

KIRIBATI ECONOMIC REFORM PLAN

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BACKGROUND

Economic Reform Plan developed in 2011/12 (with WB and AusAID TA), to deal with difficult economic situation

- Unsustainable RERF drawdowns – and a growing payroll
- High levels of non-concessional debt
- Uncoordinated borrowing by Govt. and SOEs
- Poor SOE performance
- Weaknesses in management of fisheries resources – including inconsistencies with international agreements on licensing

A mechanism to focus Government reform efforts, with support of donors through budget support and TA

Presented at 2012 donor forum

WHAT IS BUDGET SUPPORT?

Financing provided by development partners to support an agreed program of policy reforms

- Funds are untagged and managed through Government systems and processes
- Flexible mechanism, with different approaches used by different development partners in different contexts
- Policy actions reflect Government priorities
- Funds are provided once agreed policy actions have been achieved

World Bank – US\$5.2 million against 2013 actions

Approximately US\$9 million against 2014 actions

PROCESS FOR ERP



Oversight and coordination provided by Economic Taskforce, chaired by Secretary of Finance

2013 ACTIONS

Action	Status
Complete and publish analysis of public expenditure with World Bank TA	Complete
Expenditure on copra subsidy does not exceed budgeted levels. Technical assistance is requested to inform reform of the scheme.	Copra spending exceeded budgeted levels. WB TA engaged to review the scheme
Reduction in number of temporary workers on the payroll	Complete, following MFED review
Submit legislation for a new Value Added Tax	Complete
Approve a national fisheries policy to strengthen management of fisheries resources	Complete
Approve a debt policy to prevent uncoordinated borrowing	Complete

2013 ACTIONS (CONT.)

Action	Status
Pass legislation to introduce legal framework for improved SOE performance	Complete
Complete concession contract for Otintaai Hotel	Complete
Pass legislation to allow liberalization of the telecommunications sector	Complete
Attache system upgrade implemented in Ministry of Finance	Complete

RESULTS

Reduced interest costs to Government through clearing commercial debt

Control of new borrowing

SOE subsidies made explicit and transparent

Fisheries policy provides basis for further progress in maximizing returns from fisheries resources

On the basis of progress achieved

- WB about to disburse US\$5.2 million of budget support
- ADB and possibly NZ to provide budget support against reform actions for 2014
- Budget support, alongside improved fisheries revenues, has created space for a replenishment of the RERF in 2014, for the first time in several years

DRAFT ACTIONS FOR 2014

ERP being updated by govt, with donors using actions for budget support in 2014 (~AUD10m, total)

	Draft Actions
1	Cabinet agrees to detailed reform plan for the copra subsidy scheme, including merger of the Copra Society and the Copra Mill, and the implementation of improved expenditure control and accounting measures.
2	VAT is introduced on schedule and with sufficient integrity to support an overall revenue increase over the import duty regime it will replace.
3	Ministry of Fisheries and Ministry of Finance work collaboratively to produce a joint report detailing the source of all fishing revenues, disaggregated between VDS revenue, bilateral revenues, and individual joint ventures to support accurate forecasting of fisheries revenues in future years.
4	The debt policy is effectively implemented, with no new non-concessional borrowing by central government, and all borrowing and issuance of guarantees formally agreed by Cabinet and the President, following the provision of advice by the Minister of Finance.
5	Cabinet agrees to specific measures for reform of RERF management following the provision of World Bank technical assistance, and the process of implementation is begun.
6	Key provisions of the SOE Act are implemented, including those relating to board membership, financial reporting, and inclusion of community service obligations in annual budget.
7	Government has brought the concession contract for the Betio Shipyards to the point of transaction, and completed the liquidation of Kiribati Shipping Services Limited.
8	An invitation is issued for a private firm to enter the Kiribati telecommunications sector as a provider of telephony and internet services.