

# 2024 Citizen Budget



National Economic Planning Office  
Ministry of Finance and Economic  
Development

Bairiki

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## Introduction

The Ministry of Finance & Economic Development (MFED) is pleased to present to the people of Kiribati the Citizens Budget for 2024. This is the second Citizens Budget produced by MFED, reflecting current efforts through government's financial management reforms to improve transparency and accountability in the government budget.

This document is a simplified version of the Government's 2024 National Budget, which presents the budget's key priorities in a clear and non-technical format with visual illustrations.

Given the 2024 Budget theme of *'Building a Secure and Prosperous Future'*, the Citizens Budget hopes to convey crucial policy initiatives that will help our people and communities rebuild their lives as the country emerges from the shadows of COVID-19. These include policies to support the plight of vulnerable families and policies to improve the economic wellbeing of our nation.

We trust that everyone who reads this document will gain a better understanding of important issues in the national budget, such as how government intends to raise revenue, and where it intends to spend public funds. This includes being aware of initiatives to improve the delivery of health and education services, strengthen social support programs and build critical public infrastructure such as roads, water and electricity. It is crucial that our people understand these budget initiatives so that everyone can access and benefit from various government services.

We anticipate that this initiative will serve to develop greater trust between the Government and the people; and encourage more community engagement and participation in our national budget processes. This collaboration is vital for the development of more inclusive budget policies, and it will also boost our efforts to achieve key national goals as espoused in the KV20 Vision.

We strongly encourage everyone to read and understand the Citizens Budget. It is very informative and provides you with essential information to broaden your knowledge of the government's budget activities for 2024. It will also enable you to contribute to improved budget policies that will help meet your needs and aspirations for the future.

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## 2024 Budget Theme

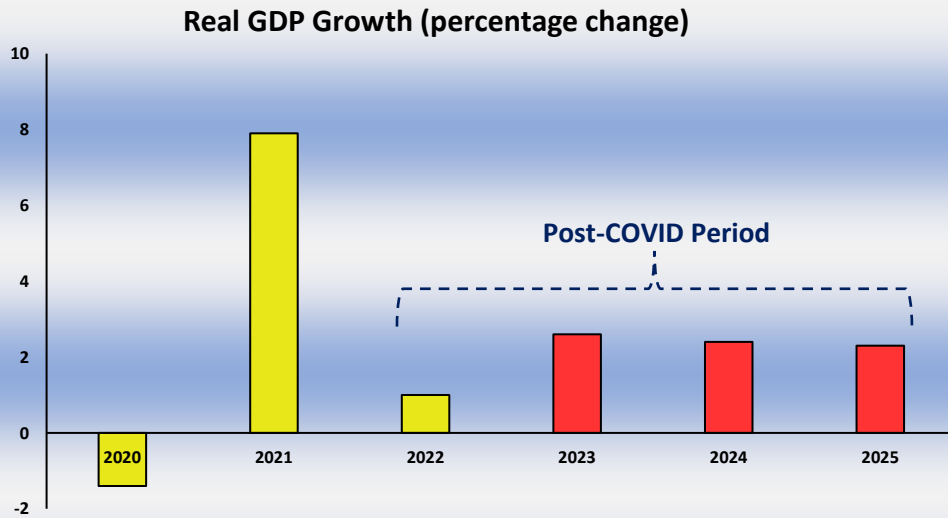
### *“Building a Secure and Prosperous Future”*

*'Building a Secure and Prosperous Future'* is the theme of the 2024 budget. The theme resonates well with this government's vision to build a wealthy, healthy and peaceful nation through the effective deployment and management of its resources for sustainable development. The theme serves to remind us of our collective responsibility as a government to live up to the expectations of our people and lead them towards a secure and prosperous future. Furthermore, the theme underscores our long-held belief that our people's future cannot be secure and prosperous unless the gains of development are equitable, inclusive and people-centered. Indeed, this has been the pillar and cornerstone of all our government's policies, including the national budgets. This 2024 Budget builds on and continues this fundamental principle.



# Economic Outlook

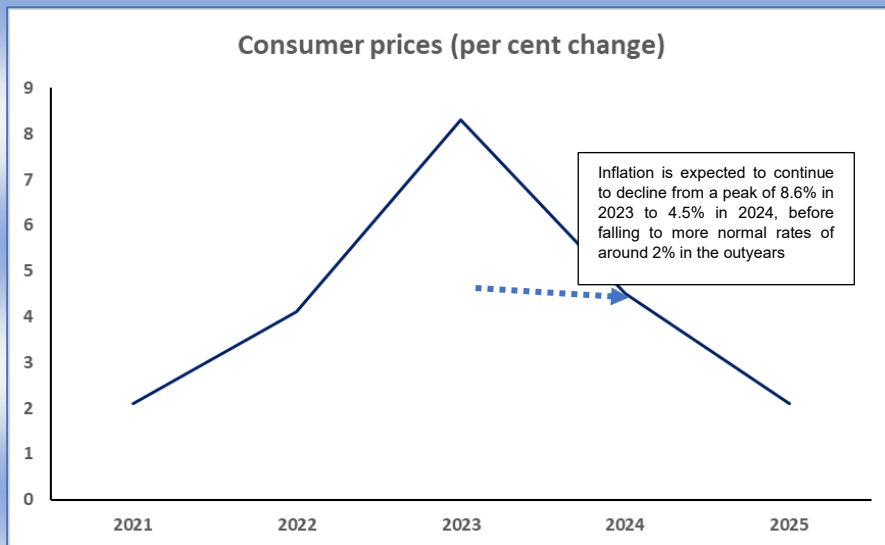
## Growth



**Real GDP (growth) measures how well our economy is doing.** It is a metric that measures the total value of all goods and services produced in our economy in a given year.

According to the most recent IMF growth projections, our economy will grow by about 2.8 percent in 2023 and then rising to 3.0 percent in 2024. This expansion is attributed to a strong recovery in domestic economic activity since the international borders reopened this year. Growth is expected to pick up significantly next year, driven by increased investment and consumption.

## Inflation



**Inflation is simply the general increase in price levels for goods and services.** Inflation in Kiribati increased to approximately 8.6% in 2023 and is projected to return to 4.5% in 2024. Multiple factors are contributing to the current unstable inflation in Kiribati, including global supply shortages and the ongoing conflict between Russia and Ukraine.



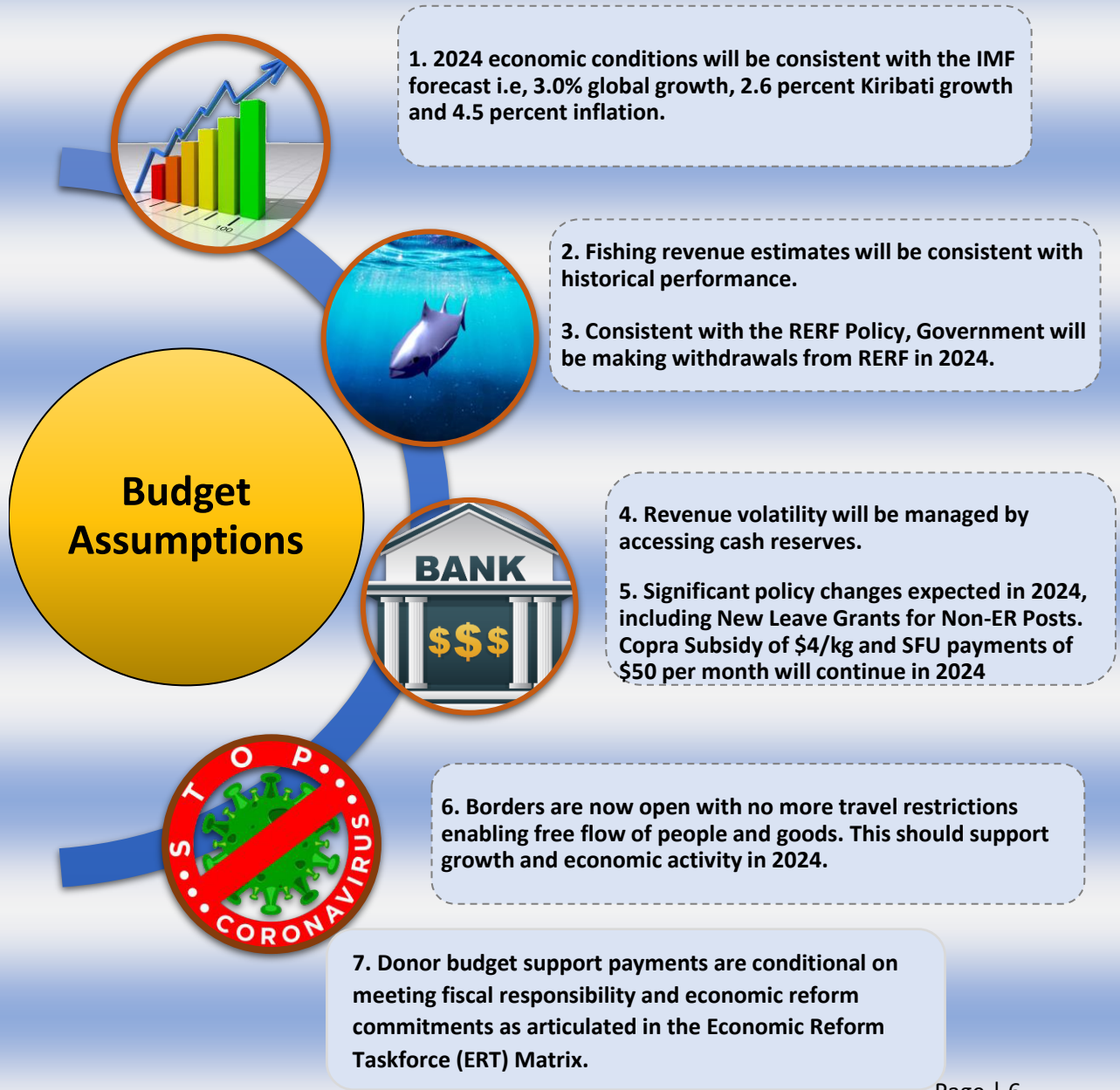
# Budget Assumptions

## What are Budget Assumptions?

In preparing the national budget, government makes reasonable 'assessments' about various factors that can potentially impact the budget. These are known as budget assumptions.

These assumptions outline expectations about our nation's growth and other critical factors that can influence the size of the budget.

**Making the right 'budget assumptions' is crucial for preparing a budget that is realistic, affordable and responsive to people's needs.**



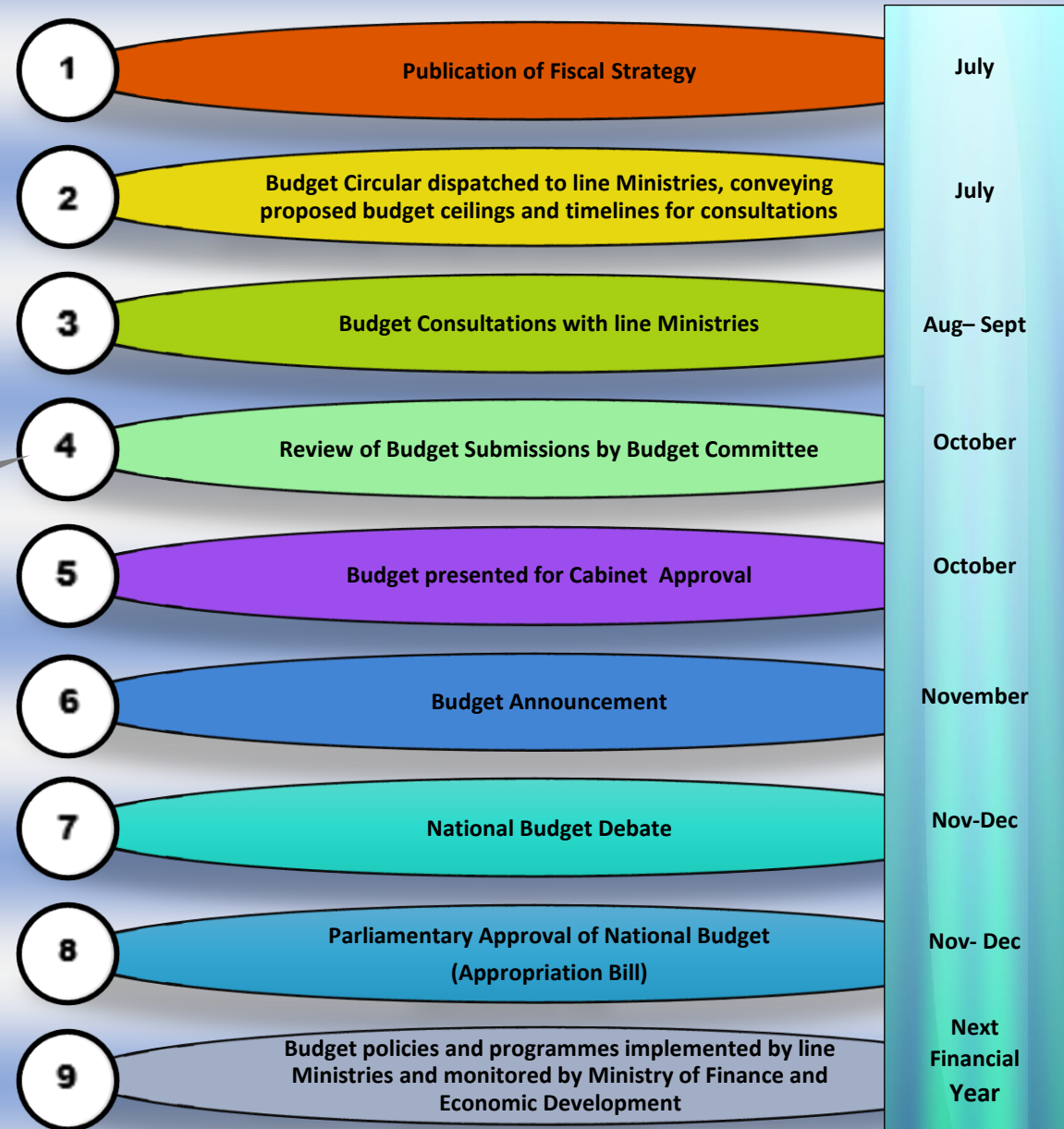
# Budget Cycle

**Government adopts an open, transparent and inclusive process for preparing the national budget;**

involving extensive consultations with key stakeholders; such as the private sector, development partners, non-government organizations, state-owned entities, Island councils and local community groups.

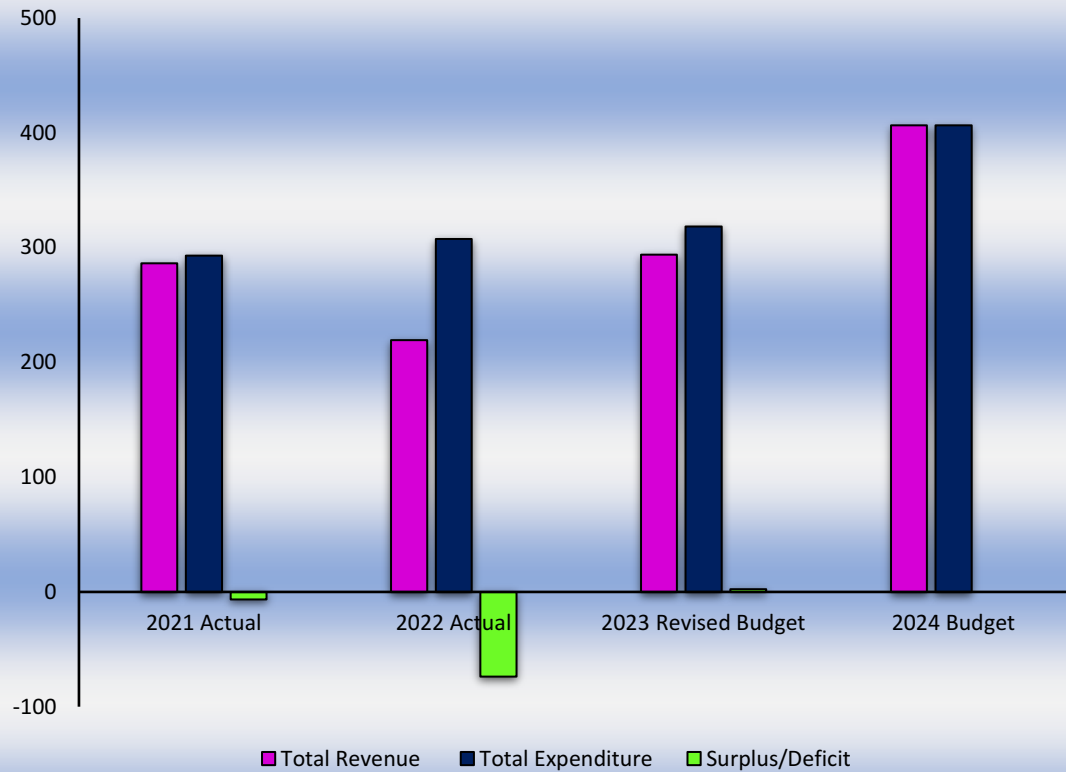
The formal budget cycle starts in July with the publication of the Fiscal Strategy, and concludes in November or December with the presentation of the Budget Appropriation Bill in Parliament.

**Budget Committee:** Chaired by Minister for Finance with representatives from the private sector, civil society and non-government organizations.



# Budget Performance

Budget Performance (2021 - 2024)



**Government has managed to secure financial stability in the midst of current uncertainties.**

*Government revenues rose in 2023 to about \$329.7 million and is expected to rise further in 2024 to \$406.5 million. This is expected to provide much needed support for our economic recovery and growth.*

**The expected budget outcome for 2024 is a balanced budget or 1.0 percent of GDP.**



## Medium Term Fiscal Strategy

**Government's fiscal strategy aims to build a strong and sustainable economy over the next 3 to 5 years whilst maintaining fiscal stability. This will be achieved through the following strategies:**

-  **Strengthen government's financial position over the medium term by prudently managing the RERF, cash balances and reducing debt.**
-  **Achieving 'budget balance' over the medium term consistent with economic conditions and inclusive economic growth.**
-  **Investing in critical social and economic infrastructure to enhance productivity, strengthen climate resilience and support future sources of growth.**
-  **Pursue planned structural reforms to diversify the economy, improve private sector investments and create new meaningful job opportunities.**



## 2024 Budget Overview

Summary Government Budget (\$Millions)	
<b>Total Revenue</b>	<b>\$406.5 million</b>
<i>Fishing Revenues</i>	<i>\$197.1 million</i>
<i>Tax Revenues</i>	<i>\$80.7 million</i>
<i>Dividends</i>	<i>\$3.5 million</i>
<i>Interest Income</i>	<i>\$0.5 million</i>
<i>RERF Dividends</i>	<i>\$80.0 million</i>
<i>Other Ministries' Revenue</i>	<i>\$5.8 million</i>
<i>Budget Support</i>	<i>\$5.8 million</i>
<b>Total Expenditure</b>	<b>\$406.5 million</b>
<b>Appropriated Expenditure</b>	<b>\$389.8 million</b>
<b>Statutory Expenditure</b>	<b>\$16.7 million</b>
<b>Budget Surplus (Savings)</b>	<b>\$0</b>
<b>Surplus as percentage of GDP</b>	<b>1%</b>

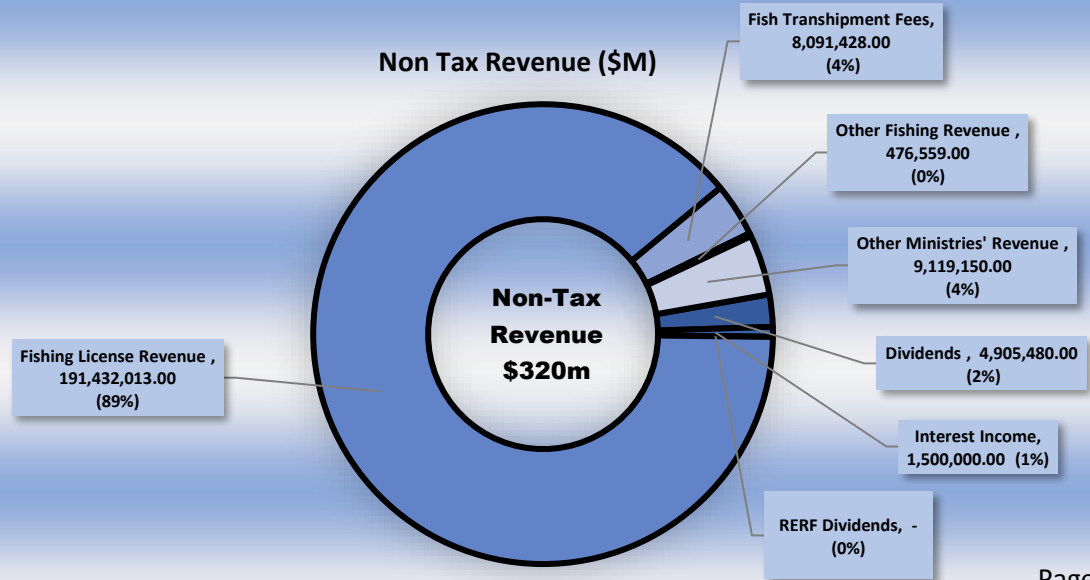
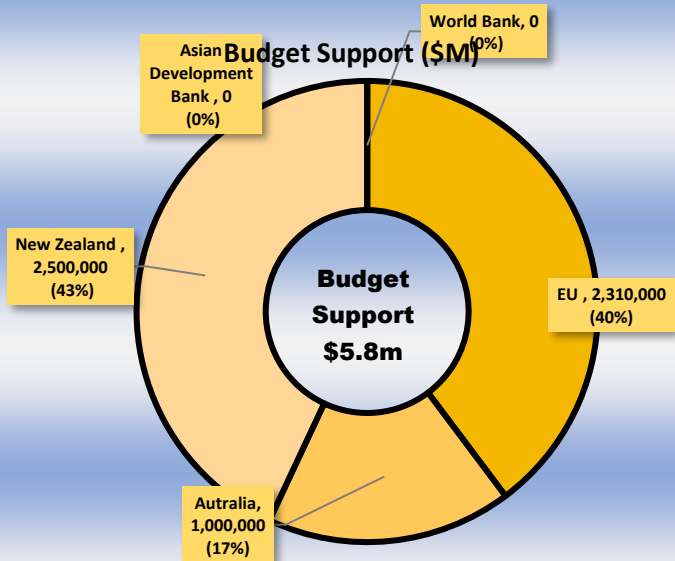
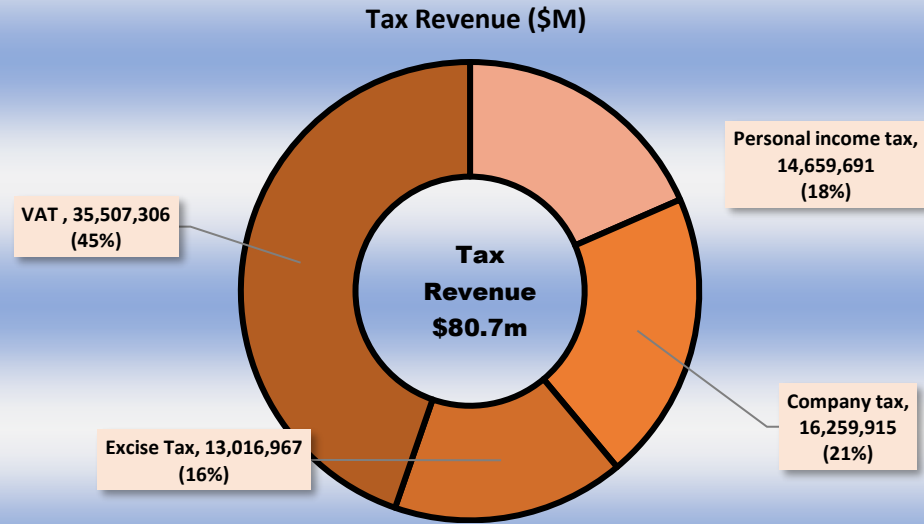
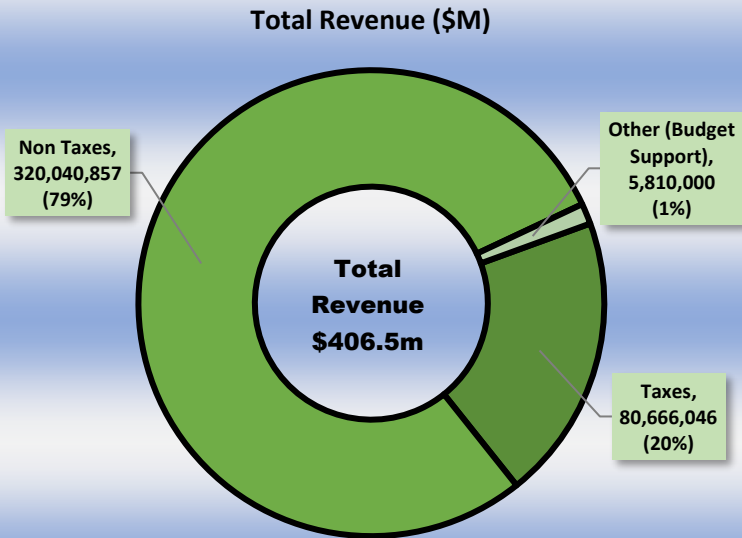
**In the 2024 National Budget, the government aims to earn \$406.5 million (revenues) and spend around \$406.5 million (expenditures). This is expected to generate a balanced budget with zero savings or 1 percent of GDP.**

- Total appropriation expenditure - \$389.8 million (96 percent of the total budget)
- Statutory expenditure - \$16.7 million (4 percent of the total budget)



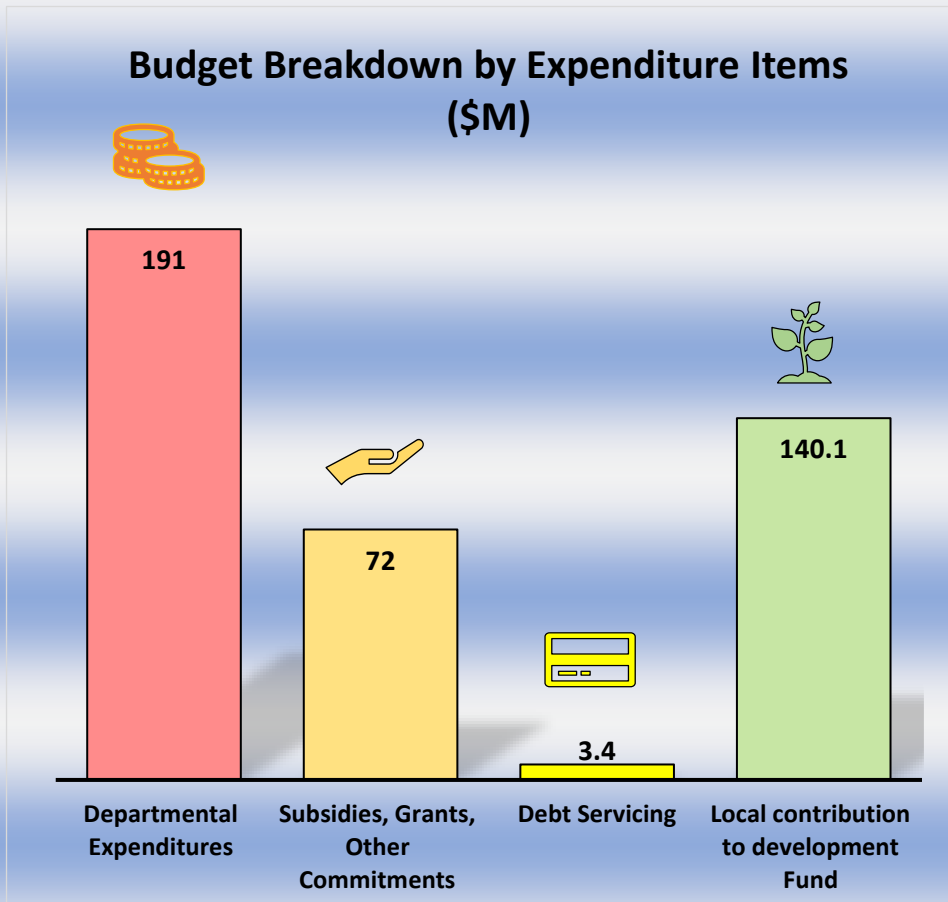
# 2024 Budget Revenue

Total revenues in 2024 is estimated at \$406.5 million, 4.6 percent higher than revenue earnings in 2022



# 2024 Recurrent Budget Expenditure

**Government's recurrent expenditure for 2024 is \$406.5 million, 23 percent higher than the revised budget for 2023.**



### 2024 Recurrent Budget amounts by budget categories:

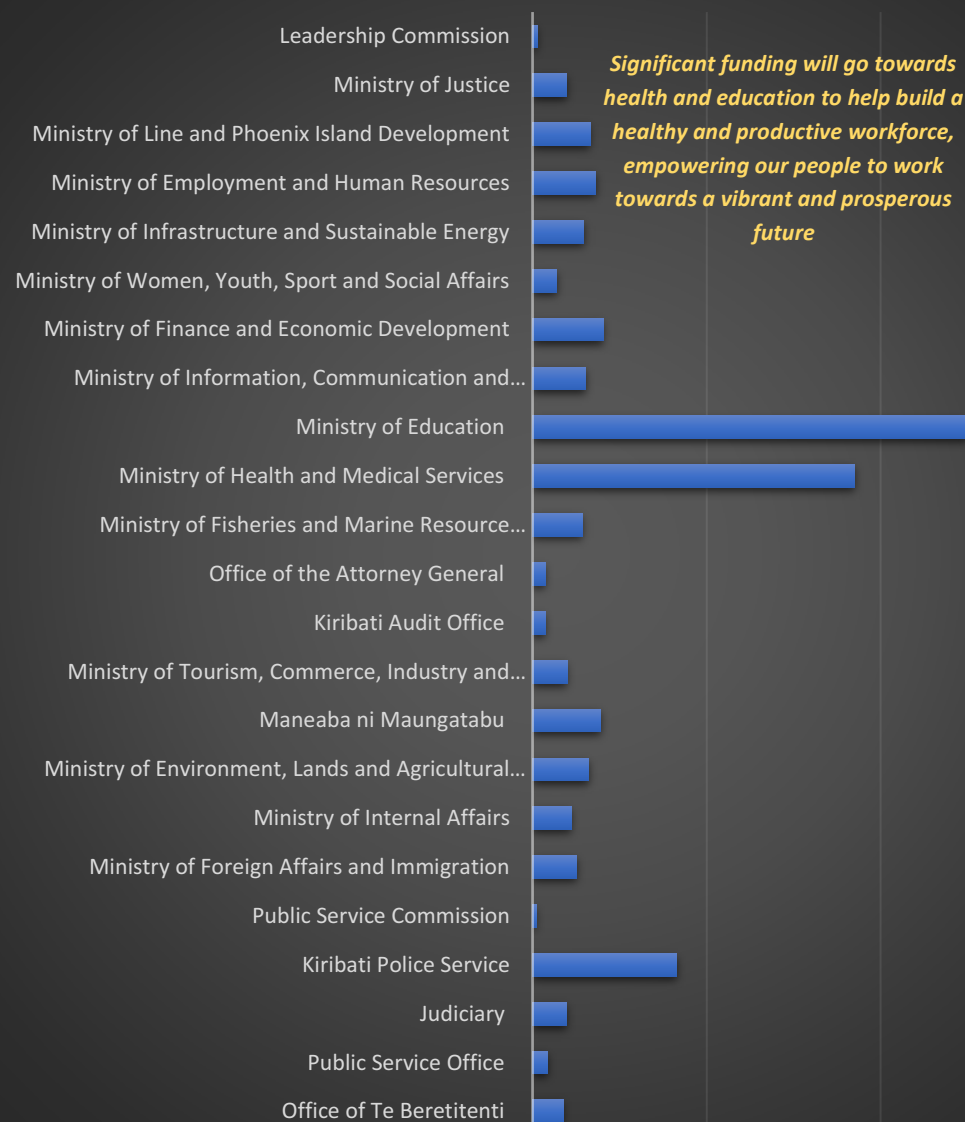
- Departmental expenditures: \$191 million;** covers spending on *government salaries and other operational costs.*
- Other expenditures: \$72 million;** covers spending on *Subsidies, Grants and Other Commitments, including social security payments, land rent, grants to island and urban councils and support payments to State Owned Enterprises.*
- Debt servicing costs: \$3.4 million;** covers payments on *Interest, Principal and Other Charges on Public debt.*
- Local Contribution to the Development Fund: \$140.1 million;** covers investments in *Projects and Grants; and payments for Copra Subsidies and Unemployment Benefits.*

## 2024 Recurrent Budget Allocations – By Ministry

Consistent with the KV20 Vision - Government's budget expenditure in 2024 is prioritized across four key sectors: **Education, Health, National Security and Finance and Economic Development.**

Ministry	2024 Budget
Office of Te Beretitenti	3,498,135
Public Service Office	1,758,412
Judiciary	3,879,816
Kiribati Police Service	16,566,972
Public Service Commission	454,776
Ministry of Foreign Affairs and Immigration	5,032,194
Ministry of Internal Affairs	4,422,851
Ministry of Environment, Lands and Agricultural Development	6,426,151
Maneaba ni Maungatabu	7,838,290
Ministry of Tourism, Commerce, Industry and Cooperatives	3,964,296
Kiribati Audit Office	1,466,843
Office of the Attorney General	1,428,193
Ministry of Fisheries and Marine Resource Development	5,686,430
Ministry of Health and Medical Services	36,993,901
Ministry of Education	50,160,426
Ministry of Information, Communication and Transport	6,099,413
Ministry of Finance and Economic Development	8,108,528
Ministry of Women, Youth, Sport and Social Affairs	2,806,280
Ministry of Infrastructure and Sustainable Energy	5,906,684
Ministry of Employment and Human Resources	7,268,796
Ministry of Line and Phoenix Island Development	6,647,011
Ministry of Justice	3,952,258
Leadership Commission	609,261
Debt Servicing	3,421,693
Subsidies, grants and other commitments.	71,986,502
Contributions to the Development Fund	140,132,793
<b>Total Expenditure</b>	<b>406,516,905</b>

### Ministry Budget Allocations 2024

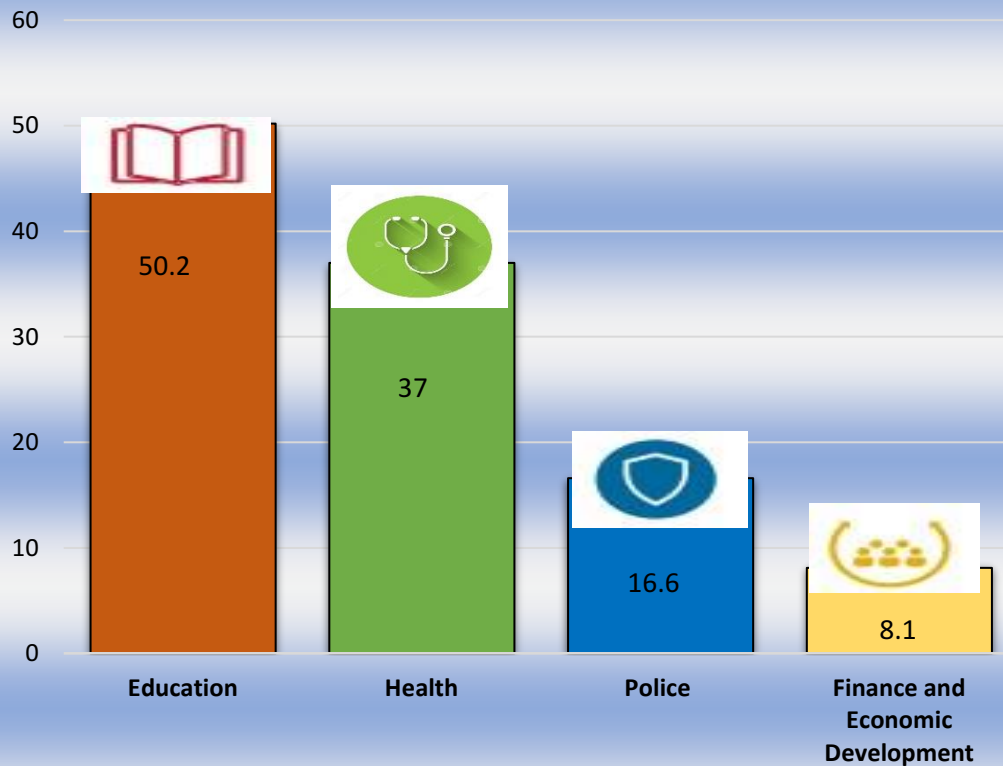


# 2024 Recurrent Budget Allocations – By Priority Ministries

## Ministries with the highest budget allocations:

- **Education:** \$50.2 million;
- **Health:** \$37 million;
- **Police:** \$16.6 million; and
- **Finance and Economic Development:** \$8.1 million.

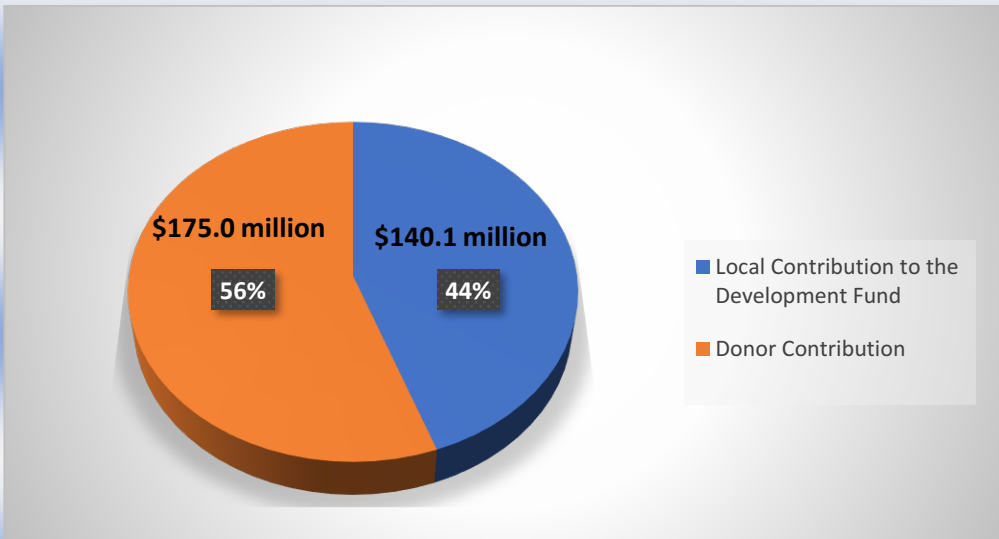
**Four largest budget allocations in 2024:** Ministry of Education; Ministry of Health; Ministry of Finance and Economic Development; and the Kiribati Police Services. Together these four Ministries consume approximately \$111.8 million, or 27.5 percent of the government budget.



Educating our Children for a bright and prosperous future

# Development Budget

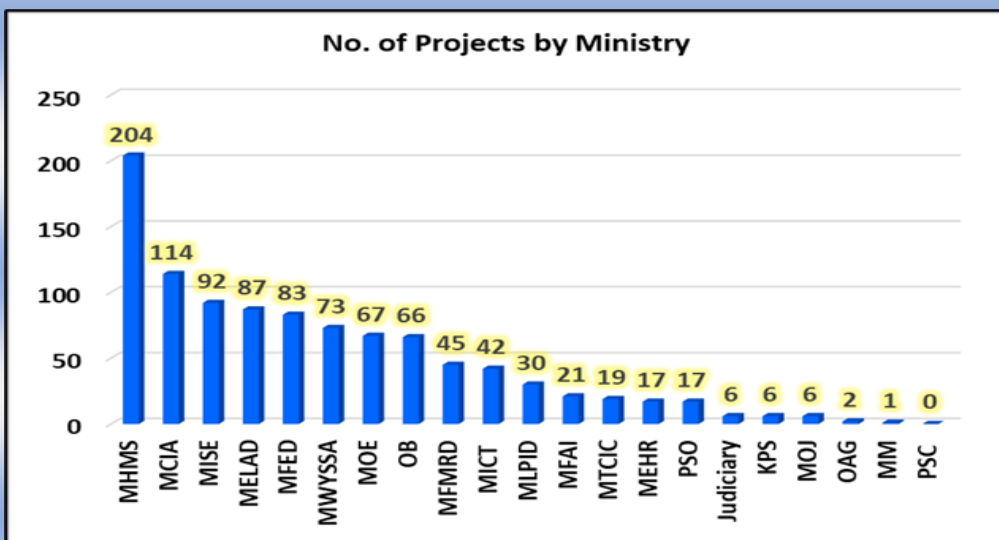
## Donor & Government Contribution (LCDF)



The **Development Budget** is prepared independently from the government's recurrent budget. It focuses primarily on the allocations for key development projects, such as roads, water, and electricity. Majority of development budget programs are supported by our development partners; while, government also contributes to the development budget through the LCDF provision.

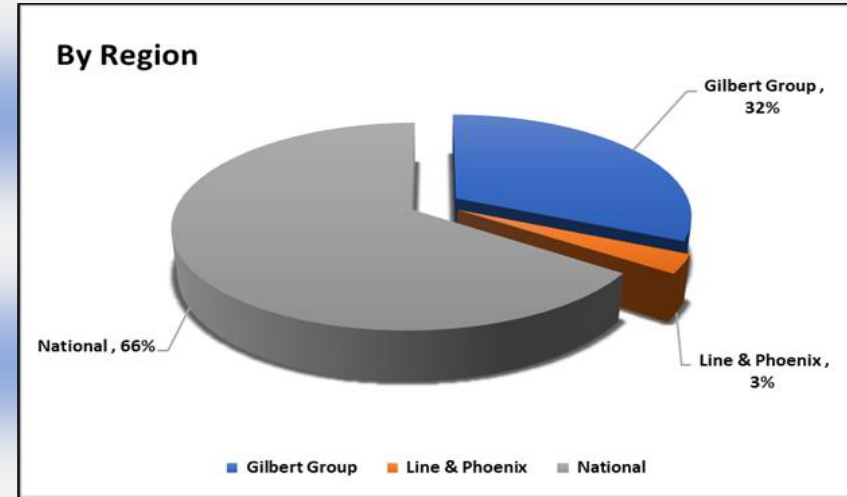
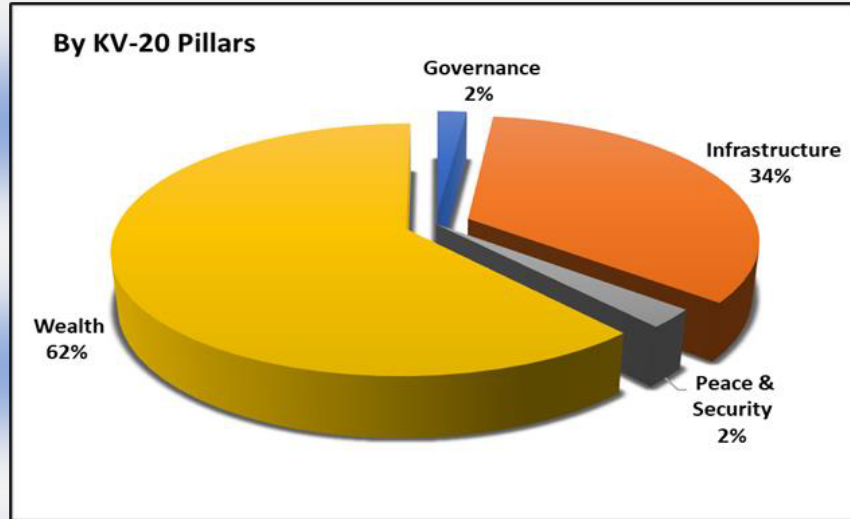
The total budget for development in 2024 is approximately **\$277.6 million, or 89 percent of GDP**. This represents:

- Projects totaling **\$171.2 million** to be financed by development partners (62 percent); and
- Projects totaling **\$106.3 million** to be financed by the government via the LCDF (38 percent).

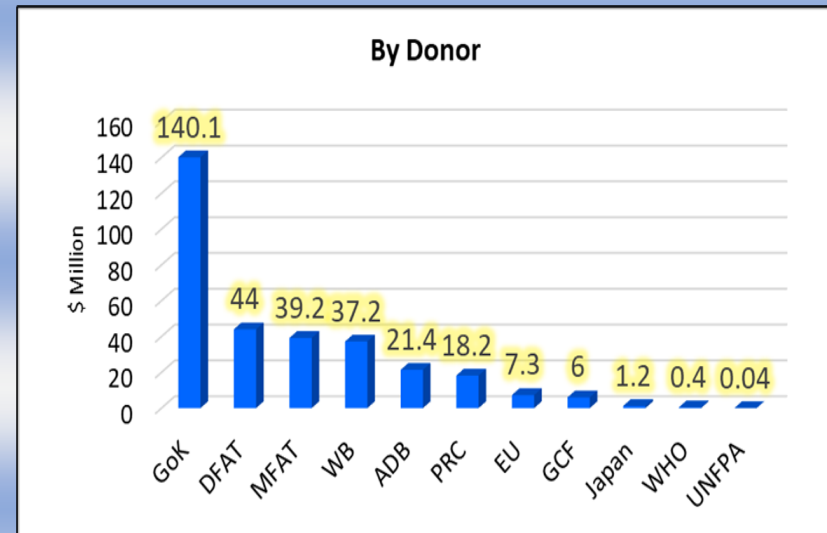
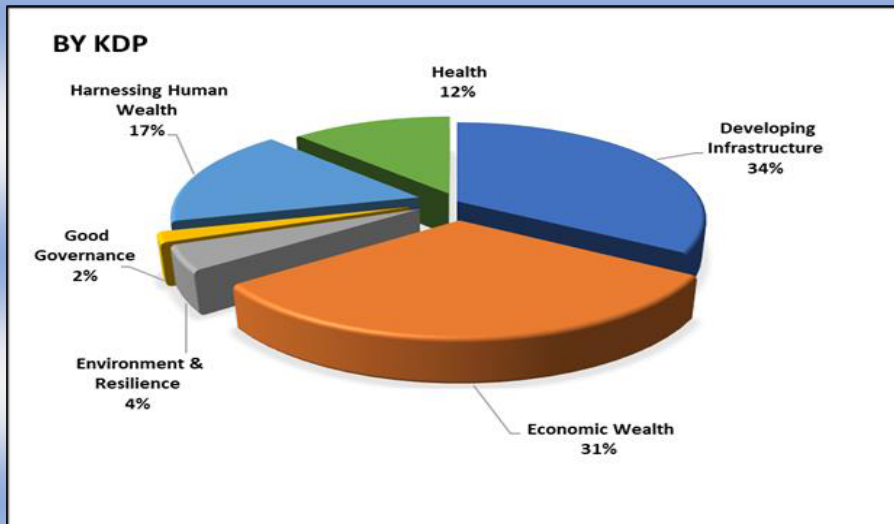


# Development Budget Allocations

## By Key Pillars - Kiribati 20 Year Vision (2016-2036)



## By Priority Sectors - Kiribati Development Plan



## 2024 Budget Priorities – Focus on Social Protection

With the theme of ‘**Building a secure and prosperous future**’ the 2024 Budget will continue support for key social protection programs to help our people rebuild their lives and confront emerging challenges. **This includes policies to cushion the impacts of recent global price pressures on our people.**

**The budget for social protection is \$83.2 million in 2024 - 20 per cent of total expenditure and 26 per cent of GDP.**

**Copra Price Scheme**

**\$29.8 million**



The provision has been reduced by \$1.8 million or 7 per cent from the 2023 Budget. The reduction is made to reflect the actual balances that could be rolled on to 2024. This is to continue the payment of the \$4 per kg.

**Unemployment Benefits**

**\$28 million**



Amount reduced by \$2.1 million or 7 per cent from the 2023 Budget. The anticipated decrease in the 2024 provision is based on two factors (i) labour mobility scheme, (ii) Other social benefit incentives such as the leave grant for non-ER posts

**Elderly Benefits**

**\$23 million**



Amount is increased by \$2.7 million or 13 per cent from the 2023 Budget. The increase in the 2024 budget would cater for the increase in number of eligible recipients anticipated next year.

**Disability Allowance**

**\$2.4 million**



Amount retained as in the 2023 Budget.

## Cash Position

Total cash available on the 23<sup>rd</sup> of October 2023 stood at \$251.2 million. \$239.5 million of this comprised cash reserves set aside by the government to cater for unexpected budget demands. *This provides an expenditure coverage of approximately 7 months, which is within the sustainable target of 3 months.*

*Having sufficient cash available is always prudent. It provides the government with the financial capacity to respond to unexpected events and protect the stability of public finances.*

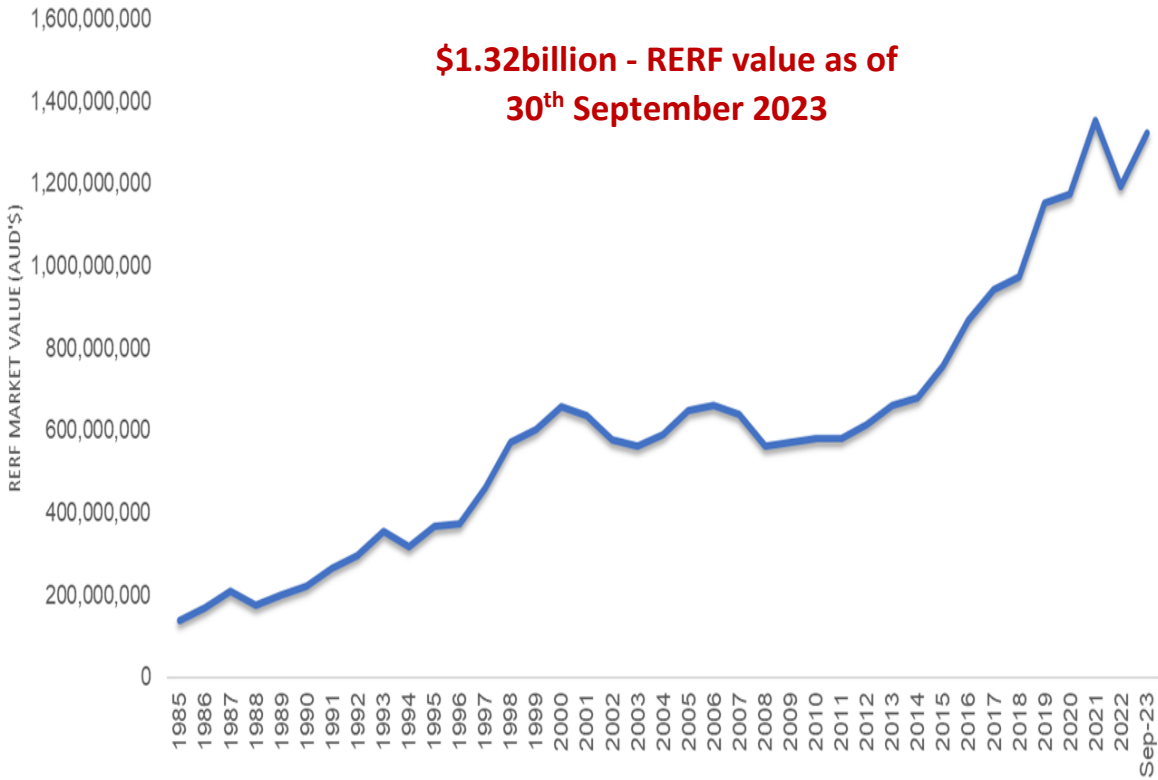
### Government cash position as at 23<sup>rd</sup> October 2023

Government Bank Accounts	Description	Balance as @ 23 <sup>rd</sup> October 2023
Account No. 1: Operating Account	Main operational account for daily transactions.	\$20.7 million
Account No. 4: Development Fund	Special account for contributions to the Development Fund, managed by Ministry of Finance and Economic Development.	\$112.8 million
Account No. 3: Fishing License Revenue.	Primary Account for fishing license proceeds.	\$239.5 million (Cash Buffer)
State Street Account	Special term deposit account with the State Street Bank, Australia.	
Interest Bearing Deposit Account	Interest Bearing Deposit Account.	
<b>Total Cash Position</b>		<b>\$373 million</b>



# Revenue Equalisation Reserve Fund

Figure 1: Revenue equalisation Reserve Fund (RERF) - Annual Market Value 1985 to end Sept 2023 (AUD'\$)

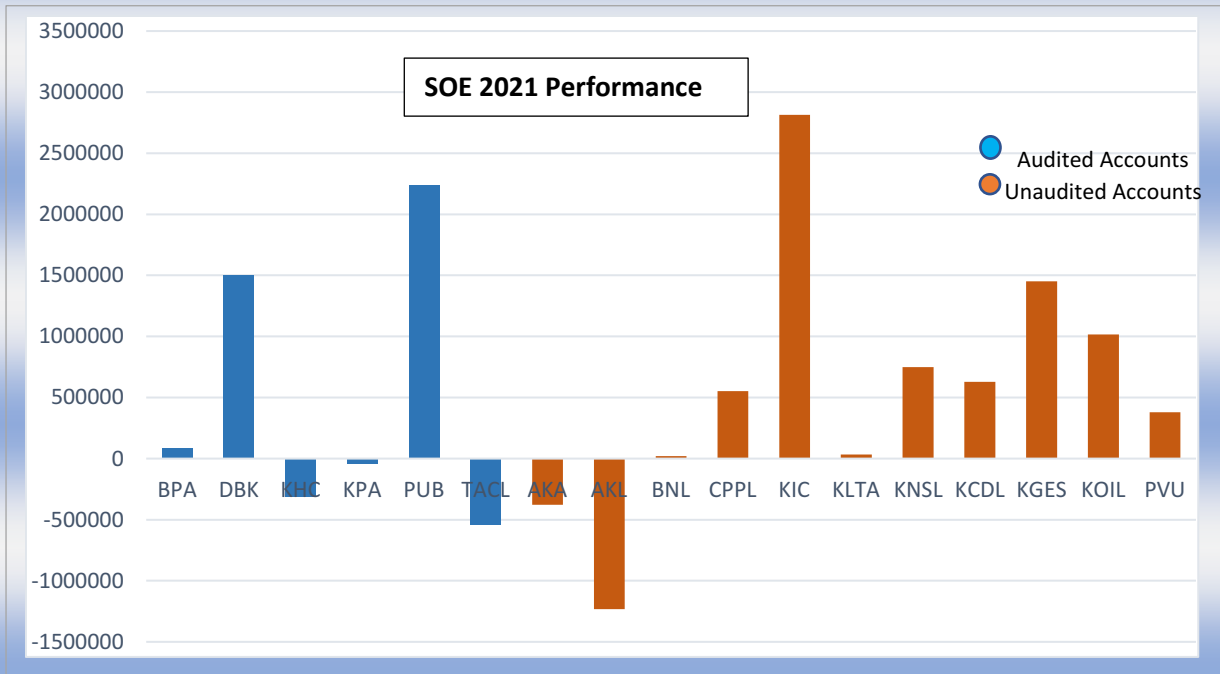


**Government will be drawing down from the RERF account in 2024. This is because RERF returns in 2023 has reached the 2 percent threshold under the RERF Withdrawal Policy.**

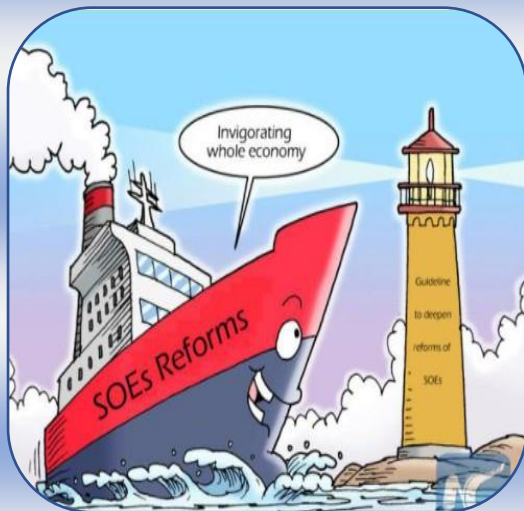
**The RERF is still performing well despite geopolitical tensions and conflicts happening in the world today. As of 30 September 2023, the RERF balance stood at \$1.323 Billion. When compared to the value of the RERF at the end of 2022 which was \$1.194 billion, the fund has generated a return of 11% or \$130 million during this 9-month period.**

*The value of the RERF has picked up in September 2023 despite the ongoing geopolitical tensions and conflicts.*

# State Owned Enterprises (SOEs) Performance



- Government support for SOEs is reflected in the Budget as Community Service Obligation (CSO) payments.
- The CSO Budget for 2024 is \$10 million.
- 13 of the 18 SOEs recorded net profits in 2021.
- The Return on Equity (RoE) for all SOEs in 2021 was around 4 percent. This was a notable improvement compared to previous years.
- The total value of equity shares across all SOE's stood at \$219.6 million in 2021, about 61 percent of GDP.

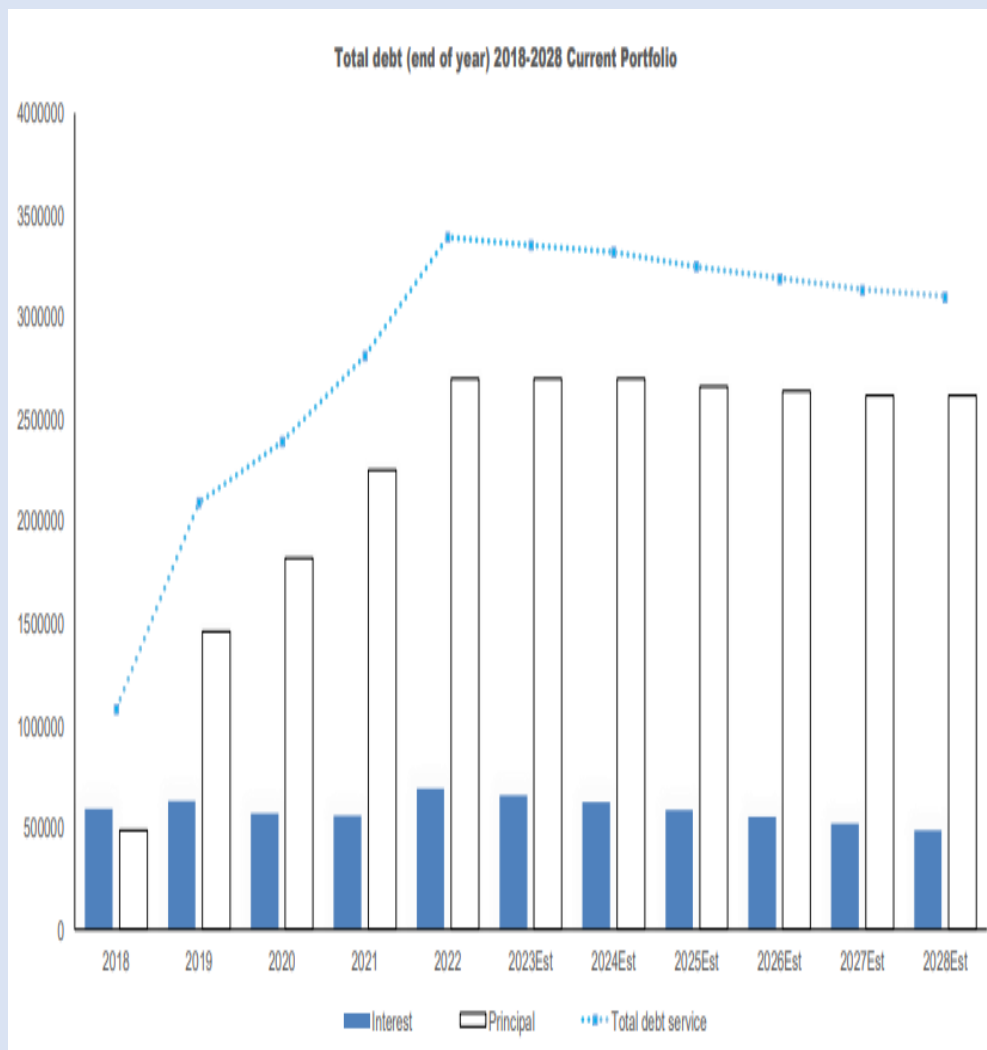


SOE	Abbreviation
Air Kiribati Limited	AKL
Broadcasting & Publications Authority	BPA
Development Bank of Kiribati	DBK
Kiribati Insurance Company	KIC
Kiribati National Shipping Limited	KNSL
Kiribati Oil Co. Ltd	KOIL
Kiribati Ports Authority	KPA
Plant and Vehicle Unit	PVU
Te Atinimarawa Company Ltd	TACL
Central Pacific Producer Limited	CPPL
Kiribati Coconut Development Limited	KCDL
Kiribati Housing Cooperation	KHC
Kiribati Green Energy Solution	KGES
Public Utilities Board	PUB



PREQUEL APP

# Debt Management



- All figures are measured in Australian currency.

**Total debt reflects the funds government owes to external lenders for borrowings made in previous years.** To clear its debts, government must pay-off interest and principal amounts owed on these debts on an annual basis.

**Government's current policy on debt is to reduce all outstanding debt balances and to accept no new debt.** If a new debt is considered, it must be on concessional terms, with at least a 35 percent grant component.

Government's debt portfolio is made up largely of loans acquired from the Asian Development Bank for large infrastructure projects.



# Future Risks & Challenges for the 2024 Budget

**While COVID risks have been brought under control, other challenges have emerged threatening future growth and development prospects**

## Strategies to Address Budget Risks

- Maintain sufficient cash reserves to ease future financial pressures

- Adopt prudent fiscal rules to strengthen the management of public finances

- Diversify and expand the government's revenue base with new revenue sources

- Closely monitor the government budget to improve the quality of public expenditures, deliver 'value-for-money' investments, and improve the efficiency of public services

- Ensure social protection programmes are appropriately targeted and efficiently managed

- Continue to progress key structural reforms over the medium term

Global economic uncertainty

RERF investments uncertainty

Uncertainty around Fishing Revenues

Kiribati Economy

Ongoing COVID-19 impacts on peoples' health and livelihoods

Global inflationary pressures - rising food and oil prices

# Glossary

**BUDGET:** The government's financial plan for the upcoming fiscal year, outlining anticipated revenue sources, expenditure provisions for line ministries, and key financing (borrowing) arrangements to finance the budget.

**REVENUES:** the total amount of money Government receives from both domestic and external sources.

**TAX REVENUE:** the amount of money government receives from various kinds of taxes, including personal income taxes, company taxes, excise taxes and value added taxes. Taxes are compulsory, non-refundable contributions owed to government through relevant tax laws and regulations.

**NON-TAX REVENUE:** revenue collected from sources besides taxes and budgetary support from donors. These include proceeds from fishing licenses, dividends, interest, and various other government charges.

**BUDGET SUPPORT:** financial support from donors and development partners for the national budget.

**BUDGET DEFICIT:** a situation where government expenditures would exceed government revenues.

**GDP:** the value of all finished goods and services produced within a country in a given year.

**INFLATION:** the rate at which general prices for goods and services increase over time.

**EXPENDITURE:** the value of all government consumption, investment and transfer payments.

**FISCAL STRATEGY:** Government's financial plan for the medium term, covering a period of up to 3 to 5 years. The Fiscal Strategy sets out the fiscal limits for the budget, based on assumptions about a country's future growth and development prospects. The Strategy also highlights key priority areas that government plans to pursue over the medium term, whilst recognizing key challenges in the economy that may hinder the achievement of government's goals and objectives.



National Economic Planning Office (NEPO)

Ministry of Finance & Economic Development <http://www.mfed.gov.ki/>

