



**Republic of Kiribati**

**NATIONAL DEVELOPMENT STRATEGIES**

**2004-2007**

*ENHANCING GROWTH AND ENSURING EQUITABLE DISTRIBUTION*

November 2003

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- A1 Ministry Operational Plan
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Abbreviations

ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome

ANZ	Australia and New Zealand
AusAID	Australian Agency for International Development
BoK	Bank of Kiribati
DBK	Development Bank of Kiribati
DRCS	Digital Radio Concentrator Systems
EEZ	Exclusive Economic Zone
EU	European Union
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GNP	Gross National Product
GoK	Government of Kiribati
HIV	Human Immune Deficiency Virus
IMF	International Monetary Fund
ITU	International Telecommunications Union
IYB	Improve Your Own Business
JSS	Junior Secondary Schools
KHC	Kiribati Housing Commission
KNAO	Kiribati National Audit Office
KPA	Key Policy Area
KPFP	Kiribati Police Force & Prisons
MCIC	Ministry of Commerce Industry and Cooperatives
MCTTD	Ministry of Communication Transport and Tourism Development
MELAD	Ministry of Environment, Lands and Agriculture Development
MEYS	Ministry of Education Youth and Sports
MFAI	Ministry of Foreign Affairs and Immigration
MFED	Ministry of Finance and Economic Development (MEFD)
MFMRD	Ministry of Fisheries and Marine Resources Development
MHMS	Ministry of Health and Medical Services
MISA	Ministry of Internal and Social Affairs
MLHRD	Ministry of Labour and Human Resources Development
MLPID	Ministry of Line and Phoenix Islands Development
MOP	Ministry Operational Plan
MPWU	Ministry of Public Works and Utilities
NDS	National Development Strategy
NGO	Non Government Organisation
OAG	Office of the Attorney General
OB	Office of the Beretitenti and Maneaba ni Maungatabu
OI	Outer Island
PAC	Public Accounts Committee
PE	Public Enterprise
PFTAC	Pacific Financial Technical Assistance Centre
PHC	Primary Health Care
PSCC	Private Sector Consultative Committee
PSO	Public Service Office
PSO	Public Service Office
PUB	Public Utilities Board
RERF	Revenue Equalisation Reserve Fund
SAPHE	Sanitation, Public Health and Environment
SED	Small Enterprise Development
SOPAC	South Pacific Applied Geoscience Commission
SYB	Start Your Own Business
TA	Technical Assistance
TSKL	Telecom Services Kiribati Limited
UN	United Nations
US	United States

USP  
VB

University of the South Pacific  
Village Bank

## List of useful words in plans and budgets

The meaning of words can change according to the place where they are used. The following list shows the meanings of twenty-two words and phrases as they are used in NDS 2004-7 and the Government Budget.

activity	an organised use of resources to produce one or more outputs
analyse	examine something carefully and systematically so as to form an opinion about its quality, cost, performance
assets	physical property and possessions of a business or organisation that it uses in its work
audit	examination of procedures and results to see if proper procedures have been followed and the desired results obtained
budget	allocation of funds to spending agencies for a period of time, to purchase inputs for the production of specified outputs
business plan	statement by a corporation or company of its aims for a specified period, describing how it expects to obtain and use resources to produce goods and services, giving current condition of the enterprise, projections of income and expenditure, sales, profits/losses and proposed capital investments
format	a standard way of arranging information in a document to make analysis, recording and comparisons easier
input	a physical resource (eg personnel, equipment, vehicles, land) or piece of knowledge used in an activity to produce one or more outputs, described so that a financial cost can be identified and attributed to it.
linkage	the effect of the performance of one economic activity on another, demanding inputs from or supplying outputs to the other activity
maintenance	keeping assets in a condition that enables them to perform their functions efficiently over a reasonable working life
monitor	observing what is happening and reporting in a form that enables situations to be analysed and action taken where needed
operational plan	statement of planned allocation of existing and new resources to activities and purchase of inputs, and the planned production of outputs, with explanations of linkages, processes and external factors in sufficient detail to show credibility of the plan and enable monitoring of performance
outcome	a change in conditions, or the maintenance of a set of conditions, resulting from the interaction of outputs and external factors, described so that the direction and extent of any such change can be assessed.

output	the product of one or more activities, intended to contribute to a desired outcome, described so that its quantity, quality and time of completion can be verified, and the inputs used in producing it can be identified, measured and costed.
performance	activities viewed against standards and achievement of results
performance indicator	a measure of the quantity and/or quality of results achieved, such that these can be compared with pre-set targets
pipeline	a collection of projects waiting to be implemented, for which which funding has not yet been secured
priority	the most important or pressing of a number of matters in a group
programme	a set of related activities under coordinated management, aimed at producing one or more outputs
project	a set of activities with a beginning and an end, organised to achieve a result that can be identified
strategy	the overall direction and approach to be taken in planning and managing activities to achieve a desired result
target	statement of the quantity, quality and timing of an output to be achieved

## **Map of Kiribati**

To be provided



## FOREWORD

On behalf of the people of Kiribati and the Kiribati Government I am greatly honoured to present the third statement of National Development Strategies (NDS) covering the years 2004-2007.

NDS is a strategic plan for sustained growth in the income and welfare of the people of Kiribati. It sets in a planning framework the aim that the Government expressed in its policy statement on taking office '*Karakaan ao Tibwatibwaan Raoi te Kabwaia Nakon Te I-Kiribati nte waaki ae e anaki n te Eti ao te Riai*'—'*Enhancing and ensuring the equitable distribution of development benefits to the people of Kiribati according to principles of good governance*'.

Achievement of this aim would come from the combined effect of a wide range of efforts by all sectors of our society and economy. It would come from

- partnership of public and private investment in infrastructure and production,
- equitable distribution of services and economic opportunity,
- improved efficiency in the public sector,
- equipping our people to manage social and economic change as individuals, communities and as a nation,
- using our natural resources and physical assets sustainably, and
- preserving our financial reserves while making use of them to finance development.

NDS provides the strategic planning framework and overall direction. Within that framework, detailed operational plans are then to be drawn up by Ministries and public enterprises. These plans will show how the resources allocated by Parliament in the Annual Budget will be used to pursue the development strategies.

A Multi-Year Budget Framework is being developed to tie the NDS and the annual budget together, to show that our development strategies and financial policies are mutually consistent and achievable. That framework and the operational plans will be the heart of the performance monitoring system of the NDS, to assist Ministries and public enterprises in implementation, and enable us to account to Parliament.

I thank all those who have helped to formulate the National Development Strategies. My special thanks go to members of the Sector Coordinating Committee, staff of line Ministries and the National Economic Development Office, and to everyone who has contributed ideas during the many consultations leading to production of NDS 2004-7. Now we must work well together to implement our plans.

*Te Mauri, Te Raoi ao Te Tabomoa*

Honourable Nabuti Mwemwenikarawa  
Minister of Finance and Economic Development

## Section 1: Arrangement of NDS 2004-7

The Government's Policy Statement on taking office set the overall aim of development as an increase in *kabwaia*—prosperity, well-being—*tibwatibwaan raoi*—equitably distributed—among the people of Kiribati according to principles of good governance. The Statement recognises that efforts to achieve sustainable development can be undermined by lawlessness, and the Government has emphasised the need for a peaceful and law-abiding environment for growth.

NDS 2004-7 reinforces that political direction with the results of community consultations and technical analysis in the form of a strategic plan, showing how the Government intends to pursue its overall development aim in the next four years.<sup>1</sup>

Following this introduction, Section 2 describes the consultative process used by the Government to obtain a wide range of views during the preparation of this NDS. At Section 3 is an account of social and economic developments in Kiribati during 2000-3, including achievements of the Government during that period.

Section 4 groups the concerns of Government into clusters of related issues, in which the results of activities are expected to have important strategic consequences. These are called Key Policy Areas (KPA). There are six in NDS. They are economic growth, fair distribution, public sector performance, equipping people to manage change, conservation of physical assets, and sustainable use of financial reserves. All the issues facing the Government, and the strategies it intends to use to deal with them, fit into one or other of these clusters or KPAs.

Section 5 describes the arrangements for implementing and monitoring performance of NDS 2004-7. The detailed planning of activities to achieve the Government's aims will be done in Ministries and Public Enterprises and expressed in Operational Plans and Business Plans. These plans will also be published. Their performance will be monitored and reported to Parliament and the public.

Operational planning is closely connected to financial planning. Ministry Operational Plans will be linked to the annual Government Budget, and will come out early in the first quarter of each year. The Government Budget is being set in a multi-year framework to demonstrate its sustainability and to assist forward planning in Ministries. This will be a vital check that development planning through the NDS and financial planning through the Budget are marching in step, and that the principal assumptions on which they are based are realistic. A summary of the multi-year budget framework will be published periodically as part of the NDS monitoring and reporting process.

The Appendix to this Statement provides formats for the main plans and reports that make up the NDS implementation monitoring and reporting system. Overall progress reports generated by this system will be published in the news media in Kiribati and on the Internet.

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<sup>1</sup> This is the third in a series of NDSs that began in 1996, replacing the encyclopedic five-year development plans of the previous twenty years. The four-year period of NDS is designed to coincide with the parliamentary cycle of four-yearly electoral terms.

## **Section 2. The making of NDS 2004-7**

A key objective in the development process of the NDS has been to mobilize the active participation of all key stakeholders relevant to the successful implementation of the objectives of the NDS. The aim of this is to foster a sense of ownership amongst stakeholders to ensure their cooperation and commitment to the implementation of the various stages of the NDS.

The principal guideline for the direction and scope of the NDS 2004-7 is the Government Policy Statement delivered to Parliament on 3 September 2003. Setting those policies in a strategic planning framework directs attention to availability of resources, the external environment and the interconnectedness of policies and strategies across the economy and over time. Relevant studies and reports sponsored by the Government itself, ADB, World Bank, IMF, UN and other development partners were consulted. The resulting strategic plan is consistent with the commitment of Kiribati to the UN-adopted Millennium Development Goals.

The importance of community participation in the development process of the NDS has been underestimated in the past. This has contributed to a lack of stakeholder identification with the objectives of earlier NDS. Commitment towards full implementation has thus been generally weak, with many key strategies laid out in those NDS statements not being adequately pursued

Conscious of these shortfalls, the National Economic Planning Office set itself the task of developing a more stakeholder-friendly approach in the formulation of NDS 2004-7. The approach this time aimed to ensure the participation of the different sectors of the entire community of Kiribati by directly involving the outer islands, including Banaba and the Line and Phoenix Islands. Consultative workshops were conducted on Kiritimati, Butaritari, Kuria and Nikunau. A national workshop was conducted on South Tarawa attended by more than 400 participants, including five representatives from each of all the outer islands. These included representatives from the Island Councils, old men associations, women's groups, church groups and youth organisations. Representatives from ministries of Government, the private sector and non-government organizations also attended. The content of the discussions during the island and national workshops has been of tremendous value in the assessment of current conditions and the formulation of NDS 2004-7.

A review was made of progress with NDS 2000-3 to assess how far strategic sectors have progressed in achieving goals set for that period. Government ministries, public enterprises and the private sector were involved. The outcome of these discussions was integrated with data from the Statistics Department and recent socio-economic reports to provide the assessment appearing in Section 3 of this NDS statement.

Compilation of the outputs from consultative workshops, discussions and review meetings so as to organise them into a strategic plan has been a challenging and rewarding task. It has been greatly helped by periodic meetings of the NDS Sector Committee, comprising officials responsible for planning in Government ministries. The value of comprehensive consultation has been proved in this process, and is reflected in the design of the implementation and performance-monitoring arrangements set out at Section 5 of this statement of NDS.

### Section 3: Social and economic developments 2000-3

#### *Overview*

The Kiribati economy performed less well in 2000-3 than had been hoped. This was in part due to external factors that also affected other Pacific island economies—falling financial markets and economic uncertainties associated with international terrorism and the war in Iraq—and in part due to lack of new private investment in production of traded goods and services in Kiribati. Important progress was made in improving infrastructure and social services, but domestic economic activity depended largely on government expenditures, much of it financed by foreign aid.

#### *Human context of development*

At the end of 2003 the people of Kiribati number about 90,000. Speaking one national language and sharing a common cultural heritage, the I-Kiribati inhabit a country of 33 atolls and reef islands stretching 5000km across the central-western Pacific. The total land area of 726 sq.km falls into three island groups, lying within three exclusive economic zones (EEZs), together covering 3.5million sq.km.

Kiribati is changing rapidly. Money incomes have risen through improved communications, monetised trade and financial transactions with a globalising world economy. The same factors have weakened traditional systems of redistribution and mutual support, while facilitating population growth and urbanisation, with serious consequences for the physical and social environment and for the well-being of poorer people. Appropriate skills, understanding, structures and codes of conduct are required in all areas of public and private life to enable the Kiribati economy to meet its people's needs for a sustainable livelihood.

The relationship between a growing population and a fixed amount of domestic resources dominates concerns about development in Kiribati. During 2000-2003 the total population is estimated to have increased by 6,000 persons, two-thirds of that increase taking place in South Tarawa, where almost half the total population lives, and the remainder in Kiritimati, the biggest atoll and the fastest growing population centre.<sup>2</sup> Urban settlements grow for compelling social and economic reasons, but they also cause many strains at community, household and personal levels.

The 2000 Census counted 9,200 persons working in the cash economy. Two out of every three employed persons worked in the public sector, and two out of every three of these were in South Tarawa. Almost 2000 young persons leave school each year, and about 500 jobs become available. The Census found that 41% of the total population was less than 20 years old. This demographic structure ensures increasing pressure for both school places and jobs, and internal migration means that most of that pressure will be in South Tarawa and Kiritimati.

Calculations by SPC demographers based on the 2000 Census and using UN estimates of fertility and life expectancy suggest that by 2025 the total population of Kiribati would reach 140-145,000. There might then be around 70,000 persons in Tarawa (double the 2000 figure), 20,000 in Kiritimati and 50-55,000 spread among the rest of the Gilbert, Line and Phoenix groups.

Apart from the difficulty of developing the monetary economy to support such an increase in numbers, population growth at that level would place huge strains on the physical carrying

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<sup>2</sup> Kiritimati lies 3500km east of Tarawa. At 388 sq km Kiritimati accounts for half the total land area of Kiribati (though around a third of the atoll is salt flats). In mid-2002 its population was estimated at 5000.

capacity of the atoll environment. The economic impact of continued population growth in Kiribati is to divide the available land resources and national income obtainable from overseas among an increasing number of people. There is wide public awareness of this, as consultations for this NDS showed, and considerable unease about its implications, but there is presently no coherent strategy in place to identify and address population-related issues at national or community level.

### *Nature of the monetary economy*

Changes in the national income of Kiribati are determined more by earnings from abroad than by domestic production of goods and services. Investment earnings of the government's reserve fund and other external reserves, EEZ access fees and other resource rents, sales of passports to foreigners and remittances of Kiribati seamen and fishers on overseas ships, crucially underpin current levels of public and private disposable income, which in turn yield domestic tax revenues. GNP, which includes that foreign income, is therefore a more useful indicator of the current condition and capability of the Kiribati economy than GDP, which covers only incomes from domestic production. Moreover, estimates of GDP are strongly affected by movements in the public sector payroll, which is a weak indicator of changes in real economic activity.

Alongside foreign earnings, development aid from foreign governments and international financial institutions plays a key role in the social and economic development of Kiribati. In the three years 2000-2 official grants and loans from abroad amounted to \$105m, providing about 30% of the annual budget expenditures of the Government, equivalent to more than one-third of GDP. The importance of foreign earnings and official aid in determining the development capacity of the economy highlights the need for purposeful management of Kiribati's external relations. The cost-effective use of economic diplomacy to sustain these flows from abroad has been an important arm of Kiribati's development strategies. At the same time Kiribati has been active in the Pacific region and internationally in advocating special and differential treatment for small and vulnerable economies.

GNP in 2002 in current prices is estimated to have been about \$175m, and GDP about \$98m, the difference of \$77m being income from abroad. GNP per head in 2002 was about \$1987 (US\$1092) The fall currently taking place in EEZ access fees due to the effect of the oceanic weather cycle on fish catches, is expected to reduce GNP and government revenue significantly in 2003 and 2004. Despite this volatility the Kiribati economy retains great resilience, thanks to the government savings in the RERF. This had a market value of about \$576m at the end of 2002. Public external debt was then about \$11m or about 6% of estimated GNP, and was on highly concessionary terms. End-2002 official external reserves, almost all in the RERF, were 3.3 times GNP and eight times annual imports of goods and services. There is almost no domestic public debt.

The monetary economy is dominated by the public sector, which provides two out of every three formal jobs and four out of every five dollars of pay. Most government outlays, equivalent to more than 100% of GDP, are quickly re-spent by their recipients on imported consumption goods. Marine products (sea-weed, aquarium fish) in some islands and copra in most rural areas are the main export products, but contribute only 10-20% of GDP. Value-adding domestic economic activity comprises primary processing of copra and seaweed, small-scale clothing and food production, construction, mechanical and small vessel repair. Large government projects (seaport, schools, parliament, water and sewerage) have boosted construction activity. Tourist-related activities and live-fish exports are important in the Line Islands, but other economic activity is heavily concentrated in South Tarawa.

During most of the 1990s the effect of buoyant global economic conditions, the use of the Australian dollar as domestic currency, ready access to external assistance and generally

prudent fiscal policies enabled Kiribati to achieve macro-economic stability and growth. Over the decade the Kiribati economy expanded, driven by a doubling of public expenditure, with national income growing at 4-5% annually in real terms. This was made possible by rapid growth in sovereignty-based revenues (particularly from EEZ access fees), accompanied by extraordinary increases in the value of the overseas financial reserves in the RERF and a boom in passport sales to foreigners. In the last two years concern has been growing about the sustainability of such expansionary fiscal policy, in view of reverses in the financial markets in which the RERF is invested, the inherent volatility of fisheries licence revenues, uncertainty about the sustainability of passport sales, and continued pressure for financial support of public enterprises and other current budget expenditures in Kiribati.

### *Developments during the period of NDS 2000-3<sup>3</sup>*

#### *Macroeconomic performance*

Real (inflation-adjusted) GDP is estimated to have grown by 1.4% annually in 2000-2, just below the estimated population growth rate of 1.7%, and well below the growth rates of 8% estimated for 1997-9. Lower production of copra, fish and manufacturing output was responsible, partly offset by increases in public service payroll which enter the GDP calculation as increases in government product. Exports of copra, fish and seaweed fell each year from \$14m in 1999 to \$7m in 2002. Inflation tends to track that in Australia, and was around 1% in 2000 and 2002. In 2001 a fall in the exchange rate of the Australian dollar led to higher prices of non-Australian imports, and the annual inflation rate for that year reached 7%. The subsequent strengthening of the A\$, which has continued through 2003, has helped to keep down prices, but it has also reduced the domestic currency value of Kiribati's substantial income from abroad.

Increased government revenues in 2000-2, with fishing licence fees reaching \$47m in 2001, were fully spent on increases in personnel costs, a new parliament house and substantial expenditures in support of public enterprises. These included construction of a copra mill, acquisition of an aircraft for Air Kiribati's venture into regional services, and the rehabilitation of the collapsed fish exporting enterprise. Total budget outlays exceeded income and a draw-down of \$12.6m was made from the RERF.

Expansionary fiscal policy continued into 2002. A job evaluation study resulted in increases in staffing and pay levels, and other awards in advance of the general election added to costs. As the year progressed awareness of the market-driven decline in the value of the RERF and growing official concern at the prospect of a structural budget deficit caused a slowdown in government expenditure. Political events delayed the passage of the 2003 budget until September 2003, providing an opportunity for fiscal consolidation in the absence of new expenditure authority.

#### *Public sector reform*

Work on strengthening the government's output budgeting and financial management information system continued under an Australian aid project. This is a long-term programme of technical assistance and training, and much remains to be done before the system is fully and reliably integrated with other management information.

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<sup>3</sup> The subheadings used for the rest of this section correspond to headings used in NDS 2000-3 in describing future strategies and priorities.

Procurement procedures in the public sector were updated and strengthened in 2002 by enactment of the Procurement Act. This requires transparent and competitive tendering for supply of goods and services to the Government and to public enterprises. MFED will be responsible for administration of the legislation.

Preparations began for a substantial increase in funding and administrative capacity for improving social and economic infrastructure in outer islands, in collaboration with ADB. A comprehensive programme of institutional strengthening of island governments, linked to the proposed establishment of a \$21m Outer Islands Trust Fund, began in 2002 and will continue through the new NDS period.

Other areas of public sector reform made little or no progress. Expectations of improvements in government operational planning and performance monitoring have been rolled forward to NDS 2004-7. Reluctance to put jobs at risk lies behind much of the unwillingness to make structural reforms, including privatisation (a change from government to private ownership). An ADB-funded study of the Kiribati economy in 2002 recommended aiming at increases in efficiency of resource use in the public sector by a range of techniques that do not target reductions in the workforce.

### *Economic reforms*

Changes in the investment approval and support system have been discussed and designed but not yet implemented. Developments in the financial sector included the acquisition by ANZ Bank of a 75% shareholding in the Bank of Kiribati, replacing Westpac as the Government's joint venture partner. Steps have been taken to ensure that Kiribati complies with international anti-money-laundering standards. A law to provide for supervision of financial institutions has been prepared, with advice from PFTAC, as part of a strategy to strengthen the developmental role of the domestic financial sector while maintaining prudent standards of institutional governance.

### *Natural resources development*

Fees for access to the EEZ by USA and Asian tuna fishing vessels reached record levels under favourable climatic conditions, and negotiations were successfully concluded for access by European vessels. A range of marine products is under investigation to see if domestic commercial production is feasible, but high costs related to small scale and remote locations present severe economic problems. The domestic tuna catch is believed to be capable of doubling production without overfishing, potentially making export of tuna products commercially feasible.

Other marine resources with proven production possibilities are beche-de-mer, milkfish, lobster, octopus and seaweed. Regeneration of heavily-fished beche-de-mer stocks in atoll lagoons with juveniles from the government hatchery has been successfully implemented, so far at no charge to the fishers. Seaweed production declined during 2000-3, apparently because of over-cultivation in some locations, and unattractive prices in others compared with tourist activities, shop-keeping and public sector employment.

Pearl oysters are being grown successfully on a pilot scale at Abaiang. Lessons are being learned in growing the shell and culturing black pearls. The first field harvest in August 2003 produced outstanding results, and 5000 shells have been seeded for harvest in 2005. Subject to successful out-turn, the technical basis for commercial production may then exist.

The government fish and poultry farm at Temaiku improved its production and product range but is still being supported from public funds. The potential for milkfish production at Temaiku to supply bait to local longline boats is again under consideration.

In 2001 the Government set up the fisheries enterprise Central Pacific Producers (CPP) to take over the assets and functions of Te Mautari Limited, which had collapsed in 1994. CPP provides commercial services to tuna catchers and carriers transshipping fish at Tarawa. Charged with commercial and developmental roles in connection with tuna and other ocean fisheries, CPP is investigating the feasibility of local long-line fishing for the sashimi and tuna loin markets. The enterprise is burdened by the undischarged debts of Te Mautari, which the Government has not liquidated.

A government-owned copra mill was constructed on Betio in 2002 at a cost of \$4.1m, to process copra and export coconut oil. The enterprise is not yet in commercial operation, but coconut oil is being exported to Australia in small quantities and copra meal is supplied to the Temaiku farm. The cost structure of the copra buying and processing operation makes it likely that substantial subsidies will continue to be required from the government budget.

#### *Private sector development*

Tourism consists mainly of cruise ship traffic at Tabuaeran (Fanning Island) and sports fishers visiting Kiritimati (Christmas Island). Cruise ships visited Tabuaeran more frequently during the period and are expected to make 56 visits in 2003. The number of tourist visitors to Kiritimati, mostly sport fishers from USA, decreased from 1,157 in 2000 to 749 in 2002, reflecting a general decline in US-based tourist traffic. The number of tourists arriving in Kiribati other than cruise ship passengers is reported to have increased from 1,426 in 2000 to 1,619 in 2002, but there are doubts about the classification of visitor arrivals. Workshops on tourism awareness were organised on outer islands, where tourists are seen only in small numbers. The Otintai and Captain Cook hotels remain in government ownership; both hotels are in need of structural repair and refurbishment.

The Small Enterprise Development Act, which seeks to encourage small business activities through the setting up of a Private Sector Consultative Committee (PSCC) and a Guarantee Corporation, was passed in June 2002. The PSCC is intended to be the forum where the private sector and the Government can consult and the private sector can have input to decision-making. The Guarantee Corporation is meant to help private businesses secure loans from domestic financial institutions for viable projects, but it has not so far been established.

Training in Start Your Business (SYB) and Improve Your Business (IYB) took place in all islands and five courses have been conducted in Tarawa. An average of thirty participants attended each course and TTI has assisted in training twelve SYB and IYB Trainers. Only two people are known to have started businesses following their SYB training. The effectiveness of the IYB course is yet to be evaluated by a survey of participants.

The Consumer Protection Act took effect in February 2003, price control officers are operating and workshops on price control have been conducted.

A Financial Services Commission is to be established to oversee financial institutions (see also above). The World Bank's Foreign Investment Advisory Service undertook a review of the Foreign Investment Act and Regulations in 1997 and a workshop about the Act was held in 2001, but no resulting policy action has taken place so far. NDS intentions for privatisation were not realised. As noted above, in the economic and social conditions of Kiribati, an alternative approach to improving the efficiency of public enterprises appears to be needed.



### *Communications, Infrastructure and Services*

A programme was undertaken to upgrade Bonriki airport to meet international safety standards by 2002. Work on this is still in progress. Air Kiribati continues to face financial and operational difficulties in maintaining scheduled domestic air services. In July 2002, acting on government instructions, the airline leased an ATR 72 aircraft at an annual cost of \$3m to enable it to establish a regional service in the central Pacific. The aircraft commenced services in December 2002. Though passenger traffic on some routes covers direct operating costs the airline is expected to need substantial government subsidy to sustain the ATR operation.

There were no significant developments in 2000-3 in domestic shipping services. The need to improve safety, maintenance and operating standards on domestic vessels was highlighted in 2002 by concerns about the certification of trainees from the Marine Training Centre, who underwent practical training on domestic vessels as part of their course. That training is now undertaken on overseas-registered vessels, but safety standards on domestic shipping remain a matter of concern.

Based on a feasibility study by the International Telecommunications Union (ITU), work is in hand to replace the existing VHF systems at South Tarawa, Kiritimati and Tabuaeran with Digital Radio Concentrator Systems (DRCS). The work is expected to be completed at the end of 2004. The estimated cost of \$7m is being funded by loans from the Bank of Kiribati and—subject to confirmation—the Bank of China. Satellite systems are to be installed at Butaritari, Abemama, Tabiteuea North, Beru and Onotoa. The cost of this investment, estimated at about \$1.9m is being met by TSKL from retained profits. Completion of these improvements is also expected at the end of 2004.

The Broadcasting and Publication Authority began planning for replacement of its old complex of buildings and equipment on Bairiki with assistance from overseas aid. Broadcasting to Kiritimati was upgraded and plans made to improve the service to Teraina and Tabuaeran during 2004

### *Public Utilities and Construction*

Under the ADB loan-financed SAPHE Project the existing South Tarawa water supply system has been rehabilitated and a new 18km pipeline laid between Teoraereke and Bonriki. Elevated tanks have been completed in the water reserves and along the main pipe, and 2,400 tanks are being installed at homes and connected to the water supply. The project is also promoting better use of water resources by a programme of participative community education.

The South Tarawa sewerage system has been improved by construction of additional manholes for access to the current system and laying of pipe at Bikenibeu. Construction of two solid waste landfill pits is underway, which will improve solid waste management and help to conserve ground water resources. The amount of solid waste to be disposed of in the landfill is expected to be greatly reduced (greatly extending the life of the pits) by a solid waste recycling programme being implemented by collaboration among government and non-government agencies.

Two new 1.4mw electricity generators and a new powerhouse were installed at Bikenibeu in 2002 at an estimated cost of \$22m, of which Japanese aid provided \$20m. High-voltage distribution cables and transformers between Bikenibeu and Bairiki were also replaced under the project. There has been some improvement in the reliability of the power supply, but installed capacity of the system is still insufficient to meet peak demand, and load-shedding

power outages are still occurring. Further investment is planned in 2004 to include two new generators and new powerhouse at Betio and the replacement of the existing cable between Betio and Bairiki, to give a total installed system capacity of 6.45mw. The Government has purchased one of the new generators for Betio and is seeking Japanese aid for the other. The Government intends to retain ownership of the generation and distribution assets and lease them to PUB to operate.

### *Lands and Environment*

The Division of Lands Management in MELAD has introduced an effective system for land subdivision in South Tarawa and identified leased lands in South Tarawa that could be returned to landowners. The Division also opened a new office in Kiritimati Island in January 2001. Long delays in processing of business leases at Kiritimati were being addressed at the end of 2003.

A project to identify cost-effective ways of adapting to climate change was begun in 2002 with help from the World Bank and Japan. Extensive consultations with island communities, to be followed by technical studies, are being mounted in preparation for the design and implementation of adaptation measures during the coming NDS period.

Kiribati is party to regional and international agreements concerning climate change and biodiversity, and is implementing a number of programmes, including the promotion of traditional medicines for the treatment of lifestyle diseases.

Work continues to raise public awareness about the importance of caring for the environment and the effect of the Environment Act. The Environment and Conservation Division has developed processes and procedures for development control, Environment Impact Assessment (EIA) and pollution licensing. Sites have been identified for water reserves and community consultation about these sites is in progress.

Pressure on land in South Tarawa from the growing population has made the implementation of regulations about leaseholds and squatting very difficult, requiring patience and firmness by the relevant officials. The difficulty is compounded when the implementation of regulations is made into a political issue at local or national government level.

### *Housing*

The Kiribati Housing Corporation has used funds from the SAPHE Project and Housing Corporation funds to lend money for improvement of domestic water storage and sanitation and the extension and construction of houses. In 2000-3 the Corporation financed 86 houses, of which 21 houses have been completed and 65 were under construction in September 2003. KHC strengthened its internal procedures and developed new products and services to help its customers.

Information on other house construction activities is not available, though this varied, widespread and continuous activity constitutes an important aspect of urban social and economic development.

### *Social Infrastructure and Services*

#### *Education and Training*

Training of pre-school teachers began in 1999 but was later suspended. Early childhood education nevertheless spread. More than half the children who enrolled in grade 1 in 2000

were reported to have attended at least 100 hours of an early childhood development program.

Capacity and enrolments in Forms 4-6 have been increased by 25%. This has been achieved as part of a wider restructuring of the education system, involving a doubling of enrolments at junior secondary schools (JSS). The JSS expansion required the construction or enlargement of nineteen schools at a total cost of about \$9.3m, of which AusAID has contributed \$6.1m. There are now 24 Junior Secondary Schools, all fully staffed.

Upgrading of teachers' and lecturers' qualifications will need to continue, along with improvement of classroom resources. All classes 1-2 are reported to be equipped with pupils' desks, while classes 3-6 and teachers are receiving desks and tables.

Continued attention is needed to the programme of school building maintenance. A number of primary school and JSS buildings are poorly maintained. Greater involvement and acceptance of responsibility at community level will be necessary to solve this problem. The Government intends that in 2004 Island Councils will be responsible for carrying out maintenance on school buildings and staff quarters identified and funded by MEYS.

A project to extend vocational skills training to outer islands by construction of Island Learning Centres was identified for funding by the EU, and construction of the first such centre at Betio was begun in 2003. Within the public service, which accounts for one-third of wage employment, a strategic plan has been drawn up to develop capacity and skills of staff and to improve the process of scholarship selection.

### *Health*

The standard of health care delivery has risen over the last three years, with health indicators slowly but steadily improving. Access to health services on the outer islands has been improved through the construction of ten new clinics throughout the Gilbert group, coupled with an improvement in the nurse to population ratio from 1:450 to 1:375 through an increase in the graduation of specialist and general nursing staff, including additional midwifery and public health nurses. The number of trained doctors at post has increased both at the basic and specialist level, including radiology and pathology, and there has been an increase in the number of highly trained paramedical staff, with an additional pharmacist, two dentists, a biomedical engineer, two lab technicians and two physiotherapists.

Village welfare groups have been revived, Peace Corps Volunteers have been recruited as community health workers to make the primary health care system more responsive to community needs, and supervisory visits have been increased. The drug budget was increased and the outer island drug order system reviewed to improve its effectiveness. More reliable telecommunications will enable lower-cost delivery of a better rural health service.

Pressure to provide costly curative services for lifestyle or self-inflicted illness works against the more cost-effective strategy of giving priority to primary health care and increasing personal and community responsibility for health. The rising cost of public health provision indicates there is a need to voice support for the PHC-first principle at the highest levels. In support of PHC a Traditional Medicine Research Centre has been approved by the Government, and a Tobacco Control Act has been drafted. Growing concern about the risk of HIV/AIDS is being met by public education and preparation of legislation to assist in the prevention, identification and treatment of the sickness.

The costs of running and maintaining the central hospital are eating into the health budget, and in-patient accommodation is being strained by population growth. Cost recovery is in use for some hospital services, as much to limit demand as to collect revenue.

The policy of using cost recovery measures to collect some revenue for the health system was approved by the Government in January 2001, and staff have been trained in health care financing. Cost recovery measures are naturally not popular with the public but if the health budget is to meet the increasing health needs of the people of Kiribati, generally caused by lifestyle diseases, it is appropriate for cost recovery to apply to some curative services.

### *Community and Social Welfare*

Over thirty projects to improve the delivery of government services or provide infrastructure were implemented in outer islands in 2000-3. One million dollars was allocated towards rural projects, which resulted in every outer island having access to at least one project.

A youth policy has been established and groups from Tarawa and the outer islands have been trained about the policy. Kiribati participated for the first time with a national team in the 2003 South Pacific Games, at a cost of about \$250,000, and became a member of the International Olympic Committee. Construction under Chinese aid of the \$8m national sports stadium at Betio began in 2002 and, after some hesitation related to the outcome of the national elections, resumed in mid-2003.

Police operations are moving from a 'force' to a 'service' approach, and the abilities of staff in the area of community policing are being upgraded. The police need more equipment to enforce speeding laws, and modern legislation to enable them to tackle the crime of domestic violence. Most crime apparently remains at a low level, but no statistics on incidence of crime and prosecutions have been available since 2000. Social workers and other observers express concern about the pressures of urban living and the emergence of 'urban' crime. This typically involves dangerous driving, domestic violence, house-breaking and gang activities, and is often related to excessive consumption of alcohol. Two police officers are currently undertaking studies at USP. Courses in community policing and dealing with domestic violence have been provided through PSO training activities with external assistance.

## Section 4: Development Strategies 2004-7

The national development concerns of Government are here organised into key policy areas (KPAs). Issues in each KPA are addressed by one or more strategies, key activities are identified to get strategies moving, and lead and support ministries are identified for each strategy and activity. The scope of each of the six KPAs is summarised below. Strategies and activities follow in table format.

1.Economic growth. Growth needs investment, and both domestic and foreign investors need confidence in the stability of government finances and macro-economic policies. This confidence is to be strengthened by consistently demonstrating sound public financial management through sustainable budgets and prudent use of loans and reserves. Growth-focused strategies include stabilising total population by 2020-2025 to enable higher levels of income per person to be achieved, cost-effective measures to minimise the risk of damage and disruption from climate change, developing coherent policies for the use of information technology, promoting private investment in marine resources, tourism and any other viable enterprise, maximising sustainable income from fisheries access and other sovereignty-based rents, securing stable flows of development aid, upgrading infrastructure and utilities to support productive enterprise, and price stabilisation and extension services support for rural production.

2.Equitable distribution. Distributional strategies include improving social and economic statistics to better measure conditions and monitor changes, upgrading outer island (OI) governance and support for commercial production of goods and services in rural areas, training of trade union negotiators, provision of dedicated OI infrastructure funding under OI control, improving standards of domestic shipping, overhaul of land adjudication system and government land dealings to avoid unfair practices, better collaboration with churches and NGOs to assist people in need, and introduction of cash allowances for elderly people.

3.Public sector performance. More efficient use of resources by Ministries and public enterprises (PEs) will be sought by implementing the performance monitoring system set out in NDS and publishing the results, developing incentives for competitive behaviour in the public sector, introducing Service Agreements for PEs receiving government current or capital funding, opening subsidies for uneconomic services to public tender, and assisting PEs to make internal efficiency gains.

### 4.Equipping people to manage change.

*Education and Training* strategies aim to prepare students for a realistic range of post-school livelihoods, reverse the decline in literacy, improve the quality of education in government and church schools, strengthen systems for schools maintenance and delivery of teaching materials, and extend the outreach and scope of vocational training.

*Health* strategies include improvement of health service management and staffing, increased efforts to extend family planning and roll back HIV/AIDS and life-style diseases, extensions to existing hospitals and examination of the feasibility of an additional hospital in the Southern Gilberts, and attention to the public health threat posed by inadequate standards of sanitation in urban areas.

*Cultural* strategies seek to help people manage change by spreading knowledge and practice of traditional skills and activities, and promoting respect for traditional values and relationships in a monetised environment.

*Governance* strategies concern improvement of public accountability by implementing NDS-based publication of information and performance monitoring; a stronger and more independent statistical office; overhaul of local government in South Tarawa and establishment of participatory local government in Line Islands; and the equipment, re-training and more accountable direction of the police to deal with increasing problems of law and order arising from concentration of people in urban areas.

#### 5.Sustainable use of physical resources.

Maintenance of public assets is to be improved by identification in operating plans, stronger performance monitoring and rules on contracting out. Application and enforcement of the Environment Act will be strengthened by coordination among national and local government agencies. Marine resource management will seek to maximise sustainable benefits from the offshore and domestic tuna fisheries, and will enforce sustainable yield restrictions on other fish stocks under pressure, using community-based methods wherever possible. The economic and commercial feasibility of re-mining Banaba and obtaining construction aggregates from atoll lagoons will be examined, and if found to be feasible, private investment will be sought in these activities. Regional developments in seabed exploration and mining will be monitored. Land use management will embody public health and environmental protective standards, including practical measures to assist households and communities to adapt to climate change.

#### 6.Protecting and using financial reserves.

Strategies to make greater developmental use of domestic credit include increased support for Village Banks, use of commercial loans for telecommunications and electric power investment, and establishment of prudential supervision of all financial institutions. The RERF's ability to underpin public finance indefinitely is to be strengthened by review of the guidelines for access to the Fund's earnings while maintaining the Fund's real value, followed by consideration of splitting the Fund into a protected national reserve fund and a smaller government reserve fund, and subjecting the reserve fund structure to stronger parliamentary supervision.

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<b>1.Economic Growth</b>			
<i>Issue 1.</i> Confidence in fiscal sustainability has been weakened by recent performance	1.Consistently demonstrate commitment to fiscal prudence and sustainability of public financial policies 2. Safeguard existing revenue sources, and develop new sources that will not deter private investment in productive enterprise	L:MFED  L:MFED	2004-7:strongly implement credible budgets set in a multi-year framework  2004 onwards: maximise sustainable level of collections from existing sources 2004-5:prepare for introduction of VAT-type tax on consumption expenditures
<i>Issue 2:</i> Growth of population restricts income per head	Design and implement comprehensive population policy to achieve stability of total population by 2020-2025	L:MHMS S:MFED S:MISA	2004:consultations, design and public acceptance of population policy 2005 onwards: implement
<i>Issue 3:</i> Climate change brings potentially costly risks to economic growth	Develop participatory and cost-effective ways of minimising and managing risk of loss from climate change-related events.	L:MFED S:MELAD S:MCIC	2004-7: planning and implementing consultation-based measures for adapting to climate change
<i>Issue 4:</i> Access to flows of external income and transfers needs to be sustained and managed	Maintain efficient contact with foreign governments, financial institutions and firms involved in trade and aid relations and employment of I-Kiribati abroad	L:OB S:MFED S:MLHRD	Continuous: diplomatic and economic consultations, active membership of regional and international institutions and adherence to treaty obligations
<i>Issue 5:</i> Continuing rapid developments in IT need coherent responses from public and private sectors	Establish cooperative working group to take stock of IT situation, identify issues and develop responses including education and training, technical standards and equipment purchase and maintenance	L:MCTTD S:OB S:MFED S:MEYS	2004: working group established, stocktake made, issues identified 2005-7: training schemes and technical standards established and implemented

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<i>Issue 6:</i> Private commercial investment is needed in marine and mineral resources and tourism	Promote new research-based investment openings for private capital (including partnerships and contracting out activities), and invite private investment in existing GoK-owned operations	L:MFMRD S:MCIC S:MFED	2004-5: black pearl research/piloting 2004: market commercial investment opportunity in tuna processing 2004: seek private partners in Otintaa and Captain Cook hotels
<i>Issue 7:</i> Publicly funded investment will be required in transport and utilities infrastructure to enable private investment to proceed	1. Upgrade air and sea port facilities and associated utilities at locations where natural and human resources can combine in viable economic activity.  2. Ensure reliable power and water supplies in existing urban areas, eliminate subsidies to urban services and require PEs to meet performance standards	L:MCTTD S:MPWU S:MFED  L:MPWU S:MFED	2004: rebuild Betio power station and further expand S. Tarawa power supply 2004-5: feasibility study of potential growth centres in OI, Line and Phoenix 2006-7: infrastructure investment in two or three high-potential locations 2005/6: plan further water and power projects in Tarawa and Kiritimati. 2004 onwards: ensure major asset maintenance
<i>Issue 8:</i> Earlier initiatives to promote small business and encourage foreign investment have not been completed	1. Complete implementation of Small Enterprise Development Act 2001 and partial credit guarantee scheme, and expand small industries workshops scheme and advisory services.  2. Implement streamlining of foreign investment regulatory system	L:MCIC S:MFED  L:MCIC S:OB	2004: implement SED and Guarantee Corporation Acts  2005: expand workshops  2004: draft amendments and implement changes already designed
<i>Issue 9:</i> Rural production has been declining	Strengthen agricultural and fisheries extension services, stabilise producer prices, motivate PEs in processing and marketing to more effective efforts to promote smallholder production	L:MELAD S:MFMRD S:MFED S:MCIC	2004: establish formal funding basis for price stabilisation and support, define performance requirements of relevant PEs and focus efforts on production



Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<b>2 .Equitable Distribution</b>			
<p><i>Issue 1:</i> Infrastructure, services and incomes on outer islands are inferior to those in urban areas</p>	<p>1. Strengthen outer island governance and administration, provide increased funding for OI social and infrastructure projects.</p> <p>2.Devise cost-effective maintenance methodology for outer islands water supplies, roads, wharves etc</p> <p>3.Upgrade telecoms in all outer islands</p> <p>4.Apply rigorous safety and efficiency standards to inter-island shipping and award shipping subsidy by open tender</p> <p>5.Identify most promising income-earning opportunities in outer islands and demonstrate commercial feasibility</p>	<p>L:MISA</p> <p>L:MWPU S:MISA</p> <p>L:MCTTD S:MFED L:MCTTD S:MFED</p> <p>L:MCIC S:MELAD S:MSMRD</p>	<p>2004-6: Outer Islands Development Programme and possible establishment of Trust Fund with ADB co-financing</p> <p>2004-5:research and test 2006-7:extension and training</p> <p>2004-6:testing and funding 2005-6:installation 2004: implement stricter licensing inspections 2004: introduce tendering</p> <p>2004:develop methodology for selecting projects and entrepreneurs for coordinated support, and pilot schemes</p>
<p><i>Issue 2:</i> Household income and expenditure and employment data is deficient</p>	<p>Improve the collection and analysis of statistics on employment, living standards, income distribution and access to services, and publish the information regularly.</p>	<p>L:MFED S:MCIC</p>	<p>2004-5: strengthen economic and social statistics operations, and increase frequency and quality of publication of data within Kiribati and overseas (<i>see also on independence of statistics operation under Governance in KPA4</i>)</p>

<b>Key Policy Areas and Issues</b>	<b>Strategies</b>	<b>Lead (L) and Support (S) Ministries</b>	<b>Key Activities</b>
<i>Issue 3:</i> Pressure on people to get jobs makes them vulnerable to exploitation by employers	1. Improve understanding and capability of trade unions to negotiate improved working conditions and earning power/productivity of employees. 2. Promote compliance of Kiribati with international conventions on working conditions and rights of workers 3. Pursue employment opportunities for I-Kiribati at home and overseas	L: MLHRD  L:MLHRD  L:MHRD S: OB	2004: training of trade union officials and employers in negotiation technique  continuous  2004-5: seek increased jobs on overseas ships and emigrant worker openings
<i>Issue 4:</i> Traditional ways of helping poorer people are under strain, and unacceptable levels of inequity are emerging	1. Develop partnerships with churches and NGOs to identify people and areas in need and work out ways of assisting them and how they can help themselves.  2. Provide welfare payments to elderly people	L:MISA   L: MISA S:MFED	2004: consult churches and NGOs, agree programme of cooperation and implement   2004:set up transparent and accountable payment scheme
<i>Issue 5:</i> Dealing in land is leading to emergence of landlessness, while some land leased by Government is not being efficiently used.	Undertake broad-based study of trends in private land dealings and emerging issues, including examination of joint development of leased land so as to share economic benefits with landowners.	L:MELAD S:MLPID S:MFED	2004: task force-driven, TA-assisted study of land issues and strategies 2004: feasibility study of development scheme for leased land in urban areas 2004-7: update and correct outer island land registers

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<b>3. Public Sector Performance</b>			
<i>Issue 1:</i> Incentives to be more efficient are lacking in public sector	1. Create a competitive environment in the public sector by setting standards, monitoring performance, publishing results and rewarding success 2. Modernise public service regulations to provide equal opportunity and recognise performance	L:OP S:PSO S:MFED  L:OB/PSO	2004: upgrade performance monitoring system (see s.5 of NDS on implementation) 2005: institute annual efficiency awards 2004: revision of National Conditions of Service
<i>Issue 2:</i> weak monitoring undermines GoK output budgeting system	Base NDS performance monitoring system on FMIS and specify maintenance of FMIS in outputs to be monitored	L:MFED	2004: implement NDS monitoring system 2004 onwards: specify and implement maintenance process for FMIS
<i>Issue 3:</i> PEs control large amounts of public resources but are effectively unsupervised	Incorporate PEs into NDS monitoring system, introduce Service Agreements and apply hard budget rules (accepting that some PEs may not be sustainable)	L:MFED S:MCIC	2004: introduce Service Agreements for all PEs 2005-7: facilitate exit of unsustainable PEs
<i>Issue 4:</i> Ready access to subsidies by PEs reduces pressure to be efficient	Provide subsidies only for specific non-commercial services defined in Service Agreement, and open subsidies to tender by private service suppliers	L:MFED S:MCIC	2004: as above, and introduce public tender for service subsidies
<i>Issue 5:</i> Uncompetitive environment allows inefficient operations	Identify, test and install efficiency-enhancing changes in work practices of public enterprises	L:MCIC S:MWPU S:MCCTD	2004: TA to identify and test efficiency improvements in collaboration with PEs

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<b>4. Equipping people to manage change</b>			
<u>Education and training</u>			
<i>Issue 1:</i> Declining levels of literacy threaten ability of school leavers to adapt to changing economic environment	Review the English and vernacular syllabus, promote more effective language teaching methods and strengthen the support systems for language teaching and learning, including use of Internet	L: MEYS	2004: establish expert group for in-depth diagnostic review and preparation of coordinated response to issue of declining literacy 2005-7: implementing response
<i>Issue 2:</i> Post-school livelihoods may involve formal, informal or self-employment, with or without tertiary education	<p>1.Ensure secondary school organisation and curriculums prepare students for both formal and informal employment</p> <p>2.Manage tertiary training institutions so as to keep pace with level and quantity of expected employment opportunities</p> <p>3.Extend outreach of TTI to support vocational training on outer islands</p> <p>4.Strengthen scholarship selection process, monitor and counsel students overseas</p>	<p>L: MEYS S: MCIC</p> <p>L: MEYS S: MCIC</p> <p>L: MEYS</p> <p>L: MEYS</p>	<p>2005: evaluate streaming in secondary education.</p> <p>Annually: check training institution capacity against expected demand</p>

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<i>Issue 3:</i> Quality of education at all levels requires continuous and sustained improvement.	1. Develop mixed-mode courses to upgrade teacher skills, including delivery methods suitable for outer island teachers  2. Increase support to church schools  3. Redevelop Schools Broadcasting Service  4. Promote early childhood (pre-school) education at community level with government financial assistance  5. Ensure delivery of furniture, books and materials to schools on regular, monitored programme, with particular attention to needs of outer islands.	L: MEYS S: MCTTD  L: MEYS  L: MEYS  L: MEYS  L: MEYS S: MCTTD	2004-5: develop and deliver courses and assess results  2004-5: increase grants  2004: plan redevelopment  2004: contact communities and assist to restart preschool activities  2004 Implement multi-year delivery plan and monitor performance
<u>Health</u>			
<i>Issue 1:</i> Outer islands suffer shortages of medicines and intermittent services	1. Strengthen nursing and public health training and increase staff allocation to outer islands  2. Implement recommendations from review of outer island drug order system  3. Strengthen health service management, supervision and maintenance nationwide	L: MHMS S: MCTTD  L: MHMS S: MCTTD  L: MHMS	2004 provide budget funds for specialised training  2004: implement changes  2004 set and implement performance standards
<i>Issue 2:</i> Overall quality and timeliness of delivery of curative and basic public health services	Expand accommodation and facilities at existing hospitals and examine feasibility of district hospital for Southern Gilberts	L: MHMS S: MPWU	2004: develop phased plan for hospital construction 2005-7: implement plan

<b>Key Policy Areas and Issues</b>	<b>Strategies</b>	<b>Lead (L) and Support (S) Ministries</b>	<b>Key Activities</b>
<i>Issue 3:</i> Increasing incidence of lifestyle diseases	Refocus health education activities on target groups in association with domestic and overseas NGOs	L: MHMS S: MCTTD	2004-6: coordinated multi-media campaigns (eg healthy foods) linked to health service delivery
<i>Issue 4:</i> Unlimited demand for free health services	Extend cost-recovery to optional levels of curative services, and promote the establishment of private medical practices and retail pharmacies.	L: MHMS S: MCIC	2004-7: progressive extension and promotion
<i>Issue 5:</i> Role of family planning services in population policy	Design comprehensive population policy to include family planning services with other social and economic components	L: MHMS S: MFED S: MISA	<i>(See also under KPAI)</i> 2004: consultations and policy design 2005 onwards: implement
<i>Issue 6:</i> Threat to public health from unsafe urban sanitation systems and unsanitary practices in densely-populated areas.	<p>1. Strengthen public health education services to educate households on sanitation and human waste disposal</p> <p>2. Improve enforcement of Environment Act and public health legislation</p> <p>3. Identify cost-effective improvements to existing sanitation systems in South Tarawa and design projects for implementation over NDS period.</p>	<p>L: MHMS S: MISA</p> <p>L: MELAD S: MHMS</p> <p>L: MWPU S: MHMS</p>	<p>2004-5: increase public health effort with urban local governments</p> <p>2004-5: stricter patrolling and enforcement of regulations</p> <p>2004-5: design projects for external funding, using SAPHE-acquired skills to progressively improve systems</p>

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<u>Culture</u>			
<i>Issue:</i> Erosion of cultural identity and traditional values increases risk of social breakdown under stress of economic change	Promote maintenance of traditional skills, values and community relations in a monetised environment, through teaching, competitions and displays, and by public recognition of cultural achievements by individuals and communities	L: MISA S: MEYS  L: MISA S: MEYS	Continuous: regular and special festivals, song and dance competitions, national and island level displays 2004-6: revitalise national museum and integrate into educational activities
<u>Governance</u>			
<i>Issue 1:</i> monetisation, economic stress and access to alcohol are increasing crimes against public order, persons and property, and weakening adherence to law-abiding behaviour, particularly in heavily populated areas and among young persons	1.Consult churches and NGOs to develop coordinated policies for community control of young persons and law-breakers 2.Alert community leaders and parents to need for positive action on youth activities, vocational training, culture and sports 3. Train and equip police and judiciary to deal promptly and appropriately with different types and levels of law-breaking and anti-social behaviour.	L: MISA S: MEYS  L: MEYS S: MISA  L: OB	2004:consultations and strengthening of policy coordination, monitoring and feedback to collaborative action 2004: programmes of positive activity  2004: obtain external assistance for review of police, training and upgrade of equipment
<i>Issue 2:</i> How to strengthen the public accountability of government without weakening the authority of Parliament	1.Continue public access to information on government policies and plans, and set up systems for performance reporting to public 2.Develop and implement Leadership Code  3.Strengthen capability of Public Accounts Committee to examine audit reports and call public officers to account effectively	L: MFED S: all Mins  L: OB  L:OB S:MFED	2004 Produce multimedia material on NDS. Create Internet website for plans and performance reports 2004: consultation on scope of Code 2005: implementation 2004:seminars for PAC and KNAO with TA support

<b>Key Policy Areas and Issues</b>	<b>Strategies</b>	<b>Lead (L) and Support (S) Ministries</b>	<b>Key Activities</b>
<i>Issue 3:</i> Local government is not able to perform the tasks expected of it by national policies and legislation	<ol style="list-style-type: none"> <li>1. Outer Islands: see KPA2, strategy 1</li> <li>2. South Tarawa: see KPA5, strategy 3 under Environment.</li> <li>3. Line and Phoenix Islands: establish development administration with local representation and accountability for economic, social and physical planning.</li> </ol>	<p>L:MISA</p> <p>L:MISA</p> <p>L:MISA</p>	<p>2004:evaluate systems of local governance for Line and Phoenix Islands</p> <p>2005 onwards: implement</p>
<i>Issue 4:</i> How to mobilise the potential of women and young people for self-development and participation in national development process	<ol style="list-style-type: none"> <li>1.Extend and connect up formal, informal and vocational training activities into realistic preparation for adult life</li> <li>2.Assist women and youth organisations with training and collaborative activities</li> <li>3. Promote sporting and cultural events and provide appropriate public facilities</li> </ol>	<p>L:MEYS</p> <p>S:MISA</p>	<p>Continuous: programme of sporting and cultural events</p> <p>2004:complete national sports stadium on Betio</p>



Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<b>5. Sustainable Use of Physical Resources</b>			
<u>Maintenance of Assets</u>			
<i>Issue:</i> poor standards of asset maintenance in the public sector handicap service delivery and lower morale and productivity	<p>1. Ministries to identify physical assets and specify their maintenance arrangements and estimated costs in MOPs. Maintenance to be reported with other performance.</p> <p>2. Protect maintenance input allocation in Budget against virement.</p> <p>3. Minor maintenance to be contracted out by Ministries under procedural rules, major maintenance managed by MPWU.</p>	<p>L:OB, MFED S:MLPG</p> <p>L:MFED</p> <p>L:MWPU S:MFED</p>	<p>2004: Train MWPU and Ministry staff in cost-effective asset maintenance in local environment</p> <p>2004: Financial instructions</p> <p>2004: Make and apply rules on maintenance of government assets</p>
<u>Environment</u>			
<i>Issue 1:</i> Potential social and economic impact of climate change is costly and dangerous	Identify participatory development strategies to manage increasing risk, and design cost-effective adaptation measures for use nation-wide	L:MFED S:MELAD S:MPWU S:MISA S:MFMRD	2004: consultation and planning phase of Kiribati Adaptation Project with WB/Japan support 2005-7: investment phase
<i>Issue 2:</i> Responsibilities for policies and actions affecting the environment are fragmented	<p>1. Confirm MELAD as responsible Ministry for policy coordination and legislation</p> <p>2. Use broad-based consultative and coordinating machinery to assist MELAD on environmental issues and policy</p>	<p>L:OB</p> <p>L:MELAD S:MISA S:MFED</p>	<p>2004: appropriate directions to be issued by OB</p> <p>2004: integrate environmental issues and responses into NDS and MOPs</p>

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<i>Issue 3:</i> Urban local governments lack capacity and motivation to perform required roles	Overhaul structures and financing of urban local governments for more effective governance and developmental activities	L:MISA	2004-5: institutional strengthening of Betio and Tenainano Councils ( <i>see also under Governance</i> )
<i>Issue 4:</i> Public open spaces in South Tarawa are among the worst-kept in the Pacific	Government agencies, PEs and schools to be responsible for cleaning and maintenance of adjacent environment.	L: MELAD S: OB	2004: administrative direction by OB, monitored by MELAD
<u>Marine resources</u>			
<i>Issue 1: Tuna:</i> need to maximise sustainable economic benefits from the tuna resource.	<ol style="list-style-type: none"> <li>1. Maintain close collaboration with FFA and other PIC coastal states to obtain maximum sustainable EEZ access fees</li> <li>2. Promote public-private partnerships with reputable foreign investors in catching and onshore domestic processing of tuna.</li> </ol>	L:MFMRD S:OB  L:MFMRD S: MCIC	Continuous  2004: engage potential investors in feasibility studies, with independent assistance in appraisal of proposals
<i>Issue 2: Other fisheries:</i> need to conserve stocks of vulnerable species, in face of rising demand for food and cash incomes.	<ol style="list-style-type: none"> <li>1. Conduct participatory education programmes with fishers and communities engaged with vulnerable species/stocks.</li> <li>2. Ensure legal sanctions are adequate to enforce conservation regime, and prosecute when necessary.</li> </ol>	L:MFMRD  L:MFMRD S:OAG	Continuous  Continuous

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<i>Issue 3: Mariculture:</i> managing the transition from government research to commercial production and export	1. Advertise investment opportunities based on research and pilot projects.  2. Promote direct foreign and local private investment with no GoK participation, but subject to strong resource management and conservation oversight.	L:MCIC S:MFMRD	2004: periodic advertisement in journals and on Internet
<u>Mineral resources</u>			
<i>Issue 1:</i> mining residual phosphate on Banaba (Ocean Island)	Seek reputable foreign investment in mining the remaining phosphate, under strict environmental controls and sharing benefits with GoK and Banaban community	L:MFMRD S:OB, MCIC S:MISA S:MELAD	2004: use SOPAC and bilateral sources to contact potential investors
<i>Issue 2:</i> replacing beach mining on Tarawa	Promote private investment in deep-lagoon dredging of aggregate for local use, as licensed monopoly under environmental controls and regulated pricing structure.	L:MFMRD S:MELAD S:MCIC	2004:advertise to local and nearby (Marshall Is, Fiji) commercial communities
<i>Issue 3:</i> keeping abreast of developments in seabed exploration and mining	Maintain liaison with SOPAC and other organisations monitoring developments, and request specific TA when required.	L:MFMRD S:MFED	Continuous
<u>Land resources</u>			
<i>Issue:</i> how to develop and enforce sustainable land use schemes in the social contexts of Tarawa (North and South) and Kiritimati	1. Undertake extensive consultations to develop public support for regulating land use in areas under population pressure. 2. Introduce pilot schemes and expose to public scrutiny to build support for wider application.	L:MELAD S:MISA	2004: consultations 2004-7:land use plans completed and implemented

Key Policy Areas and Issues	Strategies	Lead (L) and Support (S) Ministries	Key Activities
<b>6. Protection and Use of Financial Reserves</b>			
<u>Financial System</u>			
<i>Issue:</i> how to make greater use of domestic credit in financing development, while protecting financial stability and safeguarding public deposits	<ol style="list-style-type: none"> <li>1. Increase funding of successful Village Banks and improve supervision and training of all VBs.</li> <li>2. Promote use of commercial loans for financially viable infrastructure projects.</li> <li>3. Promote access of new and small businesses to DBK and BoK credit</li> <li>4. Establish prudential supervision and regulation of financial institutions</li> </ol>	L:MISA S:MEFD  L:MEFD S:MWPU L:MFED S:MCIC L:MFED	2004-5: inspections, training and selective increases in funding 2004-5: TSKL financing for public system upgrade, PUB for additional generators 2004-5: establish guarantee corporation and strengthen advisory services 2004: legislate to establish supervisory Commission.
<u>Revenue Equalisation Reserve Fund (RERF)</u>			
<i>Issue:</i> how to protect the capacity of RERF to underpin future budgets, while enabling access to RERF at sustainable level for current budget needs	<ol style="list-style-type: none"> <li>1. Review existing guidelines for protecting RERF capital value and ensuring long-term sustainability of budget support.</li> <li>2. Improve public and parliamentary understanding of RERF performance</li> <li>3. Consider legislative restructuring of RERF into a national reserve fund not accessible to governments without special parliamentary approval, feeding a government reserve fund accessible by normal budget appropriation process.</li> </ol>	L:MFED	2004: review of guidelines, using independent TA as required  2004: strengthen performance monitoring and reporting on RERF within MFED and Government, and inform Parliament and public 2005: consider case for two-fund structure in light of experience in 2000-4

## **Section 5. Implementation, monitoring and review**

### *Importance of the process*

The requirement for performance reporting arises from two concepts. First, Ministries and public enterprises (PEs) use public money and other assets as trustees for the people of Kiribati, and they are bound to report regularly on their performance to Parliament and the public. Second, experience has shown that without an effective system for monitoring and review, effort put into planning is wasted.

The Government attaches great importance to the operation of the monitoring and review system. Overall responsibility for the system lies with MFED, but just as each Ministry and PE is responsible for planning its operations, so they are also responsible for the timely and accurate monitoring and reporting of the programmes and projects under their direction.

By direction of the Minister of Finance, the system in its current approved form has the status of Financial Instructions under the Public Finance (Control and Audit) Act. Ministries that fail to comply with reporting requirements may be penalised by reservation of part of the funds allocated to them in the Budget, and subsidies will be withheld from PEs in arrears with Annual Business Plans and Midyear Reports.

### *Integrity of the system*

The system reflects the structure and philosophy of NDS itself, which combines political, consultative and technical dimensions. It puts strong emphasis on the role of Ministry Operating Plans as the focus of detailed performance monitoring and management decisions. It is closely aligned with the budget monitoring process operated through the Financial Management Information System (FMIS). The NDS monitoring and reporting framework is standard across all ministries. Minor internal variations can be made to suit individual ministry needs, but these may not change the main framework. This can only be changed by MFED after appropriate consultations and by formal notification to all concerned.

### *Ministries and the NDS*

The organisational divisions of ministries are each responsible for a programme of related activities, aimed at producing a range of outputs. The impact of these outputs on ministry performance and on economic and social conditions is expected to lead to outcomes desired by the Government and identified in NDS itself and in other policy statements of the Government.

### *Ministries and the Budget*

The annual Government Budget allocates funds for the purchase of inputs to be used in the Ministry's activities. These activities and the outputs they are to produce are grouped into the programmes for which the Ministry's operational divisions are responsible. The FMIS provides ministries and MFED with up-to-date information on revenue and expenditure. This enables almost real-time monitoring of the budget position, and the taking of timely action at Ministry and MFED level to manage funding problems and avoid budgetary crises.

### *NDS, annual review, the Budget and the MYBF*

NDS sets out the Government's overall development strategies for a four-year period, and identifies lead and support ministries for implementation of the principal strategies and

activities. NDS is reviewed annually at mid-year on the basis of ministry progress reports, and an overall progress report is published in the third quarter of the year. This includes an updated version of Section 4, including new and revised issues and strategies, in time to help shape the following year's Budget allocations and performance targets.

The annual Budget is to be set in a Multi-Year Budget Framework (MYBF) covering seven years, of which the Budget year is Year 4. This will indicate the amount of money raised and expended in three previous years and the amount expected to be available for three future years, on the assumption that existing policies continue—including known changes described in the NDS.<sup>4</sup> A more detailed version of the MYBF showing allocations to Ministries will be advised to Ministries in February each year. The total funds estimated to be required to purchase inputs for the Ministry's activities in future years must fit within the MYBF forward allocations to the Ministry for recurrent and development budgets. This will require ministries to decide on priorities, and reduce or omit lower priority activities. The MYBF will be published periodically as part of the NDS monitoring and reporting arrangements.

#### *Ministry Operating Plans (MOP) (see framework at Appendix B)*

The MOP is the only comprehensive statement of the Ministry's responsibilities and access to resources. It describes the activity programmes and targeted outputs of the Ministry in the same form as is used in the Budget and is to be used by the Ministry and MFED for quarterly reporting on performance. This quarterly reporting is based directly on the planning and monitoring framework in the MOP, to facilitate the reporting of performance.

The MOP covers the current year and two forward years, and contains material referring to the recent past and to the near future. It is revised, rolled forward and re-issued annually in the first quarter of the year, in the light of the progress made to date, and the resource allocations in the new Government Budget and the detailed MYBF advised to Ministries in February each year.

#### *Public Enterprise (PE) Annual Business Plans (see framework at Appendix C)*

Each of the Public Enterprises established by the Government is required to produce an annual Business Plan conforming generally to the framework at Appendix C. The Business Plan provides a similar range of information to that found in the Ministry Operating Plan. It assists the management and Board of the PE to think through its strategies and activities on a systematic and regular basis, and enables the responsible Ministry to monitor the PE's performance and report to Parliament and MFED's central monitoring system, as required by specific legislation and these monitoring procedures.

PEs that already produce annual Business Plans need only to make sure that the information required in the framework at Appendix C is readily available in their existing plans, and that these are produced regularly and sent to their responsible Ministry and MFED. PEs that do not produce such plans will be required to do so on the lines of Appendix C or face financial and other sanctions.

#### *Performance monitoring*

Performance is monitored by each Ministry and by MFED to verify that:

- (a) The allocation of funds to the Ministry is not exceeded without proper authority (FMIS data is available at [www.GL Report](#) and [www.Monthly Management Report](#))
- (b) funds and purchased inputs are used for the activity programmes and outputs specified in the Budget, unless these are amended by proper authority

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<sup>4</sup> For example, if a decision were made to change the taxation regime in two years' time, the expected impact would be included in year three.

- (c) outputs are produced of the required quantity and quality at the required time
- (d) assets acquired for production of outputs (and those already owned) are properly procured, recorded, safeguarded and maintained, and
- (e) if any of these requirements are not met, the reasons are identified and appropriate action taken

*The role of Audit*

The National Audit Office (KNAO) provides a constitutionally independent check on financial performance and the standards of financial governance within the public sector (Ministries and Public Enterprises). KNAO reports to the Public Accounts Committee of Parliament.

Audit reports are an important source of information, assistance and correction for MFED, Ministries and public enterprises, but Audit examines formal financial statements that become available a year or more after the events to which they refer. Audit does not replace (and is not replaced by) the performance monitoring and review system, which is under the control of the executive arm of government and is aimed at continually improving management and performance of current operations.

KNAO has access to all documents and processes of the performance monitoring and review system, and is able to examine and report on the effectiveness of the system, among other aspects of government operations.

*The monitoring and reporting system*

The core of the monitoring and reporting system in MFED is the Performance Monitoring Unit (PMU). This is staffed by officers of the Planning and Finance sections of MFED. PMU draws together monthly financial reports from FMIS and RERF, quarterly performance reports from Ministries and half-yearly reports from PEs. From this material, PMU prepares monthly reports for the Minister of FED, quarterly performance reports for the Cabinet and half-yearly progress reports for Cabinet and Parliament. Quarterly and half-yearly reports to the Cabinet go through the Development Coordinating Committee (DCC), which convenes quarterly to consider the reports and send them on to Cabinet.

The PMU office is the central library for plans, strategy statements and progress/performance reports. PMU maintains maps and charts of location and progress of key activities and projects, and acts as secretariat to periodic meetings of DCC and sector coordinating committees (see below).

Ministries need their own internal performance monitoring arrangements to provide management information to Ministry officials and the Minister, and to meet the requirements of the NDS system. The detailed arrangements will vary according to size and physical location of the Ministry's operations. Procedures will be standardised as far as possible through workshops and manuals, to facilitate movement of staff and process troubleshooting.

The following table shows the plans and reports to be rendered by responsible entities to other entities, and how often they are required.

<b>Entity</b>	<b>Plans and policy statements</b>	<b>Performance and progress reports</b>	<b>To be rendered to</b>
Government	4-yearly NDS	Half-yearly	Parliament

	Annual Budget	Half-yearly	Parliament
	Multi-Year Budget Framework	Annual roll-forward with Budget	Parliament
MFED	NDS and MOPs	Quarterly	Cabinet
	Budget, debt and reserves	Quarterly	Cabinet
PMU	Budget, debt and reserves	Monthly	Minister FED
Ministry	Ministry Operational Plan	Quarterly	MFED
	Annual Budget	Quarterly	MFED
Public Enterprise	Annual Business Plan	Mid-year progress	Ministry and MFED

NDS has been compiled through extensive consultations. Half-yearly reports on its progress will be taken back to the same consultative machinery, to account for performance in the use of public resources and to seek comments and collaboration in dealing with problems of implementation.

*The role of sectors in managing the development process*

NDS 2004-7 does not use sector groupings to analyse and allocate the principal tasks of national development. That approach has proved vulnerable to excessive 'sectorisation'. Instead this NDS looks at the key policy areas where important outcomes are sought by the Government, and identifies key strategies and activities that are then assigned to lead Ministries.

Though sector groupings are not used for strategic planning they can be useful for examining common practical problems and coordinating action among Ministries and PEs with similar interests. Sector Coordinating Committees will therefore be convened as required. Four sectors are provisionally proposed: *Social, Production, Infrastructure, and Central Agencies*. Implementation will be notified as required