



Technical Assistance Consultant's Report

Project Number: TA 4456 - KIR
December, 2007

Kiribati. Preparing the Outer Island Growth Centers Project – Phase 2 (Water Supply and Sanitation)

Working Papers (Volume 2)

Working Paper No 9: Institutional Arrangements for Improved Island
Planning and Development

(Financed by the Asian Development Bank)

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For Ministry of Finance and Economic Development (MFED)
Ministry of Line and Phoenix Islands Development (MLPID)

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.)

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Report Structure – Volume 2

The Working Papers contained in this volume detail work completed in Kiritimati Island, Kiribati, during October - December, 2007, in respect of a feasibility study undertaken for a proposed ADB investment project in water and sanitation. The feasibility study was undertaken as the main output of Phase 2 of the *TA No. 4456 - KIR: Preparing the Outer Island Growth Centers Project (Kiritimati Island)*.¹

The results of the TA are contained within 3 main reports;

- the Executive Report (Volume 1);²
- the Working Papers (Volume 2 - the current volume) which provide the detail of the overall feasibility study and the summary Executive Report, and
- the draft Kiritimati Island Development Plan (KIDP - Volume 3) which addresses overarching island development issues and directions on Kiritimati Island.

The Working Papers are contained in this volume in the following order;

1. Hydrology
2. Water Supply
3. Sanitation
4. Economic and Financial Analysis
5. Social and Poverty Analysis
6. Initial Environmental Examination
7. Summary Initial Environmental Examination
8. Environmental Information and Assessment
9. Institutional Arrangements for Improved Island Planning and Development
10. Existing Infrastructure Survey for Water and Sanitation

¹ The team comprised Paul Jones, Development/ Planner/Team Leader, Tony Falkland, Civil Engineer and Water Resources, Tony McDonald, Environmental Adviser, Jonathan Powell, Community Development Adviser, Marcus Napud, Economist and Ian White, Water Resources/Engineer. Ms. Makurita Bauro proved liaison support to the TA while based in Tarawa. Special thanks to Ms. Maketara Ioane, Resource Economist, from the MLPID and GoK TA counterpart for her valuable assistance and support in Kiritimati Island.

² A draft ADB Report and Recommendations to the President (RRP) was also prepared for internal ADB consideration. The Executive Report is based on the information contained in the draft RRP.



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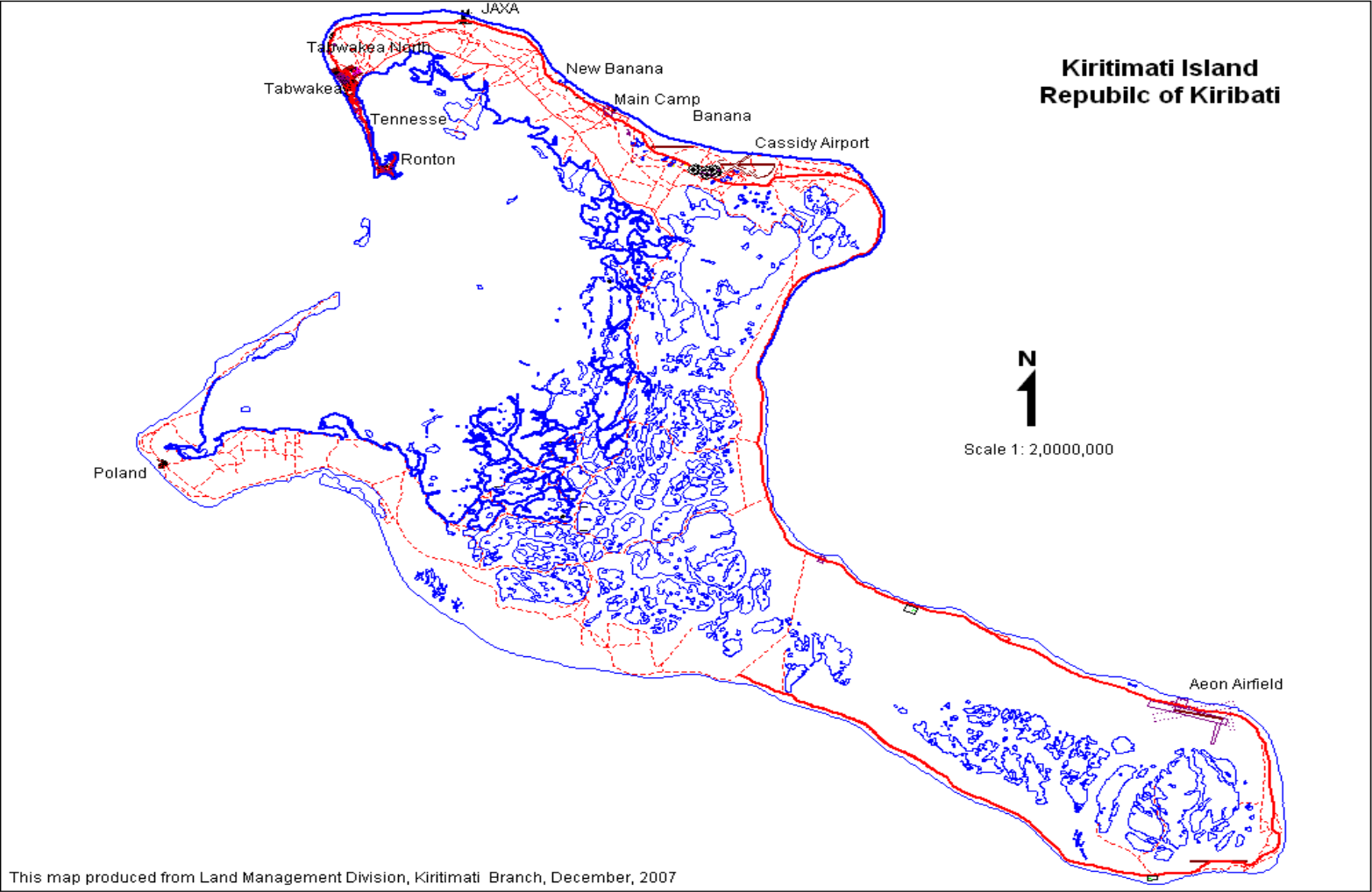


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Ministry of Line and Phoenix Island Development (MLPID), London

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Acronyms and Abbreviations

ASC	Atoll Seaweed Company
CPP	Central Pacific Producers
KCCS	Kiribati Copra Cooperative Society
KPF	Kiribati Provident Fund
KUC	Kiritimati Urban Council
KLLPB	Kiritimati Local Land Planning Board
KPA	Kiribati Port Authority
KWASP	Kiritimati Island Water and Sanitation project
LMD	Land Management Division
LMDK	Land Management Division Kiritimati
LPA	Land Planning Act
MCIC	Ministry of Commerce, Industry and Cooperatives
MCTTD	Ministry of Communications, Transport and Tourism Development
MELAD	Ministry of Environment, Lands and Agricultural Development
MFED	Ministry of Finance and Economic Development
MFMRD	Ministry of Fisheries and Marine Resource Development
MISA	Ministry of Internal and Social Affairs
MLPID	Ministry of Line and Phoenix Island Development
NDS	National Development Strategy
SOE	State Owned Enterprise

Note on currencies

The national currency of Kiribati is the Australian dollar, with the prefix \$AUD or A\$. Monetary values in this working paper are stated in the national currency.

1. Background to the Working Paper

This Working Paper was prepared in October and November, 2007, as an input to TA No. 4456 - KIR: *Preparing the Outer Islands Growth Centers Project, Kiribati*. The working paper builds on previous work undertaken on the need for improved island planning and management arrangements undertaken for this TA. A key objective of the working paper is to assess current and future institutional arrangements for the development of Kiritimati Island as an economic growth center. The paper seeks to explore 3 main questions in regard to institutional arrangements for island planning and development on Kiritimati Island, namely:

- what is the status of the existing situation?
- what may be the objectives of a lead institution for island planning and coordination?
- what are some key pragmatic tools to assist in implementation?

The preparation of this paper is based on the assumptions that:

- Government recognises the need for the revision of institutional arrangements on Kiritimati Island (i) to accommodate shifts in development priorities on the part of government and the community, and/ or (ii) to respond to the findings of on-going evaluation process under the current TA.
- Government development policies and objectives embodied in the current NDS, 2004-2007, and the forthcoming Kiribati National Development Plan, 2008-2011, for the Line and Phoenix Islands will be similar over the next national planning period.
- That there is a need for 'whole of island' approach to the planning and management of Kiritimati Island involving all key stakeholders on Kiritimati Island.
- Government will provide adequate resources - human, technical and financial - to implement the preferred arrangements. This includes any necessary policy and legislative changes as required to achieve the best outcome.

2. The Importance of Institutional Arrangements

Effective and efficient Institutions are important as they are the conduit through which limited human, technical; and financial resources are channelled so as to achieve agreed goals and objectives. Such arrangements could be at the national, island or functionally specific level. Institutions are one key mechanism by which policies are turned into reality. As issues and priorities to be addressed change over time, institutions often become less relevant if they do not address current and future needs. Due to the size and nature of institutions in Government, institutions are often slow to respond and become out of touch to current needs, issues and solutions. This is not criticism, but a reality of all institutions.

In the context of Kiritimati Island, it is the quality of institutional arrangements in place that responds to or does not responds to, as the case may be, current issues and concerns that affects the economic, social and environmental outcomes being sought. As such, having in place effective, efficient and relevant institutions is important to achieving quality outcomes, such as the strategic vision of the island and its people.

3. Existing Institutional Arrangements for Island Planning and Development

Existing institutional arrangements in Kiritimati Island can be categorised under 4 broad groups:

- * central government;
- * local government;
- * committees and boards established via legislation, and
- * advisory committees representing special interest groups.

These arrangements can be summarised as follows:

*** Central Government**

Central government is the dominant player in the planning and development of Kiritimati Island providing a range of public administration and utility services through Ministries and State Owned Enterprises (SOEs). The lead agency responsible for the planning and coordination of island development in Kiritimati Island as well as Fanning, Washington and other islands in the Phoenix Group, is the Ministry of Line and Phoenix Island Development (MLPID).¹ Approximately 47% of the public service on Kiritimati Island (excluding SOEs) is employed by the MLPID. The MLPID has a staff of approximately 183 persons spread over 11 divisions, namely;

¹ The Ministry is also referred to as LINNIX.

- administration;
- accounting;
- development planning;
- information technology (IT);
- construction;
- government housing;
- civil engineering;
- water and sanitation;
- Solar Salt production;
- power generation;
- power distribution.

Approximately half of the MLPID staff is in engineering and physical service provision such as water and sanitation, power generation, power distribution, government housing and construction. The next largest grouping of staff is in administration and accounting. The 2007 MLPID budget is AUD \$2,918,092.² There is no legislative basis for MLPID to undertake the planning and coordination of development in the Line and Phoenix Islands. The MLPID coordinates with other Ministries concerned with health, fisheries, natural resources and lands but has no influence over policy issues and budget allocations as decided for such Ministries in Tarawa. The MLPID has no statutory control over prioritising trade, investment and economic development, environmental management decisions for the island including streamlining business approval processes, as this is the domain of other Ministries. Tarawa based Ministries issue directions to their Kiritimati Island offices without reference to the MLPID. All planning decisions for land development including individual land allocations are scrutinized and considered in Tarawa. All individual Ministry warrants from Tarawa are dispersed through the MLPID.

Other lead Ministries involved in the planning and development of Kiritimati Island are the Ministry of Commerce, Industry and Cooperatives (MCIC), Ministry of Finance and Economic Development (MFED); Ministry of Communications, Transport and Tourism (MCTT) and the Ministry of Environment, Lands and Agricultural Development (specifically the Land Management Division in MELAD). State owned enterprises on Kiritimati Island include the Captain Cook Hotel Limited, Atoll Seaweed Company (ASC), Kiribati Oil Company Limited (KOIL), Kiribati Ports Authority (KPA), Central Pacific Producers (CPP) and Bobotin Kiribati Limited (BKL). The head offices of these Ministries and SOEs are located in Tarawa where the majority of policy decisions for Kiritimati Island are made. Budgets for such Ministries are also set by management from Tarawa based on input from Ministry offices in Kiritimati Island.

² Kiribati Government Budget, 2007. Approved Parliament 20 November, 2006.

*** Local Government**

The Kiritimati Urban Council (KUC) was established late 2004 and is still in its infancy as it establishes its legitimacy in the local community. The KUC has only a limited physical jurisdiction primarily based around the main villages - London, Tabwakea, Banana and Poland. With 9 Councillors, it is responsible for business licenses and domestic waste collection and disposal. Waste collection and management is poor and in many areas, is non-existent. The KUC is still in the process of establishment, building credibility and relevance at the local level.

*** Planning Committees and Boards established via Legislation**

Of most importance is the Kiritimati Local Land Planning Board (KLLPB) responsible for undertaking physical land use planning derived from the Land Planning Act (LPA), 1977. The LPA provides for the designation of islands and parts thereof for land use planning purposes including the establishment of a local land planning board (LLPB) to undertake land use planning. Kiritimati Island was designated for land use planning purposes in October, 1979, with the KLLPB being the main planning body responsible for physical and land use planning on the island. The Land Management Division provides the secretarial services to the KLLPB. The KLLPB comprises a range of cross sector groups representing both government and the community. The Secretary for the MLPID is the chairperson of the KLLPB.

*** Non Statutory Committees**

Over the last 2 years, a number of special interest groups have emerged to reflecting the growth of lobby groups wishing to promote and seek better representation of their interests. Two important groups that have emerged, for example, are the Tourist Operators Association and Pet Fish Exporters. Both groups play a major role in the economic development of Kiritimati Island. Notwithstanding local and national government elections, there is no formal mechanism by which the views of community and private sector can be considered in the existing institutional arrangements for planning and development in Kiritimati Island.

4. Key Institutional Issues and Concerns

Existing island planning and management arrangements for Kiritimati Island are fragmented over a number of stakeholders, primarily central government. The main institutional issues characterizing institutional arrangements in Kiritimati Island can be summarised as follows:

- the MLPID has no statutory power to coordinate other Ministries activities so as to address key needs and issues as identified in the overarching NDS on Kiritimati Island.
- the effectiveness of MLPID is muddled by the fact it is a large Ministry (183 staff), undertaking a range of core and non core planning and development functions – that is, the MLPID is policy maker, planner, regulator and service provider (water, power etc), plus commercial operator (e.g. Solar Salt).

- there is no community and government approved 'whole of island' integrated plan' for Kiritimati Island which identifies overall vision, key development directions, program works, priority project needs, etc, at the island level.
- there is no mechanism to translate the overarching NDS policy into a local reality with key agencies who are working in Kiritimati Island.³ The result is that the overarching policy directions for Kiritimati Island are not systematically integrated into Ministry policy activities, and hence, many Ministries tend to do 'their own thing'. Furthermore, because individual Ministry budgets are not linked to an overall vision such as a Cabinet 'whole of island plan' for Kiritimati Island, budgets are prepared in isolation to overall island needs and priorities including the views off the MLPID..
- the MLPID is not seen as having a key role in NDS policy implementation, playing only a minor supporting role.
- the MLPID has tried to establish a Line and Phoenix Development Committee (LPDC) comprising of Heads of Divisions from key Ministries to improve coordination but has received no support from parent Ministries from Tarawa. The focus on planning and coordination activities by the LPDC was ultimately taken over by a preoccupation with administrative issues.
- planning and management is dominated by government agencies - there is no mechanism to provide for formal private sector or community input in the planning and development process on Kiritimati Island. Government dominates all decision making including governance processes. The community is much sub servant to government action.
- environmental planning and management including land use planning is functionally divided from economic and social development and vice versa. For example, land use planning is the domain of the KLLPB under LMD in MELAD, environment and wildlife (same Ministry as LMD) are physically separated, while the MLPID, MCIC and MFED are responsible for economic development.
- all Government decisions, when they are eventually made for Kiritimati island, are made in Tarawa. Kiritimati Island has little autonomy over its future.
- there is no integrated planning and development legislation. For example, the Land Planning Act, 1977, only provides for land use planning assessment and doesn't allow for economic, social and environmental impacts of development to be considered in totality. There is separate environmental legislation (Environment Act, 1999) to the Land Planning Act, 1977.
- economic development opportunities are not being formally promoted by the MLPID. They are dealt with by MCIC.

³ The Kiribati Strategic Development Plan, 2008-2011, is currently in the process of being prepared by the MFED.

5. The Concept of an Economic Growth Center

To determine options for appropriate institutional arrangements, there needs to be some consensus on what a growth center and specifically, an economic growth center should be and should look like. The Phase 1A and IB report defined an economic growth center as the designation of an island where the main purpose is to facilitate projects and activities designed to enhance production.⁴ An economic growth center is one where government makes a commitment to strategically intervene to develop the productive sectors by nurturing the private sector - typically the key to sustained growth - with government and the public sector providing the supportive enabling environment by which this can occur. This includes government fostering an environment conducive to facilitating business development and investment including a program for the provision of public infrastructure and services. The latter is needed to underpin economic, social and environmental growth including the private sector.

In a small island setting, the objectives of an economic growth centre may translate as:

- recognising the environmental constraints and opportunities of the island;
- promoting incremental development of the island's productive resources by the private sector within an agreed physical framework;
- providing productive employment opportunities for the labour force with the benefits staying on island, as far as possible;
- reducing levels of hardship by improving levels of health, access to land, technical training, water supply and generally improving the standard of living for the island population; and
- putting in place the necessary institutional, policy and regulatory reforms by which the above objectives can be achieved over time. This would include devolution and decentralisation of power from South Tarawa to Kiritimati Island.

A conceptual framework to assist in understanding the notion of an economic growth center for Kiritimati Island is shown in Figure 1. The advantage of developing a framework is that it can provide a sense of strategic direction and priority so as to systematically deal with detail whilst providing a sense of coherent direction in managing the island's economic, social and environmental growth. The framework indicates those components that need to be facilitated to achieve the main goal of an economic growth center, namely, increased productivity concurrent with reduced levels of hardship. The framework suggests those essential building blocks of development that need to be put in place to have a successful growth center. This includes political stability, law and order, good governance, a sound macro economy,

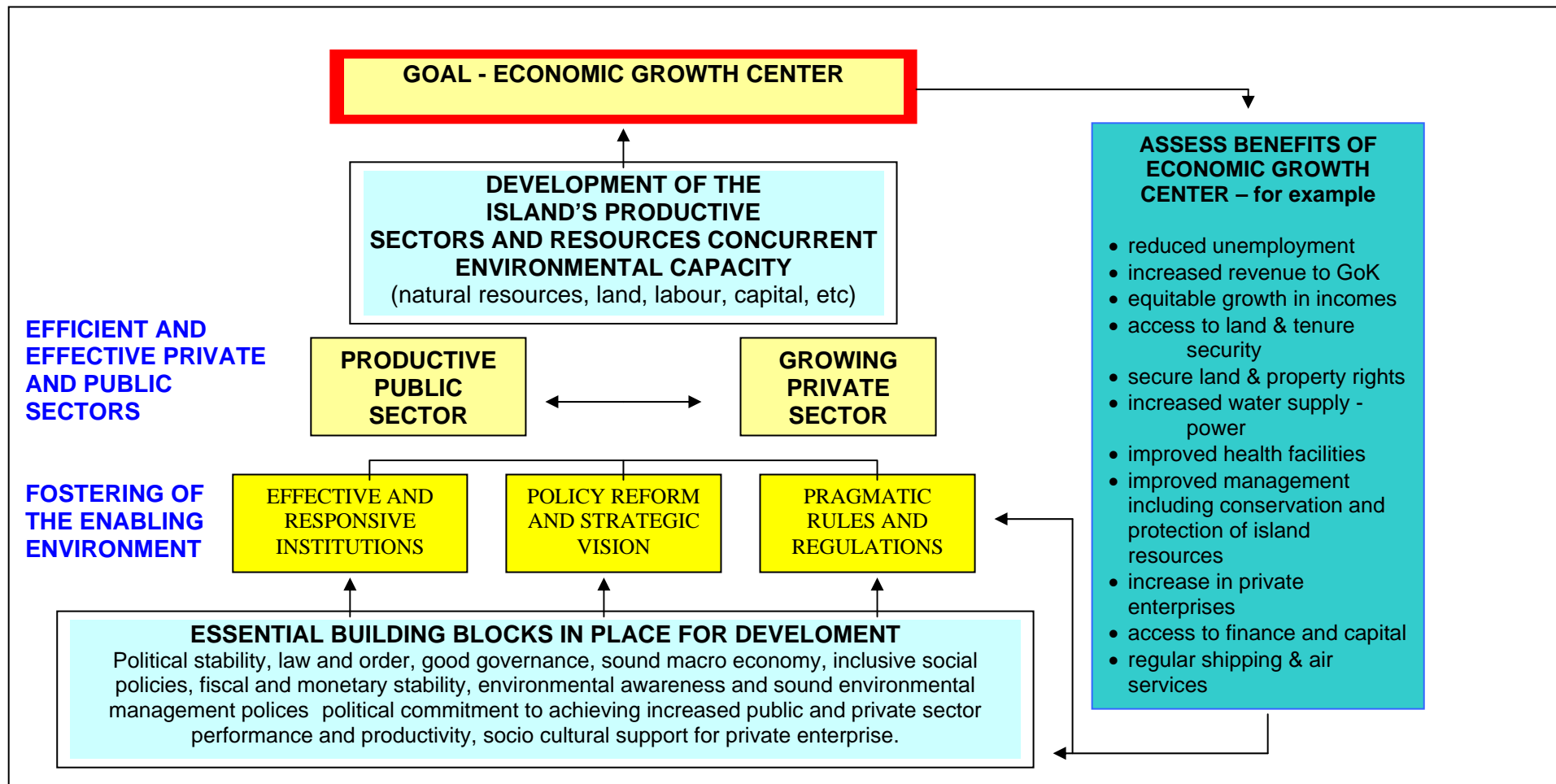
⁴ There is a distinction between economic growth and development. The term 'development' is used in a wider context as it embraces improvements to health, education, water supply, power and the like as well as economic development activities.

inclusive social policies, fiscal and monetary stability, gains in environmental management and a sustained political commitment to achieving increased public and private sector performance and productivity.

The framework shows that the development of an enabling environment provides a platform by which the productive sectors and island's resources, namely, natural resources, land, labour and capital, can be developed by the private and public sectors in line with the islands environmental capacity. The framework indicates that the goal of whether an economic growth center is being achieved or not can be checked against a range of indicators. These include increased levels of employment and job opportunities, rising incomes, access to land and secure property rights, improved water supply and power, gains in environmental management, increased educational opportunities, improved health services, regular availability of imported goods, increase in number of private businesses, more frequent shipping and air services, reliable telecommunications and the orderly provision of essential public infrastructure and services.

The application of the concept of an economic growth center is new in Kiribati. Other models of development adopted by government in previous attempts at outer island development such as that applied in Fanning and Washington Islands to the north of Kiritimati Island, have embraced all forms of development to improve people's lifestyle. This includes providing health care, schools and more recently, systems of local government. The emphasis by government has

Figure 1 – Framework for Understanding the Concept of an Economic Growth Center, Kiribati



been on supporting a reasonable to high level of subsistence lifestyle and social development, notwithstanding the impacts of unchecked increases in island population. However, there has been no deliberate attempt to develop these islands as economic growth centers or growth centers per se.

6. A Framework for Improved Institutional Arrangements for Kiritimati Island

Given the above setting, the overall objective for Kiritimati Island is to create institutional arrangements which will position Kiritimati Island as an economic growth center, integrating economic, environmental, land use and social planning for the benefit of Kiritimati Island, as well as Kiribati generally. Thus, there are substantial benefits from improved institutional arrangements to be achieved at the island and national levels. The proposed institution would have a clear identity, be accountable and well recognized and with a sufficient enabling environment, that is, policy, legislation and resources, to undertake its mandated tasks. The institution would be responsible for both implementing and coordinating the achievement of the communities and governments vision for Kiritimati Island (and possibly other islands in the Line and Phoenix Group at a later date).

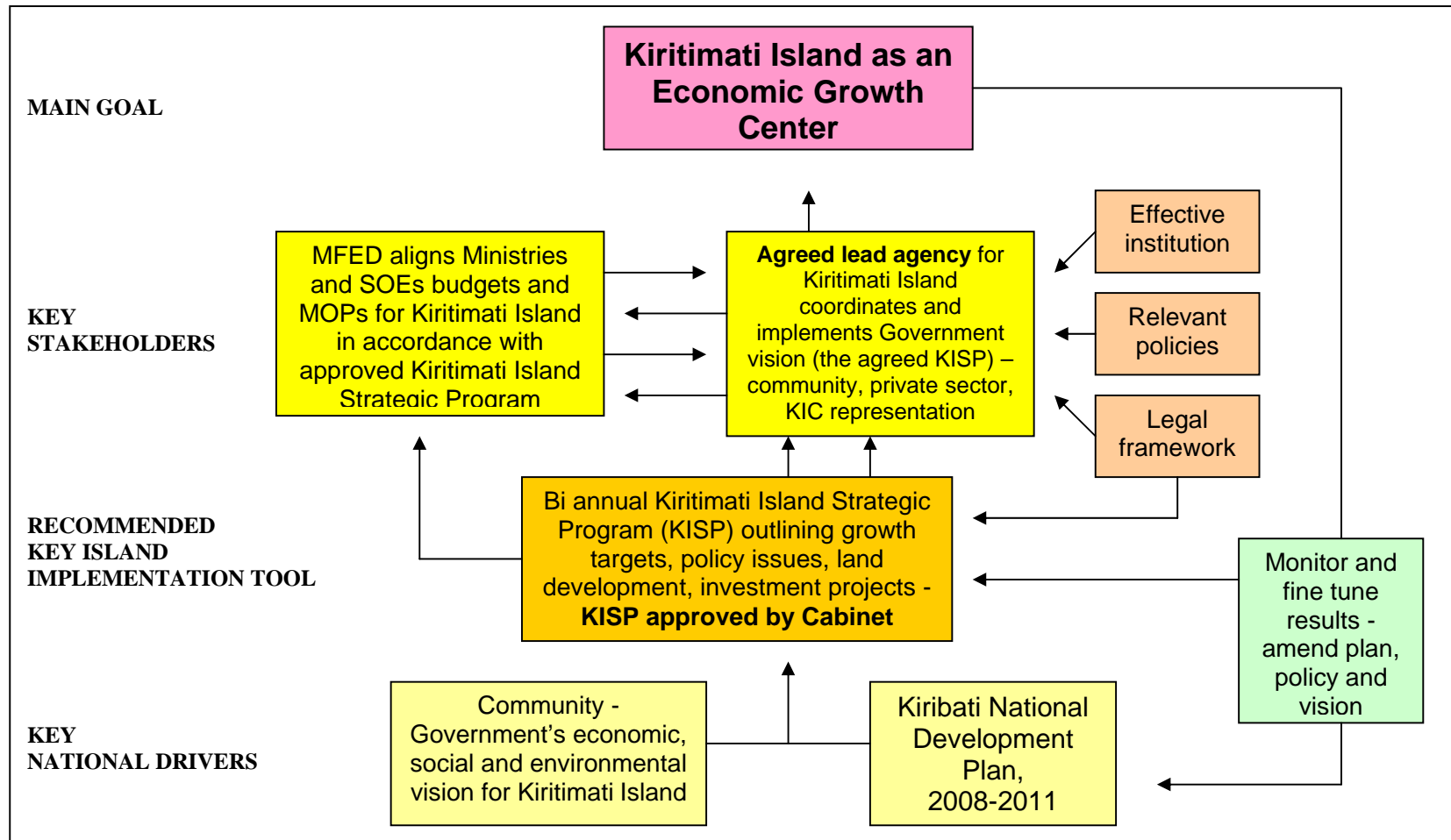
The main island implementation tool is recommended to be a 'whole of island' whole of government community plan - for example, a Kiritimati Island Strategic Program. This would be approved annually or bi annually by Cabinet, with clear targets and outcomes identified across all key development areas in Kiritimati Island. Under this approach, other islands in the Line and Phoenix Group such as Fanning and Washington could be included at later date. The 'whole of island' plan would be facilitated by the agreed lead agency for the planning and development of Kiritimati Island in coordination with all other key stakeholders including government Ministries, local government, community and private sector. The lead institution for Kiritimati Island would undertake its own activities necessary to achieve Governments vision for Kiritimati Island (as agreed) including coordinating the work of other Ministries activities to ensure the agreed 'whole of island' vision as approved is being met.

This framework for potential application in Kiritimati Island is shown in Figure 2. The framework shows the lead agency for managing development in Kiritimati Island (as however agreed) is the key stakeholder in Kiritimati Island, responsible for planning and coordinating development and working with other Ministries, SOEs, the community and private sector.

7. Possible Key Functions of a Lead Planning and Development Agency

Development of institutional arrangements to achieve Kiritimati island as a properly planned growth center will require a refocusing and repositioning of

Figure 2 - Framework for Revised Institutional Arrangements for Kiritimati Island as an Economic Growth Center



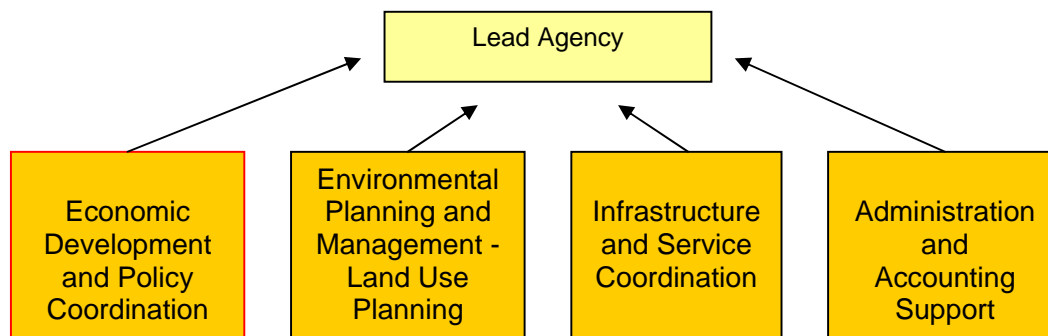
activities and functions on Kiritimati Island. The possible key functions and tasks of the lead agency responsible for the planning and development of Kiritimati Island are suggested as:

- coordination of economic, social and environmental planning and development
- coordination and/or implementation of physical development works such as water, power, ports, airports and roads.
- management of the development of State lands including environmental management, land release and allocation of plots for development (via CASL)⁵
- approval of land use applications via the KLLPB for State lands including environmental impact assessment
- development and implementation of a public investment plan for agreed projects and development works in Kiritimati Island so as to support population growth and private sector development
- development and implementation of an annual or bi annual '**whole of island**' Kiritimati Island Strategic Program. This which would represent governments and communities 'vision for KI as agreed at the KI and national level, indicating policy directions and specific actions and activities needed to achieve those development directions such as an investment program, setting of growth targets, specific infrastructure projects for completion, key Ministry activities and responsibilities, budget issues, job and land targets, etc. This 'whole of island' plan" would represent a whole of government approach for local implementation in Kiritimati Island, consistent with the overarching directions set in the NDS, 2004-2007.
- monitoring of a bi annual KI strategic program such as progress in implementation activities (water, power, etc), status of economic development activities, business approvals, land allocation, job creation, new households with access to water, etc
- reporting back to Cabinet on achievements and progress on achieving the Kiritimati Island Strategic Program and vision contained therein.
- formally representing the views of the community, private sector and local government stakeholders in Kiritimati Island (as well as the national level)
- maintaining an island data base and indicators on environmental monitoring, economic development, business approvals, land releases, job creation, environment, etc, and

⁵ The processing, issuing and monitoring of land leases and land tenure matters would still remain with LMDK, MELAD

- undertaking the necessary administrative and technical support needed to achieve the above

The above functions can be grouped into 4 main components, namely.



8. Institutional Options for a Legend Agency for Island Planning and Management

Six options have been identified for discussion, namely:

- leave current fragmented and uncoordinated arrangements as is;
- leave current arrangements as is – **but** prepare a ‘whole of island plan’ to guide the existing institutional setting;
- rationalise functions of MLPID into discrete functional bodies;
- realign and strengthen MLPID as lead agency with ‘whole of island’ plan;
- realign and strengthen MLPID as lead agency - a Development Corporation, and
- new separate lead agency in the form of a Development Corporation - MLPID remains as is.

These options are summarised below.

Option 1: Leave current arrangements as is - do nothing.

Under this option, existing arrangements would remain the same. There would be no change. Opportunities for increased planning and coordination including Ministry, community and private sector integration would not be realised.

Option 2: Leave current arrangements as is – but prepare ‘whole of island’ plan approved by Cabinet

Existing arrangements would remain the same. However, a ‘whole of island’ plan would be prepared and approved by Cabinet for implementation by island stakeholders. One major result would be that overarching policy directions for Kiritimati Island would be clearer for Ministries and the community, such plan identifying island priorities and sector cross linkages, all requiring budget support and expression in Ministry Operating Plans (MOPs). Ministries would be more aware of their role and key projects and outcomes as expressed in the overarching ‘whole of island’ plan. The MLPID would monitor implementation of the ‘whole of island plan’.

Option 3: Rationalise the functions of MLPID into discrete and separate functional bodies

Under this option, the MLPID would be broken up into its core and non core functions. The MLPID would retain its core functions such as economic planning and add to it other functions identified in section 7 as necessary to support development of the island as an economic growth center. For example, non core functions such as service and infrastructure provision (as apposed to the planning and coordination of infrastructure) for water and power would be allocated into (i) an independent utility body, (ii) transferred to the KUC, or (iii) be offered as a management contract. The Solar Salt company would be privatized. The MLPID would be streamlined, thus allowing it to focus more strongly on the planning and coordination of development in Kiritimati Island.

A refocused MLPID could then developed under Option 5 and 6.

Option 4: Realign and Strengthen the MLPID as the Lead Agency

All existing functions and activities in the MLPID would remain and would be refocused in line with the functional groupings identified above as necessary to achieve an economic growth center. The Development Planning Division would be strengthened to realign as an Economic Development Unit. The new function of land use and environmental planning would be transferred to the MLPID from LMD, MELAD, given land for development is State land, thus maximising opportunities in both the planning and development of land. Business advisory services would be transferred from MCIC. The 3 main functional areas – economic development and policy coordination, land use and environmental planning, infrastructure and engineering services – would be strengthened, thus allowing the organisation to focus on achieving the outcomes identified in the ‘whole of island’ plan as approved by Cabinet.

Under this option, the functions of MLPID including the economic growth center role, would be provided for via legislation, either by a new Act or referenced in current legislation (such as an amended State Lands Act, 2000). In such legislation, the MLPID would be positioned as the lead agency for coordinating development on Kiritimati Island as well as other functions. A strengthened MLPID would be given the statutory power to coordinate with key stakeholders the preparation of the 'whole of island' plan for Kiritimati Island and would be the lead agency for its implementation. A development board would be established and work under the policy direction of the 'whole of island plan' as approved by Cabinet. The development board would include government as well as local government, community and private sector representatives. The Minister for Line and Phoenix Development would be the chairperson of the board. The board would ensure the 'whole of island' plan is implemented as far as possible and would be the main conduit through which concerns of the Kiritimati Island community are considered by Government.

Under this option, a realigned and strengthened MLPID stills remains a large entity but is potentially stronger than current arrangements by having strengthened functions, has responsibility for both preparing and implementing the 'whole of island' plan with stakeholders including MFED, is overseen by a development board and importantly, legislation would be prepared setting out the above and other matters. The latter legislation could include the core functions of the MLPID, the composition of the development board and its functions, plan making processes and procedures for preparing the 'whole of island' plan, power to implement the 'whole of island' plan as endorsed by Cabinet, the contents and objectives of the 'whole of island' plan and when it should be reviewed and how, stipulation that the chairperson of the KLLPB should be with MLPID, and provisions for the land allocation process, that is, CASL etc.

Option 5: Realign and Strengthen the MLPID as the Lead Agency in the form of a Development Corporation

Like Option 4, all existing functions and activities in the MLPID would remain and would be refocused in line with the functional groupings identified above as necessary to achieve an economic growth center. The new function of land use and environmental planning would be transferred from LMD, MELAD, given land for development is State land, thus maximising opportunities in both the planning and development of land. Business advisory services would be transferred from MCIC. The 3 main functional areas - economic development and policy coordination, land use and environmental planning, infrastructure and engineering services - would be strengthened, thus allowing the organisation to focus on achieving the outcomes identified in the 'whole of island' plan approved by Cabinet.

Under this option, it is proposed that the MLPID realign as a Development Corporation (such as the Kiritimati Island Development Corporation or Line and Phoenix Development Corporation), thus giving it a clear identity and mandate for the integrated planning and development of Kiritimati Island (and other islands) as a growth center.⁶ To ensure the lead agency is accountable and its mandate is clear, the new corporation would have its own legislation setting out aims and objectives, key functions and activities, process for preparation of the 'whole of island plan', provisions for a corporation board, island planning and development processes, land allocation process, means of monitoring, etc. With the land in Kiritimati Island being State land, a Development Corporation model would be unique as it could plan, manage and develop land as well as promote economic development. The Development Corporation board, working under the policy direction of the 'whole of island plan' approved by Cabinet, would include government as well as local government, community and private sector representatives. The Minister for Line and Phoenix Development would be the chairperson of the board.

Under this option, a realigned MLPID, in the form of a Development Corporation, stills remains a large entity. Given the need to strengthen the realigned MLPID in land use and environmental panning, plus the other functional areas, staff would still be in the order of 185 to 200 persons. The agency would still be involved in core planning and coordination functions plus non core functions such as service provision, commercial operations (e.g. Solar Salt etc). The effectiveness of such a large organization in the form of Development Corporation is unknown.

Option 6: New separate lead agency in the form of a Development Corporation whilst retaining the MLPID

Under this option, there would be small and accountable body, approximately 10 -15 professional staff, responsible for integrated economic, social and land use planning. The organizational structure of the lead agency would be based on the 3 main functional areas as outlined, namely, economic development and policy coordination, land use and environmental planning, and coordination of infrastructure and engineering services. There would be administrative support. The focus of the agency would be on promoting economic development and undertaking land planning and development including the release of land. With the exception of land development (for example, provision of new plot areas with access roads), its focus would be on coordinating service provision such as water and power, not providing them (as would still occur under the realigned MLPID in Option 4). The existing MLPID would remain and some functions such as development planning from MLPID, land use planning from MELAD and business advisory services in MCIC transferred to the new lead agency. Land

⁶ The Development Corporation approach is a form of a State Owned Enterprise (SOE).

allocation via the Committee for the Allocation of State Lands (CASL) as approved by Cabinet in December, 2005, would be under the new agency.

Under this option, the new agency would be same as Option 4, namely, in the form of a Development Corporation (such as the Kiritimati Island Development Corporation or Line and Phoenix Development Corporation). It would have a clear and recognisable identity and its mandate would be for the integrated planning and development of Kiritimati Island (and other islands) as a growth center. Like option 4, the new corporation would have its own legislation setting out aims and objectives, key functions and activities, process for preparation of the 'whole of island plan', provisions for a corporation board, planning and development processes, means of monitoring, etc. As with Option 4, the Development Corporation board, working within the overarching policy direction of the 'whole of island plan' approved by Cabinet, would include government (such as the MLPID) as well as local government (KUC), community and private sector representatives. The Minister for Line and Phoenix Development would be the chairperson of the board. Under this option, the new agency would be small with a clear functional mandate. While the emphasis is on service coordination with other Ministries, service provision could be undertaken in the proposed Development Corporation, such functions transferred from the existing MLPID. Thus, the new agency would be planner, regulator and service utility provider.

The advantages and disadvantages of these options are summarised in Table 1. Figure 3 indicates a possible organisational chart for Option 5 and 6, a new lead agency. The Table shows the option of including service provision such as water and power in addition to the function of service coordination.

9. Budget Implications

Changes to budgets are likely to arise in the implementation of Option 4, 5 and 6. There are 3 areas where budgets will be affected, namely,

- additional professional staff;
- operational costs;
- establishment costs including office space.

Options 4, 5 and 6 will require the 3 main functional areas being embedded in the respective organisations. Thus, assuming one of these options is chosen, the basic functions already exist in the varying Ministries and will need to be

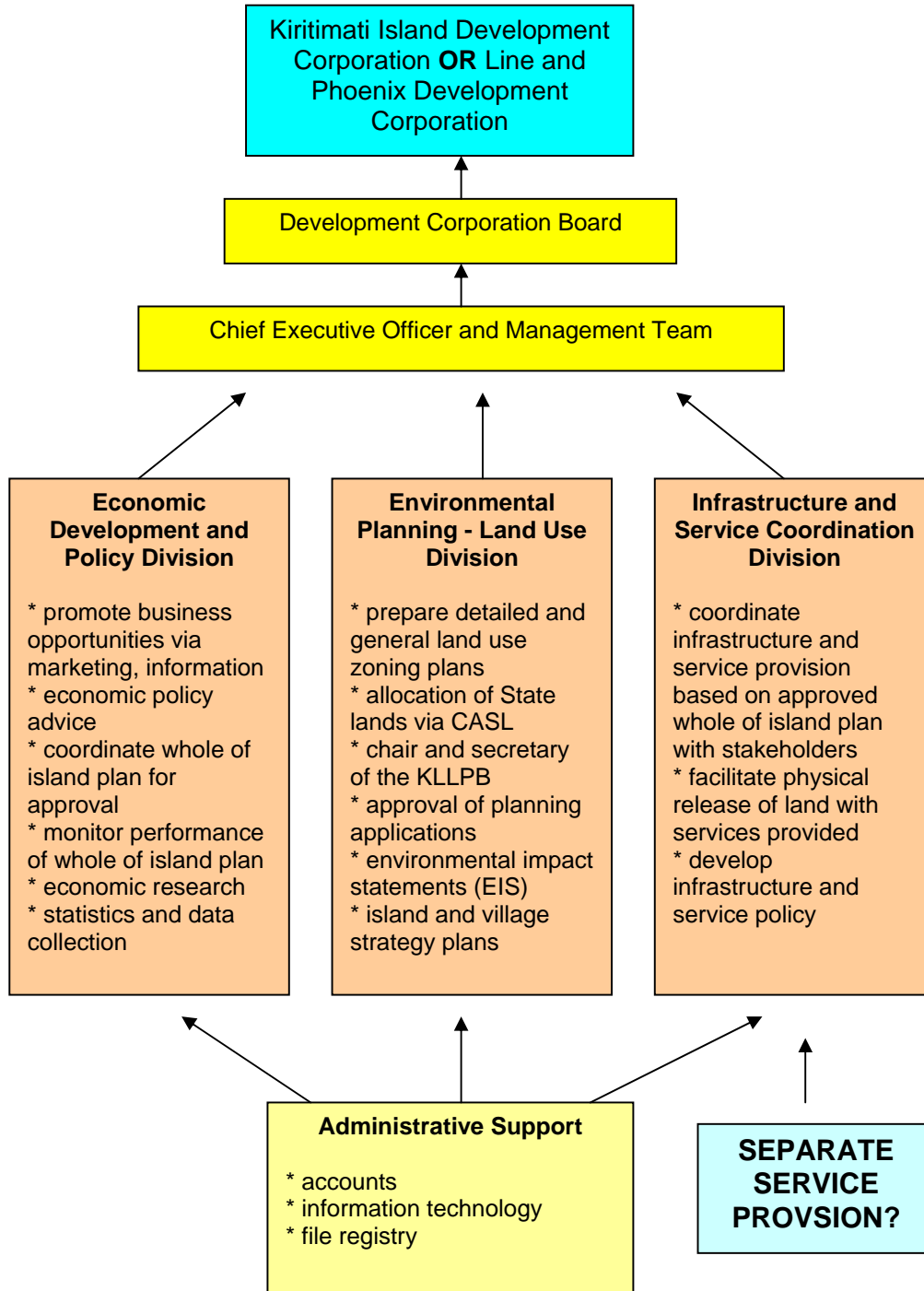
transferred to the 'new' agency. Thus, these costs are already provided for existing budgets and would need to be reallocated.

Table 1: Institutional Options for Kiribati island as an Economic Growth Center - Advantages and Disadvantages

Name of Option	Advantages	Disadvantages
1. Leave Current Arrangements as is – no change	* none - no change	* opportunities for improved planning and coordination not maximised
2. Leave Current Arrangements – Prepare ‘Whole of Island Plan’	* clear linkage for NDS to local level in Kiribati Island * overarching policy directions integrated at local level * Ministry budgets more accountable to plan outcomes * Ministries more aware of results to be achieved	*no major change to effectiveness of underlying institutional setting including a clear lead agency
3. Rationalise functions of MLPID into discrete functional bodies	* MLPID is separated into core and non core functions * more transparency into MLPID and other functional areas as functions and roles now separated * MLPID can focus on achieving core growth center functions and outcomes	* island unable to provide financial, technical and human resource support for increased number of small institutions at this time
4. Realign and Strengthen MLPID as Lead Agency	* MLPID realigned and refocused to focus primarily on 3 main growth center functions - core functions strengthened * * MLPID prepares and implements Cabinet approved ‘whole of island plan’ with stakeholders * legislation prepared giving a clear mandate and authority * cross sector Development Board with community, business representatives * option is incremental and step by step - Option 5 could be medium longer term	* MLPID still large entity: 180-200 staff * MLPID growth center mandate potentially distracted by retention of non core functions * MLPID retains core and non core functions in lead growth center role
5. Realign and Strengthen MLPID as Lead Agency - A Development Corporation	* MLPID realigned as Corporation and refocused to 3 main growth center functions (including both service coordination and provision) * Corporation prepares and implements Cabinet approved ‘whole of island plan’ with stakeholders	* Corporation still large entity: 180-200 staff * Corporation growth center mandate potentially distracted by retention of non core functions * retains core and non core

Name of Option	Advantages	Disadvantages
	<ul style="list-style-type: none"> * own legislation giving a clear mandate and strong authority * cross sector Development Corporation Board with community, business representatives 	<p>functions in lead growth center role</p> <ul style="list-style-type: none"> * \$70-80,000 new staff costs: \$30,000 operating costs
<p>6. New separate lead agency in the form of a Development Corporation - MLPID remains</p>	<ul style="list-style-type: none"> * small and accountable body * clear functional roles * MLPID prepares and implements Cabinet approved 'whole of island plan' with stakeholders * own legislation with clear mandate * cross sector Corporation Board with community and business representatives * could include both service provision and service coordination role 	<ul style="list-style-type: none"> * \$80-90,000 new staff costs: extra \$200,000 costs to establishment (operating and premises) than Option 4

Figure 3: Possible Organisational Chart, New Development Corporation, Option 6



Option 4, 5 and 6 would require approximately 4-6 new professional staff (approximately \$90,000 - 110,000). New operational costs for Option 4 and 5 (the realigned MLPID) are estimated as \$50,000 while operational costs for the Option 6 (new agency) are estimated to be \$120,000. Office accommodation will be required for Option 6 (\$200,000 estimate). If Option 6 includes both service coordination and service provision as key functional activities, then income from water and power will be generated under the auspices of the new Development Corporation.



Offices of the Ministry of Line and Phoenix Islands Development (MLPID), London, December, 2007

10. Outline Implementation Steps

To progress the realignment and strengthening of the MLPID in conjunction with key stakeholders, the following implementation steps need to be undertaken:

- the working paper is debated, fine tuned and amended with stakeholders in Kiritimati Island and South Tarawa - advantages and disadvantages are identified and the preferred option agreed.
- obtain consensus with key stakeholders on the preferred institutional arrangements and implications, including composition of a community -

