



Country Operations Business Plan

October 2016

**Kiribati
2017–2019**

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 September 2016)

Currency unit	–	Australian dollar (A\$)
A\$1.00	=	\$0.7518
\$1.00	=	A\$1.330

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DRR	–	Disaster Risk Reduction
RERF	–	Revenue Equalization Reserve Fund
SOE	–	state-owned enterprise
TA	–	technical assistance

NOTES

In this report, "\$" refers to US dollars unless otherwise stated.

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CONTENTS

	Page
I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY	1
II. INDICATIVE RESOURCE PARAMETERS	1
III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS	2
APPENDIXES	
1. Country Assistance Results Areas	3
2. List of Linked Documents	4
3. Indicative Assistance Pipeline	5
4. Assistance Program for the Current Year	7
5. List of Indicative Knowledge Publications and Events	9

I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY

1. **Focus of Asian Development Bank assistance.** The country operations business plan (COBP) of the Asian Development Bank (ADB), 2017–2019, is aligned with ADB’s Pacific Approach, 2016–2020, which serves as the country partnership strategy, and the Midterm Review of Strategy 2020.¹ The COBP supports the goals and objectives of the Kiribati Development Plan, 2016–2019.² Since 2012, ADB has worked with other partners (the World Bank, Governments of Australia, and more recently New Zealand) to support the government’s efforts to improve both fiscal stability and management and the business climate. These measures are also the focus of the Kiribati Economic Reform Plan developed by the government and development partners; ADB supports its implementation through ongoing dialogue and policy-based lending. The updated country assistance results areas are in Appendix 1.

2. **Economic, social, and political developments.** Maintaining fiscal sustainability, improving the business climate, and dealing with the effects of climate change are Kiribati’s main development challenges. The economy is highly vulnerable to shocks and heavily dependent on external sources of revenue (fishing license fees, investment income from the RERF, and foreign aid) and imported food and fuel. The public sector dominates the economy, accounting for as much as 50% of gross domestic product (GDP) and nearly 80% of jobs in the formal sector. The private sector remains small and has struggled to grow because of high business and investment costs due to the country’s remoteness, dispersion of population across dozens of islands, and a deteriorating and/or underdeveloped infrastructure, which has led to frequent shortages of power, water, food, and fuel supplies.

3. After a period of volatility, Kiribati had its fifth year of consecutive growth in 2015. Growth has been driven in large part by construction associated with large donor-financed investments. An increase in fishing license fees has also underpinned greater public spending and a rebuilding of the RERF and fiscal buffers (the latter now equivalent to about 6 months of public spending). The new government, elected in March 2016, has placed particularly strong emphasis on using its strong revenue base to improve both services to the poorest (including the introduction of free education and child support) and outer island development (including the expansion of the copra subsidy).

4. Since Kiribati joined in 1974, ADB has committed a total of \$73.3 million (including \$54.7 million in Asian Development Fund [ADF] loans and grants, and 40 TA projects with a total value of \$18.6 million). The country’s fragility—in particular, capacity constraints relating to policy development, implementation, and management—presents challenges for portfolio performance.

II. INDICATIVE RESOURCE PARAMETERS

5. **Resource envelope 2017–2019.** Kiribati, as a Group A developing member country, is eligible for ADF grants and concessional ordinary capital resources (OCR) lending. The indicative ADF grant resource available for 2017–2019 is \$18.83 million. This comprises an indicative performance-based allocation of \$23.21 million, including \$3.48 million from disaster risk

¹ ADB. 2016. *Pacific Approach 2016–2020*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila (accessible from the list of linked documents in Appendix 2).

² Government of Kiribati. 2016. *Kiribati Development Plan, 2016–2019*. Tarawa (accessible from the list of linked documents in Appendix 2).

reduction (DRR) resources,³ less \$4.38 million brought forward from 2017 to 2016.⁴ The final allocation will depend on available resources and the outcome of the 2016 country performance assessment. In accordance with the ADF grants framework, the country is to receive 100% of its country allocation in grants in 2017 (and most likely over the medium term), subject to a 20% volume discount on the grant portion of the country allocation.⁵

6. **Pipeline for 2017–2019.** The total ADF pipeline for Kiribati amounts to \$39.5 million. This is \$20.67 million higher than the ADF resources available because: (i) \$6.67 million is anticipated to be sought from the ADF regional set-aside in 2017; and (ii) consistent with normal ADF rules, Kiribati's likely \$7.75 million allocation from 2020 and \$6.25 million from 2021 can be brought forward. In addition, cofinancing of at least \$20 million is anticipated from the World Bank for information and communication technology (ICT) investments; cofinancing from other sources, including global climate funds, the Australian government, and the European Union, is anticipated for other investments, such as water and outer island development. The indicative assistance pipeline for ADF lending products for 2017–2019 is in Appendix 3, Table A3.1.

7. **Technical assistance.** The indicative annual nonlending assistance pipeline to Kiribati is about \$800,000 and will support SOE reform and project preparation for Kiritimati Island infrastructure investment. Kiribati will benefit from regional projects in line with the regional operations business plan, 2016–2019.⁶ Priorities include building economic, financial management, and auditing capacity; providing economic policy advice; addressing climate change impacts; and fostering private sector development.⁷ The indicative nonlending assistance pipeline for 2017–2019 is in Appendix 3, Table A3.2.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

8. Changes to the lending pipeline for 2017–2019 are the inclusion of \$2.5 million for a public financial management reform investment, \$3.3 million for the submarine fiber optic broadband cable project, \$2 million for a project design advance (PDA) in 2017 to prepare a \$15 million South Tarawa Water Supply Project in 2018, and \$10 million for an infrastructure investment on Kiritimati Island in 2019. ADB will seek to leverage its investment in the water supply and other municipal infrastructure and service sector through cofinancing, and parallel and additional financing from development partners. The assistance pipeline for 2016 is in Appendix 4 and the list of indicative knowledge publications and events is in Appendix 5.

³ The DRR aims to strengthen disaster resilience and to help spur investment. This additional financing will support (i) stand-alone DRR projects; (ii) discrete DRR components of other grant and loan projects; and (iii) the incremental cost of strengthening the disaster resilience of infrastructure investments.

⁴ Kiribati also received \$6.2 million in additional grant resources in 2016, over and above the usual performance-based allocation, reallocated from ADF grant savings elsewhere in the Pacific as approved by Vice President (Operations 2) on 19 September 2016.

⁵ The proportion of grants for the resource allocations in 2017–2019 will be determined by future annual debt distress classifications, in accordance with the ADF grants framework.

⁶ ADB. 2015. *Pacific: Regional Operations Business Plan 2016–2018*. Manila.

⁷ ADB. 2008. *Technical Assistance for Strengthening Public Financial Management in Pacific Developing Member Countries*. Manila (TA 6507-REG); ADB. 2013. *Technical Assistance for Implementing the Pacific Regional Audit Initiative in Pacific Island Countries (Phase 2)*. Manila (TA 8517-REG); ADB. 2013. *Technical Assistance for Pacific Economic Management (Phase 2)*. Manila (TA 8565-REG); ADB. 2011. *Technical Assistance for Building Capacity for Statistics in the Pacific*. Manila (TA 7800-REG); ADB. 2013. *Technical Assistance for the Private Sector Development Initiative (Phase 3)*. Manila (TA 8378-REG).

COUNTRY ASSISTANCE RESULTS AREAS

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Allocation in 2017–2019	Changes from Last COBP
1. Public Sector Management			
Place SOEs on a more commercial footing	Reforms of SOEs, including rationalization and improved monitoring and reporting system Public private partnerships development Public expenditure and fiscal management	Amount: \$2.5 million (ADF) Share of COBP envelope: 3.1%	\$2.5 million for a policy-based grant replaced with \$2.5 million PFM reform investment project in 2017 TA for strengthened public financial management for \$800,000 in 2016 replaced with TA for implementing SOE reforms in 2017
2. Water and Other Urban Infrastructure and Services			
Greater access to water	Urban water supply Urban sanitation	Amount: \$27.0 million (ADF) and \$20 million (cofinancing) Share of COBP envelope: 59.1%	
3. Information and Communication Technology			
More flow and access of online information through internet	ICT infrastructure	Amount: \$3.3 million (ADF), \$6.7 million (regional ADF) and \$20 million (cofinancing) Share of COBP envelope: 37.7%	

ADB = Asian Development Bank; ADF = Asian Development Fund; COBP = country operations business plan; PFM = public financial management; SOE = state-owned enterprise; TA = technical assistance.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/COBP/?id=KIR-2017>

1. ADB's Pacific Approach, 2016–2020
2. Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific
3. Kiribati Development Plan, 2016–2019
4. Kiribati: 2015 Article IV Consultation—Staff Report. International Monetary Fund Country Report No. 15/207

INDICATIVE ASSISTANCE PIPELINE

Table A3.1: Lending Products, 2017–2019

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change		Division	Year of PPTA/PDA	Cost (\$ million)					Co-finance	
							ADB						
							Total	OCR	COL	ADF Grants	Total		Gov't
2017 Firm													
Information and Communication Technology Project (formal name pending)	ICT	GI	GEM, IEG	PAR	PAUS	2016	30.0	0.0	0.0	10.0	10.0 ^a	0.0	20.0
Public Financial Management Reform Project (formal name pending)	PSM	GI	IEG, GCD	PAR, PSD	SPSO		2.5	0.0	0.0	2.5	2.5	0.0	0.0
South Tarawa Water Supply Project	WUS	TI-M7	ESG, GCD	EGM	PAUS	PDA	2.0	0.0	0.0	2.0	2.0	0.0	0.0
Total							34.5	0.0	0.0	14.5	14.5	0.0	20.0
2018 Firm													
South Tarawa Water Supply Project	WUS	TI-M7	ESG, GCD,	EGM	PAUS	2017	35.0	0.0	0.0	15.0	15.0	0.0	20.0 ^b
Total							35.0	0.0	0.0	15.0	15.0	0.0	20.0
2019 Standby													
Kiritimati Island Infrastructure Project (formal name pending)	TRA/ WUS	GI	ESG, GCD,	EGM	PAUS	2017	10.0	0.0	0.0	10.0	10.0	0.0	TBD ^c
Total							10.0	0.0	0.0	10.0	10.0	0.0	TBD

ADB = Asian Development Bank; ADF = Asian Development Fund; COL = concessional OCR lending; EGM = gender equity and mainstreaming; ESG = environmentally sustainable growth; GCD = governance and capacity development; GEM = gender equity and mainstreaming; GI = general intervention; Gov't = government; ICT = information and communication technology; IEG = inclusive economic growth; OCR = ordinary capital resources; PAR = partnerships; PATE = Pacific Department's Transport, Energy, Natural Resources Division; PAUS = Pacific Department's Urban, Social Development, and Public Management Division; PDA = project design advance; PPTA = project preparatory technical assistance; PSD = private sector development; PSM = public sector management; SPSO = Pacific Subregional Office; TI-M7 = targeted intervention–Millennium Development Goals 7, TRA = transport; WUS = water supply and other urban infrastructure and services.

^a Includes \$6.7 million of ADF regional funds and up to \$20 million cofinancing from the World Bank.

^b Includes cofinancing of up to \$20 million from the Government of Australia, the Global Climate Fund, and the World Bank.

^c Cofinancing from the European Union will be explored.

Source: Asian Development Bank estimates.

Table A3.2: Nonlending Products and Services, 2017–2019

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2017								
Implementing State-Owned Enterprise Reforms	PSM	SPSO	CDTA	TASF	400.00		0	400.00
Kiritimati Island Infrastructure Project	TRA/WUS	SPSO	PPTA	TASF	400.00		0	400.00
Total					800.00		0	800.00

ADB = Asian Development Bank; CDTA = capacity development technical assistance; PPTA = project preparatory technical assistance; PSM = public sector management; TASF = Technical Assistance Special Fund; TRA = transport; WUS = water supply and other urban infrastructure and services.

Source: Asian Development Bank estimates.

ASSISTANCE PROGRAM FOR THE CURRENT YEAR

Table A4.1: Lending Products, 2016

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of PPTA/ PDA	Cost (\$ million)						
						ADB ^a					Co-finance	
						Total	OCR	COL	ADF Grants	Total		Gov't
2016 Firm												
Kiribati Road Rehabilitation Project (Additional Financing)	TRA	GI	ESG, GCD, EGM	SPSO		9.00	0.00	0.00	9.00	9.00	0.00	0.00
South Tarawa Improvement Sanitation Project (Additional Financing)	WUS	GI	IEG, GCD, PAR, PSD	SPSO		2.80	0.00	0.00	2.80	2.80	0.00	0.00
Total						11.80	0.00	0.00	11.80	11.80	0.00	0.00

ADB = Asian Development Bank; ADF = Asian Development Fund; COL = concessional OCR lending, GCD = governance and capacity development; GI = general intervention; Gov't = government; IEG = inclusive economic growth; OCR = ordinary capital resources; PAR = partnerships; PSD = private sector development; SPSO = Pacific Subregional Office; TRA = transport; WUS = water supply and other urban infrastructure and services.

^a Reflecting the approved combination of ADF lending operations with the OCR balance sheet that will become effective on 1 January 2017.

Source: Asian Development Bank estimates.

Table A4.2: Nonlending Products and Services, 2016

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2016								
Strengthened Public Financial Management	PSM	SPSO	CDTA		800.00		0.00	800.00
South Tarawa Water Sector Development Program (South Tarawa Water Supply Project)	WUS	PAUS	PPTA		800.00		0.00	800.00
Total					1,600.00		0.00	1,600.00

ADB = Asian Development Bank; CDTA = capacity development technical assistance; PPTA = project preparatory technical assistance; PAUS = Pacific Department's Urban, Social Development, and Public Management Division; PSM = public sector management; SPSO = Pacific Subregional Office; WUS = water supply and other urban infrastructure and services.

Source: Asian Development Bank estimates.

LIST OF INDICATIVE KNOWLEDGE PUBLICATIONS AND EVENTS

Table A5.1: Knowledge Publications and Events for 2017

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Technical Assistance
<i>Asian Development Outlook, Small Pacific Economies, 2017</i>	Economics	Publication or document report	PARD	
Pacific Economic Monitor, July 2017	Economics	Publication or document report	PARD	RETA-8565 ^a
Pacific Economic Monitor, December 2017	Economics	Publication or document report	PARD	RETA-8565
International Monetary Fund, Article IV	Governance and public sector management	Policy advice, capacity development	PARD	
Country Performance Assessment: Kiribati, 2017	Governance and public sector management	Publication or document report, briefing material or talking points	PARD	
Pacific Subregional Office Brochure, 2017	Economics	Publication or document report	PARD	
Country Information Note: Kiribati, 2017	Economics	Publication or document report	PARD	
Asian Development Bank and Kiribati Fact Sheet, 2017	Economics	Publication or document report: awareness-raising brochure or leaflet	PARD	
Total number of publications = 8 Total number of events = 1				

^a ADB. 2013. *Technical Assistance for Pacific Economic Management (Phase 2)*. Manila.

ADB = Asian Development Bank; PARD = Pacific Department, RETA = regional technical assistance.

Note: Publications may include databases, multimedia, and other forms of documentation. Events may include event organization and training or capacity development.

Source: ADB K-Nexus.

Table A5.2: Additional Knowledge Publications and Events Delivered in 2016

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Technical Assistance
Better Understanding Urbanization in the Contemporary Towns and Cities of the Pacific Island	Urban development	Publication or document report	PARD	
Pacific Economic Monitor (December 2016)	Economics	Publication or document report	PARD	RETA 8565 ^a
Pacific Private Sector Development Initiative: Progress Report 2015–2016	Private sector	Publication or document report	PARD	RETA 8378 ^b
Pacific Economic Monitor, July 2016	Economics	Publication or document report	PARD	RETA 8565
Country Performance Assessment: Kiribati, 2016	Governance and public sector management	Publication or document report	PARD	
Country Information Note: Kiribati, 2016	Economics	Publication or document report	PARD	
<i>Asian Development Outlook: Small Pacific Economies</i> , 2016	Economics	Publication or document report	PARD	
Pacific Update Conference	Economics	Event	PARD	
Total number of publications = 8				
Total number of events = 1				

^a ADB. 2013. *Technical Assistance for Pacific Economic Management (Phase 2)*. Manila.

^b ADB. 2013. *Technical Assistance for Private Sector Development Initiative, Phase II*. Manila.

ADB = Asian Development Bank; PARD = Pacific Department, RETA = regional technical assistance.

Note: Publications may include databases, multimedia, and other forms of documentation. Events may include event organization and training or capacity development. The table includes additional knowledge publications and events delivered outside the list of indicative knowledge publications and events included in the 2015 country operations business plan.

Source: ADB K-Nexus.

Table A5.3: Innovation, Advanced Technology, and Pilot Initiatives to be Implemented in 2017

Item	Nature	Project Number	Sector or Theme	Division
none				
Total number of innovation, advanced technology, and pilot initiatives = 0				

Source: ADB K-Nexus.