table 4. Kiribati: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Energy	2	1.60	10.57
Finance	1	1.00	6.61
Transport and Communications	2	2.30	15.19
Water Supply, Sanitation, and Waste Management	1	10.24	67.64
Total	6	15.14	100.00

^a Total may not add up because of rounding.

across widely scattered and sparsely populated islands, making access to international markets difficult and creating little potential for economies of scale. The economy of outer islands functions at a subsistence level with limited opportunities for private-sector cash employment.

Throughout the islands, an increasingly competitive international environment for tourism and investment is adding to the problems of limited understanding of business concepts and practices among a labor force that generally lacks education and skills.

More than 40% of the population is under the age of 15, and the number of people entering the workforce in the next decade will increase from about 45,000 in 2002 to 68,000 in 2012. The provision of education and health services for children—a large item on both family and national budgets—and future employment needs are perhaps the most important issues facing the country.

These and other development risks are identified in the Pacific Islands Economic Report for Kiribati, which was initiated in 2008 and will inform discussion of Kiribati's future development assistance needs from ADB. The challenges presented by weak public financial management and limited human capacity are also relevant to ensuring sustainability of operations in Kiribati.

Partnership

The immediate ADB priority to support government efforts to balance growth more evenly throughout the country reflects ongoing and planned partnerships with development partners, including the World Bank, bilateral agencies, and regional organizations.

ADB is preparing, in close coordination with its development partners, a Pacific Island Economic Report for Kiribati for publication in 2009. This will include an assessment of the political economy of capacity building, essential for understanding the binding constraints to institution building and development.

Table 5. Kiribati: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Energy	100.0	1
Finance	0.0	1
Transport and Communications	0.0	1
Water Supply, Sanitation, and Waste Management	0.0	1
Total	25.0	4
By Year of Approval		
1980s	50.0	2
1990s	0.0	2

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

Table 6. Kiribati: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

Number of Ongoing Loans (as of 31 Dec 2008)	2007 (\$ million)		2008 (\$ million)	
	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (\$ million)
Contract Awards/Commitments	0.1	0.1		
Disbursements	–	–		
Loans at Risk (%)	100.0	–		

– = nil.

Improved cooperation and coordination with Kiribati's development partners is a priority. The Government's initiative in calling a meeting of development partners in May 2008, following completion of the Kiribati Development Plan, was welcomed, and other such opportunities to share information and experiences will be sought. A development partners agreement for Kiribati that builds on the Paris Declaration, with an objective to improve aid effectiveness, has been discussed among partners and with the Government. With the support of the Government, this is one area that could see progress.

ADB cooperates with civil society organizations (CSOs) to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, Kiribati CSOs participated in the implementation of SAPHE.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for Kiribati amounted to \$0.27 million for two TA projects.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which six contracts were awarded to consultants from Kiribati worth \$0.06 million.

A summary of procurement contracts awarded to companies and consultants from Kiribati for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Kiribati/procurement.asp.

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

About Kiribati and ADB

Kiribati is the 37th largest shareholder among regional members and the 45th largest shareholder overall. It shares both positions with Maldives, Federated States of Micronesia, Nauru, and Tonga.

ADB Membership

Joined	1974
Shares held	142 (0.004%)
Votes	13,374 (0.30%)

Phil Bowen is the Executive Director and **Dereck Rookan-Smith** is the Alternate Executive Director representing Kiribati on the ADB Board of Directors.

The Pacific Subregional Office (SPSO) was opened in 2004 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. SPSO engages in policy dialogue and acts as a knowledge base on development issues in Kiribati, Cook Islands, Fiji Islands, Samoa, Tonga, and Tuvalu.

R. Keith Leonard is the Regional Director of SPSO.

The Kiribati government agency handling ADB affairs is the Ministry of Finance and Economic Development.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/kiribati

Asian Development Outlook

www.adb.org/Documents/Books/ADO/2009/SMALL-PAC.pdf

Annual Report

www.adb.org/Documents/reports/annual_report/2008/

Depository Libraries

www.adb.org/Publications/Depositories/kir.asp