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Kiribati: Recent Economic Developments

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KIRIBATI

Recent Economic Developments

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Approved by the Asia and Pacific Department

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I. INTRODUCTION AND SUMMARY

1. **Kiribati consists of 33 atolls widely dispersed in the central Pacific Ocean and is one of the least developed Pacific island economies.** Per capita GDP is low, at about US\$550 in 1998, and while social indicators have improved, life expectancy remains low (at 59 years) and infant mortality high (at 64 per 1,000 births). The production base is narrow (mainly fish and copra) but significant potential exists to develop the fishing industry given that its Exclusive Economic Zone (EEZ) covers 3½ million square kilometers of the Pacific Ocean. Potential also exists in the tourism industry.

2. **Growth averaged only 1¾ percent a year in the 1980s and early 1990s.** Given annual population growth of about 2 percent, this led to a decline in real GDP per capita by about 5 percent over this period. The lackluster growth performance can be traced to a number of weaknesses in structural policy, many of which are common to Pacific island economies, including: a large and inefficient public sector that crowds out the private sector; an inefficient tax system; an unclear system of land titles; price controls; government subsidies (especially to public enterprises and producers of copra); limited competition in the financial sector; and complicated procedures for foreign direct investment. Other less policy-related factors have also constrained growth, such as Kiribati's remoteness from international markets; the wide dispersion of its population over a large number of small islands; and the lack of skilled labor.

3. **A large share of imports and government spending is financed from external grants and fishing license fees** (based on the reported value of the catch of foreign fishing vessels in Kiribati waters). Therefore, the balance of payments and the budget are vulnerable to changes in donor support and fishing license revenue, but the sizable official external assets (at more than 8 times GDP), mainly in the country's trust fund (the Revenue Equalization Reserve Fund (RERF)), provides a buffer against temporary revenue shocks.

4. **The economy was given a temporary boost from increased spending by the new government in 1995, marking a departure from Kiribati's history of cautious fiscal policy.** As a result, real GDP growth picked up to an average of 4½ percent in the four years to 1998. Public investment and the civil service wage bill were increased sharply, financed initially by unsustainably large drawdowns from the RERF and more recently from a favorable revenue shock (due to a sharp increase in the fish catch by foreign vessels). The financial crisis in Asia had little direct impact on Kiribati.

5. **In late 1997, the government adopted a new *Medium-Term Strategy*, which focuses on the need to reduce the role of the public sector in order to promote the development of a dynamic private sector.** However, only limited progress has been made in its implementation.

6. **The fiscal and external positions strengthened in 1997 and 1998 due to a temporary jump in fishing license fees to exceptionally high levels (as strong El Niño climatic conditions boosted the catch in Kiribati waters), which enabled the high level of government current expenditure to be maintained.** The budget balance improved from an

overall deficit of more than 35 percent of GDP in 1996 to a surplus of 24 percent of GDP in 1998, while the current account deficit (excluding grants) narrowed sharply to 3 percent of GDP in 1998. A large overall balance of payments surplus in 1998, together with sizable valuation gains on official external assets, led to a large increase in external assets.

7. **Inflation was low in 1996 and 1997, but picked up moderately to almost 5 percent in 1998**, reflecting import supply problems due to the breakdown of the crane at the main port and the depreciation of the Australian dollar (which is used as the legal tender).

8. **The financial sector remains at an early stage of development.** Most deposits are channeled overseas due to structural constraints on lending by the single commercial bank and the lack of domestic investment opportunities. There is no central bank or monetary authority, and financial institutions are not subject to prudential guidelines.

II. RECENT POLICY DEVELOPMENTS

9. **The key policy development in recent years was the government's adoption of a *Medium-Term Strategy* in 1997, which focuses on the need to reduce the role of the public sector in order to promote the development of a dynamic private sector (Box 1).** Only limited progress, however, has been made in its implementation. An important slippage was the failure to implement the planned freeze on civil service recruitment, with the number of civil servants increasing by 2 percent in 1998 and budgeted to increase by a further 3 percent in 1999. As a result, the level of recurrent government spending remains very high (at 71½ percent of GDP or 42½ percent of GNP in 1999). In other areas, some reform measures have been taken. Importantly, a decision has been made to improve the accountability of public enterprises (by requiring better reporting of their performance and the preparation of strategic plans before budgetary support is provided), but few enterprises have begun to operate on a commercial basis and there has been no privatization. In addition, some progress has been made toward clarifying land titles. The government's review of the *Medium-Term Strategy* in February 1999 acknowledged the slow progress and highlighted the need for further action to implement the strategy fully.

III. OUTPUT AND PRICES

A. Production

10. **Economic activity and formal employment are dominated by the public sector.** The estimated value-added of the government administration sector alone comprised almost one-third of GDP in 1998, while public enterprises were especially dominant in the service sectors (e.g., commerce and hotels, transport and communications, and finance and insurance) which comprised a large share of GDP (Table 1). The production base remained narrow, with copra and fish representing the major products, and there was little industrial activity.

Box 1. The Government's Medium-Term Economic Strategy

In response to a history of stagnant per capita incomes, together with concerns that the fiscal expansion in the mid-1990s was unsustainable, the government adopted a medium-term strategy in 1997 to generate sustainable growth. It was presented at a Consultative Group meeting in January 1998 and received broad endorsement by donors. The strategy aims to encourage private sector-led growth by:

- Reducing the relative size of the public sector by containing the level and improving the quality of government expenditure, including through medium-term output-based budgeting, voluntary redundancy schemes for civil servants, and a freeze on new recruitment;
- Reforming public enterprises, through commercialization or privatization;
- Providing a sound physical and regulatory infrastructure, including by: improving basic education and health services; preserving the environment; liberalizing trade and investment; removing monopoly privileges; promoting a foreign investment friendly environment; and clarifying land titles.

11. **Real GDP growth picked up from low rates in the early 1990s to average 4½ percent in the past four years, reflecting a temporary boost from the expansion of government spending** (Table 2 and Figure 1). Public investment and the civil service wage bill were increased sharply in the mid-1990s, financed initially by unsustainably large drawdowns from the RERF and more recently from a favorable revenue shock (due to a sharp increase in the fish catch by foreign vessels) and higher external grants. The impact of the fiscal expansion was directly reflected in the production side measure of GDP¹ as an increase in activity in the construction and government administration sectors (which together contributed about 7¾ percentage points of the 18½ percent increase in real GDP over the period 1995–98, Table 3). The increase in the civil service wage bill also increased household disposable incomes and consumption, which was reflected in increased activity in a number of sectors (including the commerce and hotel sector) and in a higher contribution to GDP from indirect taxes.

12. **Kiribati's GNP is about twice the level of GDP, reflecting the sizable income from fishing license fees, external assets, and seamen's remittances** (Table 4). Real GNP grew by 30 percent in 1997 and 16 percent in 1998, well in excess of real GDP growth, because of the temporary jump in fishing license fees to double normal levels (in the wake of strong El Niño climatic conditions that boosted the catch in Kiribati waters).

13. **Copra continues to be an important source of household income (especially on the outer islands), but its production declined from 1994 to 1997, before recovering in 1998** (Table 5). The decline in copra production in the mid-1990s occurred despite an increase in the producer price paid by the Kiribati Copra Cooperative Society from about \$A 300 in the early

¹No expenditure side estimates of GDP are prepared.

1990s to \$A 400 per ton in the period 1995–97 (Table 6). The decline in production appears to have stemmed from the increased opportunity for income from alternative activities (especially the greater opportunity for employment in the public sector and the emergence of seaweed cultivation as a viable alternative), coupled with higher household disposable incomes from the 30 percent rise in civil service wage rates in the mid-1990s. In 1998, the producer price for copra was increased to \$A 450 per ton for the Gilbert Islands (and \$A 420 for the more remote Line Islands, which produce about one-eighth of the output—the lower price reflects higher transport costs). This spurred a recovery in production, particularly in the Gilbert Islands.

14. **The producer price for copra has included a subsidy element that averaged about 1½ percent of GDP in the past four years.** In 1998, the subsidy increased somewhat as the net export price² fell to \$A 254 per ton while the producer price rose to \$A 450 per ton, implying a subsidy element of almost \$A 200 per ton. In aggregate, the subsidy payment was about \$A 2 million, or 2½ percent of GDP in 1998. The subsidy is funded from the reserves of the Kiribati Copra Cooperative Society (which stood at about \$A 1 million at end-1998) and government drawings on balances in the STABEX Fund (which stood at \$A 3½ million at end-1998).³ Maintenance of the current level of the subsidy would imply erosion of the reserves of the Copra Society in the next 1–2 years and a rundown of the balances in the STABEX over the next 3–5 years.

15. **Fishing remains primarily a subsistence activity, other than the fishing operations of foreign-owned vessels in Kiribati waters.** Domestically owned commercial fishing operations are mainly involved in the sale of fish domestically and the export of fish, seaweed, and pet fish. These activities comprised only 4 percent of GDP in 1998. Moreover, fishing output in constant prices declined in 1997–98 by about 20 percent from the recent peak in 1996. The decline was due to the scaling down of operations by the government-owned fishing venture Te Mautari Limited as it converted from pole and line fishing to long-line fishing for tuna (with cooperation from the Overseas Fisheries Corporation of Japan). Two long-line fishing boats were operated in 1998, but Te Mautari incurred a small loss, partly due to constraints on access to export markets in the absence of regular commercial air transport links.

²Defined as the export price (f.o.b. unit value) less domestic costs other than payments to growers (including freight, commissions, stevedoring, wharfage, and other operating costs).

³STABEX was originally established by the European Union to assist African, Caribbean, and Pacific countries to stabilize their export earnings, particularly from trade in primary products with the European Union. It was also intended to support diversification where the long-term outlook for a particular commodity was poor.

B. Prices

16. **Inflation, which had fallen to low levels in 1996 and 1997 (in line with trading partner economies), picked up moderately to almost 5 percent in 1998 (Table 7).** The pickup in inflation mainly reflected import supply problems due to the breakdown of the crane at the main port, which increased handling costs as more labor-intensive methods were used to unload ships. The rise in inflation also reflected the depreciation of the Australian dollar (given that about one-half of imports originate in countries other than Australia), with Kiribati's nominal effective exchange rate index having fallen 10 percent in 1998. As a result, prices of tradable goods such as food and clothing rose strongly (up 9 percent and 5¾ percent, respectively) while prices of nontradables such as education and recreation services fell slightly in 1998.

17. **The retail price index weighting has been revised to reflect the 1996 Household Survey.** The new index was not backdated beyond 1996 but provides a more comprehensive basis for the price index than the previous index that used 1975 weights. The index is based on a monthly survey of prices in South Tarawa only, and therefore does not reflect price developments in the outer islands.

IV. PUBLIC FINANCE

Developments in 1997-98

18. **The budget balance improved from an overall deficit of more than 35 percent of GDP in 1996 to a surplus of 24 percent of GDP in 1998, due to the temporary jump in fishing license revenue to almost 60 percent of GDP (Table 8 and Figure 2).** The revenue windfall enabled current expenditure to be maintained at more than 70 percent of GDP, about 15 percent of GDP higher than the ratio prior to the adoption of an expansionary fiscal policy in 1995. There were no drawdowns from the RERF (Box 2) in 1998, and reserves in the Consolidated and Development funds rose sharply to more than \$A 30 million.

Box 2. Revenue Equalization Reserve Fund

Origin. The Revenue Equalization Reserve Fund (RERF) was established by the British colonial administration in 1956 to hold royalties from phosphate mining in trust for the people of Kiribati in light of the foreseeable depletion of the deposits. By 1979, when Kiribati gained independence and the phosphate mine closed, the value of the Fund had grown to \$A 69 million (1¾ times GDP).

Purpose. The main objective of the Fund is to provide sustained financing of government expenditure for the benefit of both current and future generations.

Administration. The Fund is administered by a committee of senior officials which is required to file quarterly and annual reports on operations with parliament, whose approval is needed for drawdowns.

Management. The Fund is managed by two brokerage firms, which are monitored by a custodian. Comprehensive audits are made every six years, with the last audit in 1996. At end-1998, the Fund had reached \$A 570 million (8 times GDP) and was well diversified, with investments in 25 currencies (one-third in U.S. dollars and one-third in Australian dollars), evenly split between equities and bonds.

A. Revenue

19. **Tax revenues fell to just under 23 percent of GDP in 1998**, below the average of about 25 percent of GDP for the mid-1990s, partly reflecting static import duty collection (despite a strong rise in imports, as tax exemptions eroded the base) and a fall in personal incomes taxes (Table 9). Company income taxes remained at about one-third of the total tax revenue in 1998.

20. **Nontax revenue increased sharply to more than 70 percent of GDP in 1998 due to the jump in fishing fees to 60 percent of GDP, but other items also rose steadily in recent years.** Revenue from the government charter of an airplane to service Christmas Island⁴ rose to nearly \$A 1½ million in 1998 (offset by costs of about the same amount) while revenue from the sale of Green passports (which give foreigners certain privileges as Kiribati nationals) rose to about \$A 2½ million by 1998.

21. **External grants rose steadily since the mid-1990s to reach 43 percent of GDP in 1998** and provided most of the financing for development spending (see below).

B. Expenditure

22. **Total expenditure increased to 113 percent of GDP in 1998**, well above the ratio of about 95 percent of GDP in the two years prior to 1995. Current expenditure rose to more than 70 percent of GDP while development expenditure reached more than 40 percent of GDP by 1998.

23. **A sizable share of the increased spending went to the authorities' priority areas of social services** (Table 10). Spending on health and education rose to 38½ percent of current outlays in 1998, up from an average of 36¾ percent of current outlays in 1992–94. The World Bank's Public Expenditure Review in June 1998 noted that health and education spending was high, but that the quality was poor with inadequate nonwage expenditure (especially on repairs and maintenance). A comparison of the level and composition of expenditure with selected Pacific island economies (see Table below), confirms that social spending was high relative to that in Fiji, Samoa, and Tonga.

⁴The charter service operates between Honolulu and Christmas Island (which is one of the eastern atolls in Kiribati) and is required as part of the agreement with the Japanese space agency to use Christmas Island to obtain meteorological information. The agency pays an annual fee of about \$A 1½ million to the Kiribati government.

Table. Selected Pacific Island Economies: Expenditure Composition, Average for 1996–98

| | Salaries and Wages | Education | Health | Education and Health | Total Current Expenditure | Development Expenditure |
|----------|-----------------------|-----------|--------|-------------------------|------------------------------|----------------------------|
| | (In percent of GNP) | | | | | |
| Kiribati | 17 | 9 | 7 | 15 | 41 | 21 |
| Fiji | 12 | 5 | 3 | 8 | 24 | 6 |
| Samoa | 10 | 5 | 4 | 9 | 25 | 16 |
| Tonga | 14 | 5 | 3 | 8 | 27 | 16 |

Sources: Data provided by the Fiji, Kiribati, Samoa, and Tonga authorities and IMF staff estimates.

24. **The increase in expenditure since the early 1990s was spread across a range of items, including the civil service wage bill and purchases of goods and services** (Table 11). The wage bill rose by two-thirds between 1994 and 1998, with wage and salary rates across all grade levels rising by about 30 percent (Table 12). The remainder of the increase in the wage bill appears to be due to an increase in the number of civil servants.⁵

25. **Subsidies to public enterprises also rose steadily through 1997, peaking at 8 percent of GDP, before dropping to 3 percent of GDP in 1998** (Table 14). However, the level of support for public enterprises is higher than that explicitly shown as a subsidy in the budget. For example, only part of the cost of the landing crafts purchased by the government for Kiribati Shipping Services in 1998 was shown as a subsidy—the remainder was shown as current maintenance expenditure. Moreover, the opportunity costs of loss-making public enterprises in terms of lost dividends from the poor performance of public enterprises (see below) and the tax exemptions they enjoy are sizable, but difficult to quantify.

26. **Development expenditure bounced back to over 40 percent of GDP in 1997–98 from an average of 34 percent of GDP during 1994–96.** The higher level of public investment was due to two major projects: the redevelopment of the port in Betio that began in 1997 (which is

⁵A consistent time series for the number of civil servants is unavailable, as employment data provided by the Kiribati Provident Fund (Table 13) have a break in the series in 1995/96. However, the data show a 7 percent increase in employment in the central government sector between 1992 and 1995, followed by a 1 percent fall in 1997. No comparable data are available for employment in 1996 when the civil service wage bill rose by 12½ percent. Budget data for 1998 (which are only available from 1997) show a 2 percent increase in the number of civil servants.

financed by a grant from Japan, and is expected to be completed in 2000); and the construction of new junior high schools.

C. The 1999 Budget

27. **The budget for the 1999 calendar year was presented in March 1999 and shows little progress in reducing the high level of current expenditure, which is budgeted to fall only slightly to 71½ percent of GDP.** The wage bill is envisaged to rise by 5 percent (due to a 3 percent increase in the number of civil servants together with merit wage increases) and explicit subsidies to public enterprises are budgeted to remain at about 2 percent of GDP. Development expenditure is budgeted to rise to 54 percent of GDP, due to the commencement of an Asian Development Bank (AsDB)-financed water and sanitation project.

28. **The budget envisages that the overall balance will swing back to a deficit of more than 30 percent of GDP in 1999.** The deterioration is mainly due to a sharp decline projected in revenue from fishing license fees as La Niña weather conditions are expected to prevail in 1999 (which reduces the catch in Kiribati waters below normal levels). The budget envisages use of the Consolidated Fund to finance almost half the budget deficit in 1999, with the remainder of the deficit financed from RERF drawdowns and the AsDB loan for the water and sanitation project. The Consolidated Fund had been created for this very purpose, and the balance in the Fund had increased significantly in 1997 and 1998 (because of the exceptionally high fishing license revenue).

Medium-term output-based budgeting

29. **In an effort to improve the efficiency of the public sector and the quality of expenditures, the government recently adopted an output-based budgeting system.** The 1999 budget for the first time identifies specific output objectives for each ministry and the resources allocated for producing each output. As part of the output-based budgeting system, the government is developing performance standards and a monitoring system, which will include monthly progress reports within ministries, and quarterly reports from all ministries to the Ministry of Finance. In this context, ministries are required to submit three-year strategic plans, which should enhance the prospects of achieving their output objectives.

30. **The government also produced three-year budget projections in an effort to improve the quality of fiscal planning.** Complete estimates for revenue are prepared but expenditure estimates are only partial with a number of large and variable items excluded.

D. Public Enterprises

31. **Public enterprises are involved in virtually all sectors of the economy, but most have performed poorly in recent years (Box 3).** The government's medium-term strategy envisaged public enterprise reform, including corporatization, and eventually, privatization. However, little

Box 3. Why Have Most Public Enterprises Performed Poorly?

Public enterprises dominate economic activity in Kiribati, but the performance of most wholly government-owned enterprises has been poor. They have made sizable losses (see Table below and Table 15), provided poor services, and crowded out the private sector by operating on a noncommercial basis. Their performance has lowered economy-wide efficiency and caused a sizable drain on the budget (including through subsidies that averaged more than 4 percent of GDP during 1995–98, government-guaranteed loans, and tax exemptions).

The reasons for the poor performance of the wholly government-owned public enterprises include:

- The lack of commercial orientation. Managers are not given full discretion to operate on a commercial basis, as many public enterprises are instruments of public policy used to deliver essential public services. Importantly, their pricing policy is often determined by government, which undercuts the private sector (this is made possible by government subsidies, a run-down of assets, and asset replacement funded by the government or external donors).
- Poor management and lack of accountability. Management skills are in short supply and managers are not held accountable for their performance, with little effective oversight from government. Moreover, financial statements are often reported with a 1–2 year lag (or longer) and are of poor quality.
- Public enterprises are also used to transfer income to the outer islands. For instance, the copra and seaweed enterprises pay prices above world levels to support the livelihood of the outer islands.

By contrast, those enterprises that are jointly owned by the government and foreign partners, including the Bank of Kiribati and Telecom Services Kiribati Ltd., have been very profitable. They have maintained a strong commercial orientation, with little interference from government, and have benefited from the infusion of foreign capital and expertise. Moreover, management has been held accountable for their performance. Nonetheless, the cost of their services is high, underscoring the need to encourage competition.

Kiribati: Selected Public Enterprises, Least and Most Profitable

| Enterprise and Date of Figures | Profits/Losses | Equity | Return on Equity |
|---|----------------|---------------|------------------|
| Wholly government-owned: | (\$A 000s) | (\$A 000s) | (%) |
| Kiribati Cooperative Copra Society (1996) | -908 | 2,312 | -39.3 |
| Public Utilities Board (1997) | -476 | 9,905 | -4.8 |
| Kiribati Housing Corporation (1997) | -413 | 4,793 | -8.6 |
| Kiribati Shipping Services Limited (1997) | -431 | -4,218 | ... |
| Air Kiribati Limited (1997) | -106 | -100 | ... |
| Captain Cook Hotel Limited (1997) | -232 | 1,071 | -21.7 |
| Atoll Seaweed Company (1995) | -160 | 290.3 | -55.2 |
| Total | -2,726 | 14,053 | -19.4 |
| (In percent of GDP) | (-3.8) | | |
| Joint ventures: | | | |
| Bank of Kiribati Limited (1998) | 2,373 | 1,854 | 128.0 |
| Telecom Services Kiribati Limited (1996) | 1,120 | 1,735 | 64.6 |
| Total | 3,493 | 3,589 | 97.3 |
| (In percent of GDP) | (4.9) | | |

Source: The Kiribati Ministry of Finance and National Audit Office.

progress has been made on planned reform measures, which included removing noncommercial goals, eliminating government subsidies and loan guarantees, granting managers autonomy, and holding them responsible for the financial performance of their enterprise.

32. **In December 1998, the government adopted some disclosure and performance criteria⁶ for the approval of financial assistance to public enterprises.** Moreover, the government plans to establish a commercialization committee as a central authority to oversee the operations and financial performance of public enterprises.

V. FINANCIAL SECTOR

33. **The financial sector consists of the Bank of Kiribati (the only commercial bank), the Kiribati Provident Fund (a pension fund), the Development Bank of Kiribati, the Kiribati Insurance Company, and a number of smaller credit unions and village banks.** The bulk of financial savings are held with the two main institutions—the Bank of Kiribati and the Kiribati Provident Fund—with most deposits channeled overseas due to the lack of domestic investment opportunities and structural constraints on lending. There is no central bank and the Australian dollar is used as the legal tender. The authorities affect monetary developments through their influence on these institutions as either sole or part owner. Currently, there is no banking regulation or prudential guidelines.

34. **The Bank of Kiribati (BoK) is jointly owned by the government and Westpac (an Australian commercial bank) and has domestic assets equivalent to only 7½ percent of its total assets of SA 46 million at end-1998 (Table 16).** A major constraint on the availability of domestic credit from the BoK exists because it is not permitted to use land as collateral, as companies with foreign ownership are restricted from owning land. As a result, credit to the private sector (which comprised virtually all the domestic assets) was only SA 3½ million at end-1998, somewhat higher than the average of about SA 2½ million in the mid-1990s. The remainder of its assets are held offshore, primarily with the parent bank, giving net foreign assets of more than SA 40 million at end-1998 (equivalent to more than half GDP).

35. **The BoK's interest rate spread has widened in recent years, as it has reduced interest rates in line with the decline in Australian treasury bill rates since 1995 but has held lending rates constant.** By end-1998, the spread between the interest rates on secured loans (8 percent) and large deposits (about 2 percent) stood at 6 percentage points (Table 17). The widening of the interest rate spread, together with sizable income generated from fees on foreign exchange trading, has made the BoK very profitable (it recorded a 128 percent return on equity in

⁶The decision requires the review of a corporation's economic and financial performance to be undertaken by the Ministry of Finance before a subsidy or equity contribution is approved. The requirements include the provision of the financial statement for the past year along with cash flow projections, and business and strategic plans.

1998). The BoK's financial position remained strong, with a low ratio of nonperforming loans to assets at end-1998 (less than ½ percent) and a capital adequacy ratio of more than 10 percent.

36. **The Kiribati Provident Fund (KPF), which operates a compulsory pension scheme, is the largest financial institution with assets of \$A 57 million at end-1998 (equivalent to almost 80 percent of GDP) (Table 18).** All employees in the formal sector are obliged to contribute 6 percent of their salary and wages to the KPF, with matching contributions from employers (the contribution rate was increased by parliament from 5 percent to 6 percent in 1996 in order to increase saving). At end-1998, more than 90 percent of the assets were invested offshore, evenly split between equities and bonds (the portfolio is managed by a subsidiary of Westpac). Drawdowns from the Fund are allowed from the age of 45 to encourage the pursuit of other commercial activities, although the formal retirement age is 50. Assets of the KPF have grown by about 10 percent per annum since the early 1990s. However, the KPF's guaranteed annual rate of return of 13½ percent on member's accounts has eroded reserves (both general reserves and current liabilities) from more than \$A 9 million in 1993 to \$A 3 million in 1998.

37. **The Development Bank of Kiribati (DBK) had assets of \$A 4½ million at end-1998, but about 7½ percent of these were nonperforming due to problems with poor credit risk assessment in the past (Table 19).** In order to put the DBK on sounder footing, its institutional capacity is being strengthened with donor technical assistance. A new business plan has been adopted which focuses on recovering bad debts and emphasizing future lending operations in the primary and secondary industries. The government also intends to recapitalize the DBK with a capital grant of \$A 1 million in 1999, which follows capital grants of about \$A 1.2 million in recent years. The DBK is also expecting to receive a loan of about \$A 3 million from the European Investment Bank in 1999. Unlike the BoK, the DBK can use land as collateral as it has no foreign ownership, but its lending activities have been limited in recent years due to the lack of capital (with most loans being small scale, averaging about \$A 2,000).

38. **As the sole provider of insurance, Kiribati Insurance Company (KIC) underwrites life and nonlife insurance and had assets of about \$A 2 million at end-1998.** Given the small size of the market, KIC reinsures with Australian brokers thereby lowering insurance premiums. It has made steady but small profits since it began operating in 1980 with a start-up fund of \$A 20,000 contributed by the government. Most of its assets are held on deposit with the BoK, but the KIC is actively seeking a higher rate of return by investing directly with an offshore bank.

VI. EXTERNAL SECTOR

39. **Kiribati's external position strengthened in recent years, despite the fiscal expansion in the mid-1990s.** The temporary jump in fishing license revenue in 1997 and 1998 contributed to an improvement in the current account deficit (excluding official grants), which narrowed sharply to 3 percent of GDP in 1998 (Table 20 and Figure 3). The decline in the current account deficit, together with external grants, led to a sizable overall surplus. The surplus, coupled with valuation gains in the RERF, resulted in a large increase in official external assets. Public external debt remained low and was on highly concessional terms (with no short-term debt). No data are

available on private sector external debt, but it is likely to be small given that the private sector is in its infancy.

A. Developments in the Current Account

40. **The current account deficit (excluding official grants) narrowed from a recent peak of just under 50 percent of GDP in 1996 (a year in which fishing license fees were below normal levels) to 3 percent of GDP in 1998**, mainly due to the jump in revenue from fishing fees. Including grants, the current account balance improved from a deficit of 27 percent of GDP in 1996 to a surplus of 26 percent of GDP in 1998.

41. **The trade balance, however, widened in recent years to reach almost 70 percent of GDP in 1998, as growth in imports of goods outstripped export growth.** Exports of goods remained small, at only \$A 9½ million in 1998 (or 13 percent of GDP), but were about one-third higher than the average for the period 1992–96 (Table 21). Exports of copra accounted for more than half of the exports (mostly to Bangladesh (Table 22)), but the growth in exports in recent years has come in other products, including fish, seaweed, and pet fish. Imports of goods grew strongly in recent years, largely because of the fiscal stimulus, to reach almost \$A 60 million (equivalent to more than 80 percent of GDP). In 1997, preparatory work for the Japanese-funded Betio Port Redevelopment Project resulted in high imports of machinery and equipment from Japan, with imports from Japan falling back to more normal levels in 1998 (Table 23). Imports of consumer goods (such as food, beverages, and manufactured goods) increased significantly in recent years, reflecting higher household disposable incomes and consumption, largely as a result of the increase in the civil service wage bill.

42. **The balance on services worsened from about 35 percent of GDP in the mid-1990s to over 45 percent of GDP by 1998** (Table 24, top panel). The deterioration was mainly due to stagnant service credits (despite some pickup in travel receipts) and an increase in payments for other services, including donor-funded technical assistance.

43. **The widening of the deficit on goods and services in recent years was more than offset by the increase in the surplus on factor income from about 70 percent of GDP in the mid-1990s to 105 percent of GDP in 1998** (Table 24, lower panel). The improvement was due to the jump in fishing license fees to almost 60 percent of GDP in 1998, together with a steady increase in investment income (mainly from the RERF) and seamen's remittances (from Kiribati nationals working on foreign-owned ships). The increase in seamen's remittances to Kiribati households, to A\$11 million in 1998 (or 15 percent of GDP), reflects the depreciation of the Australian dollar together with growing numbers of Kiribati seamen on foreign ships.⁷ Presently

⁷Seamen's remittances are likely to be underestimated due to the lack of reliable data. The underestimation of this item may be a major contributor to the sizable positive errors and omissions figure in the balance of payments (which averaged \$A 11½ million or 17 percent of GDP in 1995–98).

about 1,300 seamen are estimated to be working on foreign ships, and this number has risen over time as about 100 seamen graduate annually from the Government's Marine Training Centre. Seamen's remittances are an important source of household income and have a more direct impact on levels of household consumption than fishing license fees or RERF income (which accrue to the government budget).

44. **Current transfers are primarily grants from donors to the Government of Kiribati, which have risen steadily in recent years to reach about 43 percent of GDP in 1998.** The principal donors are the AsDB, Australia, the European Community, Japan, and New Zealand (Table 25).

B. Development in the Capital Account and External Assets

45. **The capital balance has fluctuated from small deficits to small surpluses in recent years,** but a pickup in capital grants and a slowdown in the capital outflow from financial institutions in 1998 led to a surplus of \$A 6½ million (just under 10 percent of GDP). The main inflow has been capital grants from donors, which grew in line with the increase in current transfers in recent years (as discussed above).⁸

46. **The improvement in the current and capital account balances in 1998 led to an overall balance of \$A 36 million (equivalent to more than half GDP).** This followed a sizable positive overall balance in 1997. The large overall surpluses in the past two years resulted in a buildup of official external assets, which together with valuation gains, increased these assets to more than 8 times GDP by end-1998 (Table 26). Most of official external assets are held in the RERF, but the Consolidated and Development Funds also increased significantly in recent years. The valuation and currency gains in the RERF reflected the increase in world equity and bond prices, together with the depreciation of the Australian dollar against many of the currencies in which investments were held (only about one-third of the investments are held in Australian dollars).

Competitiveness

47. **The depreciation of the Australian dollar since mid-1997 has improved external competitiveness.**⁹ Kiribati's real effective exchange rate index (based on relative consumer price indices) in March 1999 had fallen to 10 percent below the average for 1994–97, but this fall has offset only part of the estimated increase in private sector labor costs that followed the 30 percent rise in civil service wage rates in the mid-1990s. Nonetheless, labor costs do not influence the

⁸It should be noted that the distinction between current and capital transfers is only an approximation, as the authorities lack comprehensive data on transfers.

⁹The Australian dollar depreciated by about 18 percent against the U.S. dollar from end-June 1997 to end-December 1998.

major items in the balance of payments (i.e., fishing license fees, external grants, and investment income).

Exchange and trade system

48. **The official currency of Kiribati is the Australian dollar, although a small number of Kiribati coins are in circulation.** Given that there is no central monetary institution, the authorities do not buy or sell foreign exchange. Any purchases or sales of foreign currencies in exchange for Australian dollars must be undertaken with the BoK, the only authorized foreign exchange dealer; forward cover is available for protection against exchange rate risk. There are no taxes or subsidies on the purchases or sales of foreign exchange. The BoK quotes daily rates for 15 currencies on the basis of their respective values against the Australian dollar. Kiribati formally accepted the obligations of IMF's Article VIII, Sections 2, 3, and 4, effective August 22, 1986.

49. **Import licenses are normally not required.** The importation of a limited range of goods is prohibited for health, safety, or environmental reasons. Tariffs apply to most private imports and range up to 80 percent,¹⁰ but there are a number of tax exemptions (including for public enterprises). Import duties are based on the f.o.b. value of imports rather than the c.i.f. value (even though the latter is the international practice). This provides an incentive for importers to overstate the freight component in the c.i.f. value of imports (and thereby understate the f.o.b. value) in order to evade tax. Specific duties exist on a small range of goods, including rice, flour, petroleum products, alcoholic beverages, and tobacco products. There are no restrictions or limits on payments for invisibles.

50. **There are no surrender requirements for export proceeds.** The 15 percent ad valorem export tax on scrap iron and aluminum cans was abolished in early 1995. There are no remaining taxes or quantitative restrictions on exports, except that copra can only be exported through the Kiribati Copra Cooperative Society.

51. **The authorities maintain a liberal approach toward foreign direct investment.** There are no restrictions on types of investment, but export-promoting and import-substituting investments are generally favored. All applications for foreign investment must be made to the Foreign Investment Commission, which approves applications for foreign investment up to \$A 250,000; applications with a higher foreign capital contribution require Cabinet approval. Under the Foreign Investment Promotion Act, investors may be granted duty-free imports of capital goods and raw materials. Investments in pioneer industries are eligible for a tax holiday of up to six years. Repatriation of profits and capital is generally unrestricted.

¹⁰The average tariff collections rate was about 18 percent of imports in 1998.

Table 1. Kiribati: Current Price Gross Domestic Product by Economic Activity, 1992-98

(In millions of Australian dollars at current prices)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 Est. | 1998 Est. |
|---------------------------------------|------|------|------|------|------|------|------|--------------|--------------|
| Agriculture | -0.4 | 1.2 | 2.1 | 1.4 | 3.0 | 2.3 | 2.8 | 1.6 | 3.4 |
| Fisheries | 1.5 | 2.3 | 2.4 | 2.5 | 2.3 | 2.7 | 2.8 | 2.3 | 2.8 |
| Manufacturing | 0.4 | 0.4 | 0.2 | 0.4 | 0.4 | 0.6 | 0.6 | 0.7 | 0.6 |
| Electricity and water | 0.8 | 0.7 | 0.9 | 1.4 | 1.0 | 0.8 | 0.8 | 0.9 | 0.7 |
| Construction | 1.1 | 2.0 | 1.0 | 0.9 | 1.1 | 1.2 | 1.2 | 1.6 | 2.4 |
| Commerce and hotels | 6.1 | 6.7 | 7.6 | 7.0 | 7.4 | 8.4 | 6.9 | 7.9 | 8.8 |
| Transport and communications | 5.0 | 5.3 | 6.0 | 6.6 | 8.3 | 7.9 | 7.3 | 8.2 | 8.2 |
| Finance and insurance | 2.0 | 2.5 | 2.0 | 2.1 | 2.1 | 2.2 | 2.8 | 3.0 | 3.8 |
| Ownership of dwellings | 0.9 | 1.2 | 1.2 | 1.1 | 1.6 | 1.4 | 1.7 | 1.9 | 1.8 |
| Government administration | 8.9 | 10.4 | 10.9 | 11.6 | 12.7 | 18.7 | 21.6 | 20.5 | 22.3 |
| Community and social services | 1.3 | 1.5 | 1.6 | 1.8 | 2.1 | 2.2 | 2.4 | 2.5 | 2.6 |
| Less: Imputed bank charges | -1.8 | -1.8 | -1.8 | -1.8 | -1.9 | -2.0 | -2.4 | -2.5 | -3.1 |
| GDP at factor cost | 25.9 | 32.2 | 34.2 | 34.9 | 40.1 | 46.5 | 48.4 | 48.6 | 54.2 |
| Plus: Indirect taxes net of subsidies | 5.9 | 6.5 | 6.9 | 8.1 | 8.2 | 9.7 | 9.9 | 10.7 | 11.4 |
| Monetary GDP at market prices | 31.8 | 38.7 | 41.0 | 43.0 | 48.4 | 56.2 | 58.3 | 59.2 | 65.5 |
| Nonmonetary GDP | 4.7 | 4.8 | 5.2 | 5.6 | 5.8 | 5.9 | 6.0 | 6.1 | 6.3 |
| Total GDP at market prices | 36.4 | 43.5 | 46.2 | 48.6 | 54.1 | 62.1 | 64.3 | 65.4 | 71.8 |
| <i>(Percent change)</i> | | 19.4 | 6.2 | 5.3 | 11.4 | 14.8 | 3.6 | 1.6 | 9.9 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 2. Kiribati: Gross Domestic Product by Economic Activity, 1992–98

(In millions of Australian dollars at 1991 constant prices)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 Est. | 1998 Est. |
|---------------------------------------|------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Agriculture | 0.8 | 1.2 | 1.3 | 1.4 | 1.6 | 1.5 | 1.3 | 0.7 | 1.5 |
| Fisheries | 1.6 | 2.3 | 2.0 | 1.7 | 1.7 | 2.1 | 2.3 | 1.8 | 1.8 |
| Manufacturing | 0.4 | 0.4 | 0.2 | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Electricity and water | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 1.0 |
| Construction | 1.2 | 2.0 | 1.0 | 0.8 | 1.0 | 0.9 | 0.9 | 1.1 | 1.7 |
| Commerce and hotels | 6.5 | 6.7 | 7.4 | 6.8 | 6.8 | 6.9 | 6.4 | 7.4 | 7.8 |
| Transport and communications | 5.2 | 5.3 | 5.5 | 5.9 | 7.1 | 6.8 | 6.2 | 6.9 | 6.8 |
| Finance and insurance | 2.1 | 2.5 | 1.9 | 1.9 | 1.8 | 1.8 | 2.4 | 2.4 | 3.0 |
| Ownership of dwellings | 0.9 | 1.2 | 0.9 | 0.8 | 1.2 | 1.1 | 1.3 | 1.5 | 1.4 |
| Government administration | 9.9 | 10.4 | 10.9 | 11.0 | 12.2 | 13.3 | 14.9 | 14.6 | 15.3 |
| Community and social services | 1.4 | 1.5 | 1.6 | 1.7 | 2.0 | 1.6 | 1.7 | 1.8 | 1.8 |
| Less: Imputed bank charges | -1.8 | -1.8 | -1.7 | -1.6 | -1.6 | -1.6 | -2.0 | -2.0 | -2.5 |
| GDP at factor cost | 28.9 | 32.2 | 31.9 | 31.6 | 35.0 | 35.7 | 36.7 | 37.6 | 40.1 |
| <i>(Percent change)</i> | -0.1 | 11.7 | -1.1 | -1.0 | 10.8 | 2.0 | 2.8 | 2.6 | 6.6 |
| Plus: Indirect taxes net of subsidies | 6.7 | 6.5 | 6.6 | 7.5 | 7.0 | 9.2 | 9.4 | 10.1 | 10.7 |
| Monetary GDP at market prices | 35.6 | 38.7 | 38.5 | 39.0 | 42.0 | 44.9 | 46.1 | 47.7 | 50.8 |
| <i>(Percent change)</i> | 3.2 | 8.8 | -0.6 | 1.4 | 7.6 | 6.9 | 2.7 | 3.4 | 6.5 |
| Nonmonetary GDP | 5.1 | 4.8 | 4.3 | 4.1 | 4.2 | 4.3 | 4.4 | 4.5 | 4.6 |
| Total real GDP at market prices | 40.6 | 43.5 | 42.8 | 43.1 | 46.2 | 49.2 | 50.5 | 52.1 | 55.3 |
| <i>(Percent change)</i> | 2.1 | 6.9 | -1.6 | 0.8 | 7.2 | 6.5 | 2.6 | 3.3 | 6.1 |
| Memorandum item: | | | | | | | | | |
| Implicit GDP deflator | 89.6 | 100.0 | 108.0 | 112.8 | 117.2 | 126.3 | 127.5 | 125.4 | 129.8 |
| <i>(Percent change)</i> | | 11.7 | 8.0 | 4.4 | 3.9 | 7.8 | 1.0 | -1.6 | 3.6 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 3. Kiribati: Contributions to GDP Growth, 1992–98

(Change in percent of previous year's total GDP)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 Est. | 1998 Est. | 1995–98 Cumulative |
|---------------------------------------|------|------|------|------|------|--------------|--------------|-----------------------|
| Agriculture | 0.3 | 0.2 | 0.5 | -0.3 | -0.4 | -1.1 | 1.5 | -0.3 |
| Fisheries | -0.7 | -0.7 | 0.1 | 0.8 | 0.4 | -1.0 | 0.0 | 0.2 |
| Manufacturing | -0.4 | 0.3 | 0.1 | 0.3 | -0.1 | 0.1 | -0.1 | 0.3 |
| Electricity and water | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.2 | 0.4 |
| Construction | -2.3 | -0.3 | 0.4 | -0.3 | -0.1 | 0.5 | 1.0 | 1.2 |
| Commerce and hotels | 1.7 | -1.5 | 0.0 | 0.2 | -0.9 | 1.9 | 0.8 | 2.0 |
| Transportation and communications | 0.5 | 1.0 | 2.7 | -0.6 | -1.1 | 1.3 | -0.2 | -0.7 |
| Finance and insurance | -1.3 | -0.1 | -0.2 | 0.0 | 1.1 | 0.1 | 1.0 | 2.3 |
| Ownership of dwellings | -0.5 | -0.2 | 0.9 | -0.3 | 0.5 | 0.4 | -0.1 | 0.4 |
| Government administration | 1.3 | 0.1 | 2.7 | 2.6 | 3.2 | -0.6 | 1.3 | 6.5 |
| Other community services | 0.4 | 0.2 | 0.6 | -0.8 | 0.3 | 0.1 | 0.0 | -0.4 |
| Less: Imputed bank charges | 0.2 | 0.2 | 0.0 | 0.0 | -0.9 | 0.1 | -0.9 | -1.7 |
| Monetary GDP at factor cost | -0.8 | -0.7 | 7.9 | 1.5 | 2.0 | 1.9 | 4.8 | 10.2 |
| Plus: Indirect taxes net of subsidies | 0.3 | 2.0 | -1.0 | 4.8 | 0.4 | 1.2 | 1.1 | 7.6 |
| Monetary GDP at market prices | -0.5 | 1.3 | 6.9 | 6.3 | 2.5 | 3.1 | 5.9 | 17.7 |
| Nonmonetary GDP | -1.1 | -0.5 | 0.3 | 0.2 | 0.1 | 0.2 | 0.2 | 0.7 |
| Total GDP at market prices | -1.6 | 0.8 | 7.2 | 6.5 | 2.6 | 3.3 | 6.1 | 18.5 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 4. Kiribati: Gross National Product, 1992-98

(In millions of Australian dollars at current prices)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 Est. | 1998 Est. |
|-----------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| GDP at market prices | 46.2 | 48.6 | 54.1 | 62.1 | 64.3 | 65.4 | 71.8 |
| Fishing license fees | 13.0 | 14.1 | 18.4 | 18.8 | 6.2 | 29.4 | 42.5 |
| Investment income, net | 19.9 | 16.5 | 14.7 | 19.7 | 17.9 | 19.0 | 21.8 |
| Seamen's remittances | 4.7 | 4.8 | 5.4 | 7.1 | 7.7 | 9.2 | 11.2 |
| GNP at market prices | 83.7 | 84.0 | 92.6 | 107.7 | 96.2 | 123.0 | 147.3 |
| <i>(Percent change)</i> | <i>5.1</i> | <i>0.3</i> | <i>10.3</i> | <i>16.3</i> | <i>-10.7</i> | <i>27.8</i> | <i>19.7</i> |
| Memorandum item: | | | | | | | |
| GNP at constant 1991 prices | 77.6 | 74.5 | 79.1 | 85.3 | 75.5 | 98.1 | 113.4 |
| <i>(Percent change)</i> | <i>-2.7</i> | <i>-3.9</i> | <i>6.1</i> | <i>7.9</i> | <i>-11.5</i> | <i>30.0</i> | <i>15.6</i> |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 5. Kiribati: Copra Production by Island, 1992-98

(In metric tons)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-------------------------|--------|--------|--------|--------|-------|-------|--------|
| Gilbert Islands | 9,188 | 8,853 | 9,950 | 9,376 | 7,687 | 3,799 | 9,828 |
| Makin | 328 | 153 | 247 | 396 | 271 | 321 | 277 |
| Butarit | 197 | 202 | 187 | 330 | 124 | 146 | 237 |
| Marakei | 355 | 434 | 387 | 496 | 351 | 229 | 374 |
| Abaiang | 609 | 288 | 341 | 507 | 218 | 87 | 458 |
| Tarawa | 254 | 168 | 88 | 189 | 104 | 9 | 180 |
| Maiana | 514 | 441 | 654 | 738 | 557 | 240 | 588 |
| Kuria | 670 | 663 | 603 | 662 | 504 | 267 | 477 |
| Aranuka | 409 | 491 | 361 | 405 | 297 | 175 | 407 |
| Abemama | 1,423 | 954 | 1,613 | 1,324 | 1,141 | 636 | 1,195 |
| Nonouti | 1,067 | 922 | 1,082 | 909 | 775 | 302 | 1,178 |
| Tabiteu | 1,383 | 1,540 | 1,473 | 1,200 | 1,177 | 418 | 1,489 |
| Onotoa | 369 | 516 | 491 | 363 | 405 | 146 | 544 |
| Beru | 459 | 580 | 687 | 616 | 530 | 291 | 570 |
| Nikunau | 572 | 764 | 728 | 790 | 724 | 375 | 855 |
| Tamana | 301 | 383 | 372 | 268 | 221 | 105 | 456 |
| Arorae | 278 | 354 | 636 | 183 | 288 | 52 | 543 |
| Line Islands | 823 | 1,430 | 2,266 | 1,428 | 1,634 | 1,366 | 1,406 |
| Christmas | 322 | 885 | 1,790 | 865 | 574 | 562 | 439 |
| Fanning | 170 | 202 | 156 | 72 | 121 | 76 | 70 |
| Washington | 331 | 343 | 320 | 491 | 939 | 728 | 897 |
| Total | 10,011 | 10,283 | 12,216 | 10,804 | 9,321 | 5,165 | 11,234 |
| Memorandum item: | | | | | | | |
| Copra exports | 9,907 | 8,430 | 10,317 | 13,159 | 5,989 | 7,722 | 7,577 |

Source: Data provided by the Kiribati authorities.

Table 6. Kiribati: Prices Paid to Growers by the Kiribati Copra Cooperative Society, 1992-98

(In thousands of Australian dollars per ton)

| Year | Months | Producer Price | | Net export Price 1/ (Annual Average) | Export Price 2/ (Annual Average) | Memorandum Item: Minimum Support Price |
|------------------------|-------------------|------------------|-------------------|---|---|---|
| | | Monthly Basis | Annual Average | | | |
| Gilbert Island | | | | | | |
| 1992 | January-March | 330 | ... | ... | ... | ... |
| | April-December | 350 | 345 | 270 | 439 | 220 |
| 1993 | January-March | 350 | ... | ... | ... | ... |
| | April-July | 290 | ... | ... | ... | ... |
| | August-September | 220 | ... | ... | ... | ... |
| | October-December | 260 | 286 | 97 | 276 | 220 |
| 1994 | January-March | 260 | ... | ... | ... | ... |
| | April-September | 300 | ... | ... | ... | ... |
| | October-December | 400 | 315 | 245 | 434 | 220 |
| 1995 | January-December | 400 | 400 | 291 | 355 | 400 |
| 1996 | January-December | 400 | 400 | 318 | 390 | 400 |
| 1997 | January-December | 400 | 400 | 308 | 336 | 400 |
| 1998 | January | 400 | 400 | 254 | 443 | 400 |
| | February-December | 450 | 446 | 254 | 443 | 450 |
| Line Islands 3/ | | | | | | |
| 1992 | March-December | 220 | 220 | 270 | 439 | 200 |
| 1993 | January-March | 350 | ... | ... | ... | ... |
| | April-July | 290 | ... | ... | ... | ... |
| | August-September | 220 | ... | ... | ... | ... |
| | October-December | 260 | 286 | 97 | 276 | 220 |
| 1994 | January-March | 260 | ... | ... | ... | ... |
| | April-September | 300 | ... | ... | ... | ... |
| | October-December | 400 | 315 | 245 | 434 | 220 |
| 1995 | January-December | 400 | 400 | 291 | 355 | 400 |
| 1996 | January-December | 400 | 400 | 318 | 390 | 400 |
| 1997 | January-December | 400 | 400 | 308 | 336 | 400 |
| 1998 | January | 400 | 400 | 254 | 443 | 400 |
| | February-December | 420 | 418 | 254 | 443 | 420 |

Source: Data provided by the Kiribati authorities.

1/ Defined as the export price (f.o.b. unit value) less domestic costs other than payments to growers (including freight, commissions, stevedoring, wharfage, and other operating costs), which is equivalent to net price received by growers in the absence of price support.

2/ In terms of export unit value (f.o.b.).

3/ The difference in the producer price compared with the Gilbert Island reflects differences in the average quality of copra and transportation costs.

Table 7. Kiribati: Tarawa Retail Price Index, 1992-98

(Annual average percentage change; 1996 = 100)

| | Weights (1975) | Weights (Oct. 96) | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-------------------------------------|-------------------|----------------------|------|------|------|------|------|------|------|
| Food | 50.0 | 45.0 | 4.6 | 6.4 | 0.6 | 6.2 | -3.9 | 2.5 | 8.9 |
| <i>Drinks 1/</i> | ... | 10.0 | ... | ... | ... | ... | ... | 3.2 | 1.6 |
| Alcohol and tobacco | 14.0 | 6.0 | 7.1 | 9.3 | 4.4 | 0.9 | -0.6 | 3.3 | 2.3 |
| Clothing | 8.0 | 2.0 | 10.6 | 2.8 | 7.1 | 2.6 | 0.4 | 4.8 | 5.7 |
| Transportation | 8.0 | 8.0 | 4.7 | 2.8 | 13.4 | 2.8 | 7.3 | -0.7 | 0.8 |
| <i>Utilities 1/</i> | ... | 8.0 | ... | ... | ... | ... | ... | 7.7 | -2.5 |
| Housing and household operations 2/ | 7.5 | 2.0 | 11.8 | 1.8 | 10.7 | 1.1 | -0.6 | 0.9 | -0.2 |
| <i>Education 1/</i> | ... | 8.0 | ... | ... | ... | ... | ... | -0.6 | -0.2 |
| <i>Recreation 1/</i> | ... | 0.5 | ... | ... | ... | ... | ... | 2.1 | -1.1 |
| Household operations 2/ | ... | 6.0 | ... | ... | ... | ... | ... | -0.5 | 5.8 |
| Miscellaneous | 12.5 | 4.5 | 2.5 | 5.1 | 1.8 | 6.4 | 1.1 | 5.9 | 4.9 |
| All items | 100.0 | 100.0 | 5.8 | 5.8 | 4.0 | 4.1 | -1.5 | 2.2 | 4.7 |

Source: Data provided by the Kiribati authorities.

1/ Items in italics represent new items following the 1996 Household Survey.

2/ Housing and Household operations were split in 1997.

Table 8. Kiribati: Summary of Central Government Operations, 1992-99

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | | 1999 Budget |
|---|-------|-------|-------|-------|-------|-------|--------|----------|----------------|
| | | | | | | | Budget | Estimate | |
| (In millions of Australian dollars) | | | | | | | | | |
| Total revenue and grants | 53.4 | 53.0 | 49.2 | 58.1 | 48.3 | 80.3 | 63.1 | 98.4 | 69.8 |
| Revenue | 27.6 | 32.5 | 32.5 | 40.9 | 27.9 | 55.5 | 32.9 | 67.4 | 40.3 |
| Tax revenue | 10.2 | 11.7 | 12.0 | 15.4 | 16.0 | 16.9 | 17.1 | 16.3 | 18.3 |
| Nontax revenue | 17.4 | 20.8 | 20.6 | 25.5 | 11.9 | 38.7 | 15.8 | 51.1 | 22.0 |
| <i>Of which: Fishing licence fees</i> | 13.0 | 14.1 | 18.4 | 18.8 | 6.2 | 29.4 | 9.9 | 42.5 | 12.8 |
| External grants | 25.8 | 20.5 | 16.7 | 17.2 | 20.4 | 24.7 | 30.2 | 31.0 | 29.5 |
| Total expenditure 1/ | 55.2 | 47.9 | 50.1 | 64.4 | 71.2 | 76.2 | 88.1 | 81.2 | 94.1 |
| Current expenditure 1/ | 26.4 | 26.1 | 31.7 | 44.7 | 46.6 | 49.4 | 50.0 | 52.1 | 53.5 |
| <i>Of which: Wages and salaries</i> | 10.6 | 11.3 | 12.1 | 17.7 | 19.9 | 20.2 | 19.9 | 20.1 | 21.1 |
| Subsidies to public enterprises | 0.3 | 0.4 | 0.9 | 1.6 | 2.1 | 5.2 | 0.4 | 2.4 | 1.8 |
| Development expenditure | 28.8 | 21.8 | 18.4 | 19.8 | 24.6 | 26.8 | 38.2 | 29.1 | 40.6 |
| <i>Of which: Aid-in-kind</i> | ... | 19.1 | 14.7 | 15.0 | 19.0 | 23.6 | 22.9 | 23.7 | 21.9 |
| Overall balance | -1.8 | 5.1 | -0.8 | -6.3 | -22.9 | 4.1 | -25.0 | 17.2 | -24.3 |
| Financing | 1.8 | -5.1 | 0.8 | 6.3 | 22.9 | -4.1 | 25.0 | -17.2 | 24.3 |
| RERF | 5.6 | 0.0 | 0.0 | 7.5 | 13.6 | 8.0 | 12.6 | 0.0 | 7.6 |
| Consolidated Fund | -3.5 | -5.0 | 1.7 | -1.5 | 9.2 | -12.4 | 3.5 | -10.7 | 10.7 |
| Development Fund | -0.3 | 0.0 | -1.1 | 0.2 | 0.3 | 0.4 | 0.0 | -6.7 | 0.0 |
| STABEX Fund | 0.0 | 0.0 | 0.4 | 0.3 | 0.1 | 0.1 | 4.1 | 0.4 | 0.2 |
| External loans (net) | 0.0 | -0.1 | -0.1 | -0.1 | -0.2 | -0.2 | 4.8 | -0.2 | 5.8 |
| (In percent of GDP) | | | | | | | | | |
| Total revenue | 115.7 | 109.1 | 90.9 | 93.6 | 75.0 | 122.8 | 87.8 | 137.0 | 92.9 |
| Revenue | 59.8 | 66.9 | 60.1 | 65.8 | 43.3 | 84.9 | 45.8 | 93.8 | 53.7 |
| Tax revenue | 22.0 | 24.1 | 22.1 | 24.8 | 24.8 | 25.8 | 23.7 | 22.7 | 24.4 |
| Nontax revenue | 49.6 | 42.8 | 38.0 | 41.0 | 18.5 | 59.1 | 22.0 | 71.1 | 29.3 |
| <i>Of which: Fishing licence fees</i> | 28.2 | 29.1 | 33.9 | 30.3 | 9.7 | 45.0 | 13.7 | 59.1 | 17.0 |
| External grants | 55.9 | 42.1 | 30.8 | 27.7 | 31.7 | 37.8 | 42.1 | 43.1 | 39.3 |
| Total expenditure | 119.5 | 98.6 | 92.5 | 103.7 | 110.6 | 116.5 | 122.7 | 113.0 | 125.3 |
| Current expenditure | 57.2 | 53.7 | 58.6 | 71.9 | 72.5 | 75.5 | 69.5 | 72.5 | 71.3 |
| <i>Of which: Wages and salaries</i> | 23.0 | 23.2 | 22.4 | 28.5 | 30.9 | 30.8 | 27.7 | 28.0 | 28.1 |
| Subsidies to public enterprises | 0.7 | 0.7 | 1.7 | 2.5 | 3.3 | 8.0 | 0.5 | 3.3 | 2.5 |
| Development expenditure | 62.4 | 44.9 | 33.9 | 31.9 | 38.2 | 41.0 | 53.2 | 40.5 | 54.1 |
| Overall balance | -3.9 | 10.5 | -1.5 | -10.2 | -35.6 | 6.3 | -34.9 | 24.0 | -32.4 |
| (In millions of Australian dollars) | | | | | | | | | |
| Memorandum items: | | | | | | | | | |
| Current expenditure/GNP 1/ | 31.5 | 31.1 | 34.2 | 41.5 | 48.5 | 40.1 | 33.9 | 35.4 | 42.5 |
| RERF Accrued Income 2/ | 17.1 | 14.2 | 14.0 | 17.4 | 16.5 | 17.1 | 25.0 | 20.3 | 23.9 |
| RERF balance (end of period) | 295.9 | 353.4 | 318.4 | 367.9 | 371.8 | 468.6 | ... | 570.1 | 556.0 |
| Consolidated Fund balance (end of period) | 7.5 | 12.5 | 10.8 | 12.3 | 3.2 | 15.5 | 12.0 | 26.2 | 15.5 |
| Development Fund balance (end of period) | -0.7 | -0.7 | 0.4 | 0.2 | 0.0 | -0.4 | -0.4 | 6.3 | 6.3 |
| STABEX Fund balance (end of period) | 4.1 | 4.9 | 4.5 | 4.3 | 4.2 | 4.1 | 0.0 | 3.7 | 3.5 |
| Local contribution to development expenditure | 0.8 | 1.3 | 2.5 | 2.5 | 3.9 | 1.6 | 3.0 | 4.9 | 5.0 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Includes spending from the STABEX Fund, mainly as a subsidy to the Copra Society.

2/ Income for dividends and interest only. Capital gains are excluded.

Table 9. Kiribati: Central Government Revenue, 1992–2000

(In millions of Australian dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | | 1999 Budget |
|--|-----------------------------------|------|------|------|------|------|--------|----------|----------------|
| | | | | | | | Budget | Estimate | |
| Tax revenue | 10.2 | 11.7 | 12.0 | 15.4 | 16.0 | 16.9 | 17.1 | 16.3 | 18.3 |
| Direct taxation | 3.2 | 3.7 | 3.4 | 5.2 | 5.4 | 6.6 | 5.5 | 5.7 | 5.9 |
| Company | 1.5 | 2.2 | 1.7 | 2.0 | 1.7 | 2.6 | 2.5 | 2.5 | 2.7 |
| Personal | 1.7 | 1.5 | 1.7 | 3.2 | 3.7 | 4.0 | 3.0 | 3.2 | 3.2 |
| Indirect taxation | 6.9 | 8.0 | 8.6 | 10.3 | 10.6 | 10.3 | 11.6 | 10.6 | 12.4 |
| Import duties | 6.8 | 7.9 | 8.3 | 10.1 | 10.2 | 10.0 | 11.3 | 10.4 | 12.1 |
| Hotel tax | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.2 | 0.3 |
| Nontax revenue | 17.4 | 20.8 | 20.6 | 25.5 | 11.9 | 38.7 | 15.8 | 51.1 | 22.0 |
| Property income | 13.5 | 17.1 | 18.6 | 20.7 | 7.4 | 30.4 | 10.5 | 43.7 | 13.6 |
| Fishing license fees | 13.0 | 14.1 | 18.4 | 18.8 | 6.2 | 29.4 | 9.9 | 42.5 | 12.8 |
| Interest 1/ | 0.2 | 0.8 | 0.1 | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 |
| Dividends 1/ | 0.2 | 2.1 | 0.2 | 1.4 | 0.8 | 0.7 | 0.6 | 1.2 | 0.7 |
| Other income | 2.0 | 2.7 | 0.7 | 2.4 | 2.7 | 6.3 | 4.9 | 5.3 | 5.8 |
| Aircraft landing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.2 |
| Fish transhipment | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| School fees | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 |
| NASDA fees 2/ | 1.1 | 1.7 | 0.4 | 2.1 | 1.6 | 1.6 | 1.3 | 1.5 | 1.6 |
| Kiritimati charter revenues | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 1.0 | 1.0 | 2.6 |
| Sales of Green passports | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 4.1 | 2.0 | 2.6 | 1.4 |
| Entrepreneurial income | 0.4 | 0.4 | 0.4 | 0.4 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| Other fees and charges | 1.5 | 0.7 | 0.9 | 1.9 | 1.6 | 1.7 | 0.0 | 1.6 | 2.2 |
| Total revenue | 27.6 | 32.5 | 32.5 | 40.9 | 27.9 | 55.5 | 32.9 | 67.4 | 40.3 |
| Memorandum items: | | | | | | | | | |
| RERF interest and dividend income | 17.1 | 14.2 | 14.0 | 17.4 | 16.5 | 17.1 | 25.0 | 20.3 | 20.5 |
| Transfers to the budget | 5.6 | 5.5 | 4.4 | 7.5 | 13.6 | 8.0 | 12.6 | 0.0 | 7.6 |
| RERF income reinvested | 11.5 | 8.7 | 9.6 | 9.9 | 2.9 | 9.1 | 12.4 | 20.3 | 12.9 |
| STABEX income | 0.4 | 1.0 | 0.1 | 0.3 | 0.3 | 0.2 | ... | 0.8 | 0.4 |
| STABEX drawdowns | 1.2 | 0.2 | 0.4 | 0.6 | 0.3 | 0.3 | ... | 1.2 | 0.6 |
| Net STABEX transactions | -0.7 | 0.8 | -0.4 | -0.3 | -0.1 | -0.1 | ... | -0.4 | -0.2 |
| | (In percent of total revenues) 3/ | | | | | | | | |
| Tax revenues | 36.9 | 36.0 | 36.8 | 37.7 | 57.3 | 30.4 | 51.9 | 24.2 | 45.4 |
| <i>Of which</i> : Tariff revenues | 24.8 | 24.3 | 25.7 | 24.6 | 36.7 | 18.1 | 34.4 | 15.4 | 30.0 |
| Nontax revenues | 63.1 | 64.0 | 63.2 | 62.3 | 42.7 | 69.6 | 48.1 | 75.8 | 54.6 |
| <i>Of which</i> : Fishing license fees | 47.1 | 43.4 | 56.5 | 46.0 | 22.4 | 53.0 | 30.0 | 63.0 | 31.8 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Excludes interest and dividends on the RERF.

2/ User fees paid by the Japanese space agency for the use of Christmas Island facilities to obtain meteorological information.

3/ Excluding external grants.

Table 10. Kiribati: Central Government Expenditure (Functional Classification), 1992-99 1/

(In millions of Australian dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | | 1999 Budget |
|---------------------------------------|------|------|------|------|------|------|---|----------|----------------|
| | | | | | | | Budget 1/ | Estimate | |
| Current expenditure | 26.4 | 26.1 | 31.7 | 44.7 | 46.6 | 49.4 | 50.0 | 52.1 | 53.5 |
| General public services | 8.4 | 8.7 | 10.6 | 14.3 | 14.7 | 14.0 | 14.6 | 16.0 | 17.5 |
| Office of the President | 0.5 | 0.5 | 0.5 | 1.0 | 0.8 | 1.1 | 1.2 | 1.6 | 1.3 |
| Foreign Affairs | 0.4 | 0.6 | 0.9 | 0.8 | 0.6 | 0.7 | 0.8 | 0.8 | 1.1 |
| Judiciary | 0.4 | 0.4 | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| Public Service Commission | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Parliament | 0.7 | 0.7 | 0.8 | 1.1 | 1.1 | 1.0 | 1.1 | 1.1 | 1.1 |
| Attorney General | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| Audit | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Pensions | 0.6 | 0.4 | 0.8 | 0.8 | 1.1 | 0.8 | 1.1 | 1.3 | 1.1 |
| Home Affairs | 2.1 | 2.2 | 2.3 | 3.3 | 2.7 | 2.8 | 3.0 | 3.1 | 4.2 |
| Finance | 1.5 | 1.4 | 2.1 | 2.6 | 3.7 | 2.9 | 2.5 | 2.6 | 3.6 |
| Public Order and Safety | 1.9 | 2.1 | 2.4 | 3.4 | 3.3 | 3.0 | 3.3 | 3.7 | 3.4 |
| Social services | 9.5 | 9.9 | 11.3 | 16.9 | 18.1 | 18.9 | 20.5 | 20.9 | 20.9 |
| Education | 5.2 | 5.6 | 6.0 | 9.1 | 9.6 | 9.4 | 11.6 | 11.7 | 12.1 |
| Health | 4.3 | 4.2 | 5.3 | 7.0 | 7.5 | 8.4 | 8.0 | 8.3 | 7.9 |
| Environment and social welfare | 0.0 | 0.0 | 0.0 | 0.8 | 1.1 | 1.1 | 0.8 | 0.9 | 0.9 |
| Economic services | 7.9 | 8.0 | 8.9 | 13.1 | 11.1 | 16.8 | 13.0 | 14.9 | 15.2 |
| Natural resources | 1.9 | 2.1 | 2.4 | 2.6 | 2.3 | 2.3 | 2.5 | 2.5 | 2.4 |
| Commerce, industries, and tourism | 1.0 | 1.0 | 1.1 | 0.4 | 0.6 | 0.8 | 0.8 | 0.9 | 0.8 |
| Transportation and communications | 1.3 | 1.6 | 2.1 | 3.9 | 2.7 | 7.7 | 4.3 | 5.9 | 5.8 |
| Works and energy | 1.8 | 1.9 | 1.7 | 1.8 | 2.2 | 2.4 | 1.8 | 1.9 | 2.4 |
| Line and Phoenix | 2.0 | 1.4 | 1.6 | 2.6 | 1.6 | 2.0 | 2.1 | 2.3 | 2.2 |
| Labor, employment, and cooperatives | 0.0 | 0.0 | 0.0 | 1.9 | 1.7 | 1.5 | 1.4 | 1.5 | 1.5 |
| Other expenses, including discrepancy | 0.6 | -0.5 | 0.8 | 0.4 | 2.6 | -0.3 | 1.9 | 0.3 | -0.1 |
| | | | | | | | (In percent of total current expenditure) | | |
| Memorandum items: | | | | | | | | | |
| Education | 19.6 | 21.5 | 18.9 | 20.4 | 20.5 | 19.1 | 23.3 | 22.5 | 22.7 |
| Health | 16.2 | 16.3 | 16.8 | 15.6 | 16.1 | 16.9 | 16.0 | 15.9 | 14.7 |
| Education and health | 35.8 | 37.8 | 35.8 | 36.0 | 36.5 | 36.1 | 39.3 | 38.4 | 37.4 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Includes supplementary budget appropriations.

Table 11. Kiribati: Central Government Expenditure (Economic Classification), 1992-99 1/

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | | 1999 Budget |
|--|------|------|------|------|------|------|--------|----------|----------------|
| | | | | | | | Budget | Estimate | |
| (In millions of Australian dollars) | | | | | | | | | |
| Current expenditure | 26.4 | 26.1 | 31.7 | 44.7 | 46.6 | 49.4 | 50.0 | 52.1 | 53.5 |
| Wages and salaries | 10.6 | 11.3 | 12.1 | 17.7 | 19.9 | 20.2 | 19.9 | 20.1 | 21.1 |
| Contributions to Provident Fund | 0.5 | 0.4 | 0.7 | 1.0 | 1.0 | 0.8 | 1.1 | 1.1 | 1.1 |
| Purchases of goods and services | 12.2 | 12.4 | 15.0 | 22.1 | 18.3 | 20.1 | 21.7 | 24.7 | 20.0 |
| Travel/transportation | 3.3 | 3.4 | 3.3 | 5.2 | 4.2 | 4.3 | 3.9 | 4.3 | 3.8 |
| Hire of vehicles and vessels | 1.4 | 1.4 | 1.4 | 1.6 | 1.4 | 1.6 | 1.9 | 1.9 | 1.8 |
| Utilities | 0.8 | 0.6 | 1.0 | 2.1 | 1.9 | 2.3 | 1.9 | 2.0 | 2.0 |
| Land rent | 0.3 | 0.4 | 0.6 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 |
| Maintenance and other | 7.3 | 6.7 | 8.7 | 11.5 | 10.9 | 11.3 | 13.0 | 13.5 | 11.4 |
| Interest payments | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.5 | 0.2 | 0.2 | 0.2 |
| Subsidies and transfers | 2.4 | 2.4 | 3.5 | 3.7 | 6.1 | 8.7 | 5.2 | 5.1 | 9.2 |
| Subsidies to public enterprises | 0.3 | 0.4 | 0.9 | 0.9 | 2.1 | 5.2 | 0.4 | 2.4 | 1.8 |
| Transfers | 2.1 | 2.0 | 2.6 | 2.8 | 4.0 | 3.5 | 4.8 | 2.7 | 7.3 |
| To local councils | 0.7 | 0.7 | 0.7 | 0.8 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 |
| To nonprofit institutions | 0.2 | 0.3 | 0.3 | 0.1 | 0.6 | 0.1 | 1.1 | 1.4 | 1.2 |
| To households and abroad | 1.2 | 1.1 | 1.5 | 1.8 | 2.8 | 2.8 | 3.1 | 0.7 | 5.5 |
| Net drawdowns from STABEX | 0.7 | -0.8 | 0.4 | 0.4 | 0.1 | 0.1 | 0.0 | 0.4 | 0.2 |
| Other expenses, including discrepancy | 0.1 | -0.4 | 0.0 | 0.2 | -1.1 | 0.9 | -1.9 | -0.5 | -1.7 |
| (In percent of GDP) | | | | | | | | | |
| Current expenditure | 57.1 | 53.6 | 58.6 | 72.0 | 72.5 | 75.5 | 69.5 | 72.6 | 71.3 |
| Wages and salaries | 23.0 | 23.2 | 22.4 | 28.5 | 30.9 | 30.8 | 27.7 | 28.0 | 28.1 |
| Subsidies to public enterprises | 0.7 | 0.7 | 1.7 | 1.5 | 3.3 | 8.0 | 0.5 | 3.3 | 2.5 |
| Memorandum item: | | | | | | | | | |
| Wages and salaries/current expenditure (In percent) | 40.3 | 43.3 | 38.3 | 39.6 | 42.7 | 40.8 | 39.9 | 38.6 | 39.5 |
| Transfers to the Development Fund (In millions of Australian dollars) | 0.7 | 1.3 | 2.5 | 2.5 | 3.9 | 1.6 | 3.0 | 4.9 | 5.0 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Includes supplementary budget appropriations.

Table 12. Kiribati: Central Government Salary Structure, 1989-98 1/

| Salary Range | 1989 | 1991 | 1993 | 1995 | 1997 | 1998 |
|--|-------|--------|--------|--------|--------|--------|
| (Annual salary in Australian dollars, effective from January 1) 2/ | | | | | | |
| 2 | 9,772 | 10,358 | 10,669 | 12,354 | 14,200 | 14,200 |
| 3 | 9,385 | 9,948 | 10,246 | 12,068 | 13,493 | 13,498 |
| 4 | 8,994 | 9,534 | 9,360 | 11,782 | 12,354 | 11,782 |
| 5 | 8,573 | 9,087 | 9,360 | 11,496 | 11,782 | 11,496 |
| 6 | 8,303 | 8,801 | 9,065 | 11,210 | 11,210 | 11,210 |
| 7 | 7,795 | 8,419 | 8,672 | 10,638 | 10,638 | 10,638 |
| 8 | 7,219 | 7,797 | 8,031 | 10,170 | 10,170 | 10,170 |
| 9 | 6,833 | 7,380 | 7,601 | 9,702 | 9,702 | 9,702 |
| 10 | 5,922 | 6,396 | 6,588 | 8,766 | 8,766 | 8,733 |
| 11 | 5,108 | 5,517 | 5,793 | 7,830 | 7,830 | 7,830 |
| 12 | 4,395 | 4,747 | 4,984 | 6,894 | 6,894 | 6,894 |
| 13 | 3,855 | 4,279 | 4,493 | 6,166 | 6,166 | 6,166 |
| 14 | 3,460 | 3,841 | 4,033 | 5,438 | 5,438 | 5,438 |
| 15 | 3,074 | 3,412 | 3,583 | 4,710 | 4,710 | 4,710 |
| 16 | 2,716 | 3,015 | 3,166 | 3,982 | 3,982 | 3,982 |
| 17 | 2,424 | 2,691 | 2,826 | 3,592 | 3,592 | 3,592 |
| 18 | 2,133 | 2,368 | 2,486 | 3,202 | 3,202 | 3,202 |
| 19 | 1,843 | 2,046 | 2,148 | 2,812 | 2,812 | 2,812 |
| 20 | ... | ... | ... | ... | 2,440 | ... |
| (Percentage change between periods) | | | | | | |
| Memorandum items: | | | | | | |
| Highest-paid employees | 5.0 | 6.0 | 3.0 | 15.8 | 14.9 | 0.0 |
| Lowest-paid employees | 9.0 | 11.0 | 5.0 | 30.9 | 0.0 | 0.0 |

Source: Data provided by the Kiribati authorities.

1/ Includes central government contributions to the Kiribati Provident Fund.

2/ Maximum of range.

Table 13. Kiribati: Employment by Industry and Sector, 1992-97

| Description | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|----------------------------------|---------------|-------|-------|---------------|-------|-------|
| | Old Series 1/ | | | New Series 1/ | | |
| (Numbers of employees) | | | | | | |
| By industry: | | | | | | |
| Agriculture | 39 | 34 | 20 | 32 | 48 | 32 |
| Fishing | 208 | 223 | 214 | 204 | 258 | 277 |
| Manufacturing | 126 | 133 | 121 | 160 | 169 | 156 |
| Electricity | 205 | 178 | 186 | 163 | 164 | 227 |
| Construction | 124 | 59 | 136 | 12 | 75 | 223 |
| Wholesale trade | 341 | 484 | 417 | 404 | 428 | 375 |
| Trade, restaurants, and hotels | 790 | 859 | 794 | 796 | 985 | 980 |
| Transportation and communication | 626 | 786 | 755 | 690 | 818 | 834 |
| Business services | 183 | 189 | 204 | 224 | 243 | 255 |
| Public administration | 2,864 | 2,957 | 2,963 | 3,000 | 3,954 | 3,736 |
| Education services | 927 | 1,105 | 1,112 | 1,151 | 1,651 | 1,721 |
| Other services | 379 | 261 | 252 | 202 | 328 | 233 |
| International bodies | 55 | 37 | 35 | 36 | 35 | 36 |
| Total | 6,867 | 7,305 | 7,209 | 7,074 | 9,156 | 9,085 |
| By sector: | | | | | | |
| Public sector | | | | | | |
| Public corporations | 1,551 | 1,864 | 1,792 | 1,745 | 1,793 | 1,800 |
| Island councils | 849 | 860 | 883 | 955 | 969 | 975 |
| Central government | 2,723 | 2,886 | 2,894 | 2,921 | 4,238 | 4,178 |
| Sub-total | 5,123 | 5,610 | 5,569 | 5,621 | 7,000 | 6,953 |
| Private sector | | | | | | |
| Private business | 833 | 780 | 771 | 700 | 1,225 | 1,303 |
| Island cooperatives | 379 | 405 | 374 | 345 | 337 | 336 |
| Churches | 495 | 477 | 460 | 380 | 529 | 445 |
| Nonprofit institution | 37 | 33 | 35 | 28 | 65 | 48 |
| Sub-total | 1,744 | 1,695 | 1,640 | 1,453 | 2,156 | 2,132 |
| Total | 6,867 | 7,305 | 7,209 | 7,074 | 9,156 | 9,085 |

Source: Kiribati Provident Fund.

1/ The two series are not comparable as the coverage of the data was improved in 1996.

Table 14. Kiribati: Central Government Budgetary Subsidies to Public Enterprises, 1992-99

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Estimate | 1999 Budget |
|---|------|------|------|-------|-------|-------|------------------|----------------|
| (In thousands of Australian dollars) | | | | | | | | |
| Air Tungaru/Kiribati | -- | 200 | 250 | 296 | 1,000 | 3,970 | 123 | 0 |
| Public Utilities Board | 120 | 120 | 120 | 120 | 120 | 210 | 120 | 120 |
| Water | 20 | 20 | 20 | 20 | 20 | 20 | 0 | 0 |
| Sewage | 100 | 100 | 100 | 100 | 100 | 190 | 120 | 120 |
| Te Mautari Limited | -- | -- | 250 | 250 | -- | 0 | 0 | 0 |
| Betio Shipyard | 30 | 30 | -- | 45 | 45 | 0 | 0 | 0 |
| Kiribati Housing Corporation | -- | -- | 233 | 281 | 287 | 263 | 243 | 260 |
| Broadcasting and Publications Authority | -- | -- | -- | 18 | 17 | 10 | 17 | 17 |
| Atoll Seaweed Company | -- | -- | -- | 135 | 150 | 0 | 0 | 0 |
| Kiribati Cooperative Wholesale Society/ Bobotin Kiribati | -- | -- | -- | 277 | -- | 0 | 0 | 0 |
| Other 1/ | 173 | -- | 59 | 133 | 493 | 750 | 1,900 | 1,450 |
| Of which: Capital injection into DBK | ... | ... | ... | ... | ... | 750 | 500 | 1,000 |
| Landing crafts | ... | ... | ... | ... | ... | ... | ... | 450 |
| Total subsidies | 323 | 350 | 912 | 1,555 | 2,112 | 5,203 | 2,403 | 1,847 |
| (In percent of current expenditure) | 1.2 | 1.3 | 2.9 | 3.5 | 4.5 | 10.5 | 4.6 | 3.5 |
| (In percent of GDP) | 0.7 | 0.7 | 1.0 | 2.5 | 3.3 | 8.0 | 3.3 | 2.5 |

Source: Data provided by the Kiribati authorities.

1/ Includes payments of debt services for public enterprises.

Table 15. Kiribati: Financial Performance of Public Enterprises, 1995-98

| Name of Enterprises | Profit/Losses 1/ | | | | Equity | | | | Return on Equity | | | | |
|--|--------------------------------------|--------|-------|-------|--------------------------------------|--------|--------|--------|------------------|-------|-------|-------|------------|
| | 1995 | 1996 | 1997 | 1998 | 1995 | 1996 | 1997 | 1998 | 1995 | 1996 | 1997 | 1998 | 1995-98 2/ |
| | (In thousands of Australian dollars) | | | | (In thousands of Australian dollars) | | | | (In percent) | | | | |
| I. Financial Public Enterprises | | | | | | | | | | | | | |
| Bank of Kiribati Limited | 1,547 | 1,571 | 1,693 | 2,373 | 1,246 | 1,881 | 2,325 | 1,854 | 124.2 | 83.5 | 72.8 | 128.0 | 102.1 |
| Kiribati Insurance Corporation. | 106 | 159 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Kiribati Provident Fund | 4,270 | 4,030 | 4,956 | ... | 40,771 | 44,805 | 50,944 | 56,800 | 10.5 | 9.0 | 9.7 | ... | 9.7 |
| Development of Bank of Kiribati | -112 | -212 | -57 | ... | 2,078 | 2,447 | 2,652 | 3,019 | -5.4 | -8.6 | -2.1 | ... | -5.4 |
| II. Nonfinancial Public Enterprises | | | | | | | | | | | | | |
| Trading | | | | | | | | | | | | | |
| Kiribati Supplies Company Limited | -82 | 23 | 55 | ... | 1,567 | 1,770 | 2,139 | ... | -5.3 | 1.3 | 2.6 | ... | -0.5 |
| Kiribati Oil Company Limited | 176 | -373 | ... | ... | 5,108 | 3,884 | ... | ... | 3.4 | -9.6 | ... | ... | -3.1 |
| Atoll Motor Marine Services Company Lim | 95 | -10 | 49 | ... | 1,107 | 1,091 | 1,080 | ... | 8.6 | -0.9 | 4.6 | ... | 4.1 |
| Abamakoro Trading Limited. | 339 | 226 | 648 | 345 | 2,047 | 1,985 | ... | ... | 16.5 | 11.4 | ... | ... | 14.0 |
| Bobotin Kiribati Limited | ... | 143 | 107 | ... | ... | 367 | 446 | ... | ... | 39.0 | 24.0 | ... | 31.5 |
| Kiribati Copra Cooperative Society | -1,972 | -908 | ... | ... | 2,775 | 2,312 | ... | ... | -71.1 | -39.3 | ... | ... | -55.2 |
| Utilities | | | | | | | | | | | | | |
| Public Utilities Board | ... | -312 | -476 | ... | ... | 9,829 | 9,905 | ... | ... | -3.2 | -4.8 | ... | -4.0 |
| Telecom Services Kiribati Limited | 1,196 | 1,120 | ... | ... | 1,735 | 1,735 | ... | ... | 68.9 | 64.6 | ... | ... | 66.7 |
| Telecom Kiribati Limited | ... | 171 | 75 | ... | ... | 2,298 | 2,128 | ... | ... | 7.4 | 3.5 | ... | 5.5 |
| Housing | | | | | | | | | | | | | |
| Kiribati Housing Corporation | -214 | -203 | -413 | ... | 3,880 | 3,826 | 4,793 | ... | -5.5 | -5.3 | -8.6 | ... | -6.5 |
| Transportation | | | | | | | | | | | | | |
| Air Kiribati Limited | ... | 29 | -106 | ... | ... | 22 | -100 | ... | ... | 131.1 | ... | ... | ... |
| Kiribati Shipping Services Limited | -953 | -1,526 | -431 | 329 | ... | -3,967 | -4,218 | -3,236 | ... | 38.5 | 10.2 | -10.2 | 19.3 |
| Hotel | | | | | | | | | | | | | |
| Captain Cook Hotel Limited | 77 | 98 | -232 | ... | 1,277 | 1,340 | 1,071 | ... | 6.1 | 7.3 | -21.7 | ... | -2.8 |
| Otintai Hotel Limited | 22 | 138 | 129 | ... | 1,293 | 1,383 | 1,800 | ... | 1.7 | 10.0 | 7.2 | ... | 6.3 |
| Fishing and Marine products | | | | | | | | | | | | | |
| Te Mautari Company Limited. | -747 | ... | ... | ... | -3,947 | ... | ... | ... | ... | ... | ... | ... | ... |
| Kiribati Marine Export Limited. | -184 | -98 | -133 | ... | 81 | -17 | -151 | ... | -226.9 | ... | ... | ... | ... |
| Atoll Seaweed Company Limited | -160 | ... | ... | ... | 290 | ... | ... | ... | -55.2 | ... | ... | ... | -55.2 |
| Kiribati Otoshiro Fishing Company Ltd. | 581 | 0 | ... | ... | 1,342 | 1,342 | ... | ... | 43.3 | 0.0 | ... | ... | 21.6 |
| Other | | | | | | | | | | | | | |
| Broadcasting and Publications Authority | 85 | 125 | 73 | ... | 807 | 760 | 528 | ... | 10.5 | 16.5 | 13.9 | ... | 13.6 |
| Betio Shipyard Limited | 163 | ... | ... | ... | 902 | ... | ... | ... | 18.0 | ... | ... | ... | 18.0 |
| Tarawa Biscuit Company Limited | -9 | -19 | 21 | ... | 4 | -18 | 2 | ... | -208.5 | 107.3 | 954.5 | ... | 284.4 |
| Plant and Vehicle Unit | -238 | ... | ... | ... | 5,594 | ... | ... | ... | -4.3 | ... | ... | ... | -4.3 |
| Solar Energy Company Limited | -42 | ... | ... | ... | 393 | ... | ... | ... | -10.6 | ... | ... | ... | -10.6 |

Source: Data provided by the Kiribati authorities.

1/ Before tax and subsidies.

2/ Or for whatever years data are available during 1995-98.

Table 16. Kiribati: Bank of Kiribati Balance Sheet, 1994-98 1/

(In millions of Australian dollars; end of period)

| | 1994 | 1995 | 1996 | 1997 | 1998 | | | |
|---|------|-------|------|------|------|------|------|------|
| | | | | | Mar. | Jun. | Sep. | Dec. |
| Net foreign assets | 30.5 | 38.1 | 27.4 | 46.4 | 31.7 | 33.3 | 37.3 | 42.9 |
| Domestic credit | 4.5 | 4.4 | 3.9 | 4.4 | 4.3 | 4.0 | 3.6 | 3.4 |
| Claims on government | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Claims on public enterprises | 2.0 | 1.6 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Claims on private sector | 2.5 | 2.8 | 2.5 | 4.4 | 4.3 | 4.0 | 3.6 | 3.4 |
| Other items, net | -3.5 | -10.8 | 4.1 | -3.2 | -1.9 | -0.9 | -0.4 | -0.3 |
| Deposits | 31.5 | 31.1 | 34.6 | 46.7 | 33.3 | 35.4 | 39.4 | 45.1 |
| Demand | 5.2 | 7.3 | 9.1 | 9.1 | 8.6 | 9.7 | 10.3 | 16.5 |
| Savings | 7.4 | 8.6 | 9.0 | 8.3 | 8.8 | 8.7 | 9.3 | 9.7 |
| Time | 18.9 | 15.2 | 16.5 | 29.3 | 15.9 | 17.0 | 19.8 | 18.9 |
| Cash | ... | 0.6 | 0.8 | 0.9 | 0.8 | 1.0 | 1.1 | 0.9 |
| Total Money Supply (M3) | ... | 31.7 | 35.4 | 47.6 | 34.1 | 36.4 | 40.5 | 46.0 |
| Memorandum item: | | | | | | | | |
| Deposits | | | | | | | | |
| Central government 2/ | 1.8 | 2.9 | 5.5 | 19.9 | 1.6 | 1.4 | 2.9 | 9.1 |
| Demand | 0.1 | 2.4 | 3.5 | 0.9 | 0.3 | 0.9 | 0.9 | 8.1 |
| Time | 1.7 | 0.5 | 2.0 | 19.0 | 1.3 | 0.5 | 2.0 | 1.0 |
| Public enterprises and statutory bodies | 9.6 | 10.1 | 11.4 | ... | ... | ... | ... | ... |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Bank of Kiribati Limited is the only commercial bank in Kiribati.

2/ Excludes STABEX deposits.

Table 17. Kiribati: Bank of Kiribati Interest Rates, 1992–98

(In percent per annum; end of period)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Deposit rates | | | | | | | |
| Savings accounts | 3.00 | 3.00 | 2.00 | 2.00 | 2.00 | 1.00 | 1.00 |
| Island accounts 1/ | 4.50 | 3.50 | 2.50 | 2.50 | 2.50 | 1.50 | 1.50 |
| Statement savings | 4.00 | 4.00 | 2.50 | 2.50 | 2.50 | 1.50 | 1.50 |
| Term deposits under \$A 50,000 2/ | | | | | | | |
| 6 months | 4.00 | 2.50 | 2.50 | 2.50 | 2.50 | 1.20 | 1.67 |
| 12 months | 5.00 | 3.50 | 3.50 | 3.50 | 3.50 | 1.20 | 1.97 |
| Term deposits over \$A 50,000 3/ | | | | | | | |
| 7 days | 3.00 | 2.28 | 6.44 | 4.93 | 3.37 | 2.08 | 2.04 |
| 14 days | 3.20 | 2.48 | 6.60 | 5.10 | 3.53 | 2.78 | 2.04 |
| 1 month | 3.70 | 2.98 | 7.14 | 5.63 | 4.06 | 3.08 | 1.94 |
| 2 months | 3.80 | 3.08 | 7.24 | 5.73 | 4.16 | 2.98 | 2.54 |
| 3 months | 3.90 | 3.18 | 7.37 | 5.87 | 4.30 | 2.68 | 2.07 |
| 6 months | 4.00 | 3.28 | 7.50 | 6.00 | 4.43 | 2.08 | 2.17 |
| Loan rates | | | | | | | |
| Secured | 9.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Unsecured | 10.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Unauthorized overdraft rate | 12.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| Memorandum items: | | | | | | | |
| Selected interest rates in Australia | | | | | | | |
| Money market rate 4/ | 6.44 | 5.11 | 5.18 | 7.44 | 7.37 | 9.60 | 8.80 |
| Treasury bill rate 5/ | 6.27 | 5.00 | 5.69 | 7.63 | 6.96 | 4.96 | 4.57 |

Sources: Data provided by the Kiribati authorities; and IMF, *International Financial Statistics*.

1/ Minimum deposit \$A 100; no restrictions on withdrawals.

2/ Minimum deposit \$A 500.

3/ The rates for 1997 and 1998 are obtained from \$A 100,000–\$A 250,000 rates, i.e., between \$A 50,000 and \$A 250,000.

4/ Weighted average rate of short-term loans.

5/ Weighted average yield on 13-week treasury notes.

Table 18. Kiribati: Assets and Liabilities of the Kiribati Provident Fund, 1992-98

(In millions of Australian dollars; end of period)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 Prel. | 1998 Prel. |
|---|------|------|------|------|------|---------------|---------------|
| Assets | 31.5 | 35.9 | 36.1 | 40.8 | 44.8 | 50.9 | 56.8 |
| Common stocks | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Foreign investments | 28.2 | 32.3 | 33.0 | 37.4 | 40.9 | 46.3 | 51.9 |
| Foreign equities | 9.9 | 15.7 | 18.0 | 18.5 | 25.2 | 20.7 | 30.2 |
| Foreign government bonds 1/ | 18.3 | 16.6 | 15.1 | 18.9 | 0.0 | 0.0 | 21.6 |
| Current assets | 1.7 | 2.1 | 1.5 | 1.9 | 2.5 | 3.2 | 3.3 |
| Bank of Kiribati deposits | 1.0 | 1.4 | 1.1 | 0.8 | 1.3 | 1.8 | 1.9 |
| Other domestic assets | 0.7 | 0.7 | 0.5 | 0.0 | 0.0 | 0.0 | 1.5 |
| Fixed assets | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 | 1.5 |
| Liabilities | 31.5 | 35.9 | 36.1 | 40.8 | 44.8 | 50.9 | 56.8 |
| Members' accounts | 23.2 | 26.7 | 31.4 | 35.3 | 40.8 | 47.5 | 53.8 |
| General reserves 2/ | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Current liabilities | 4.5 | 5.5 | 1.0 | 1.8 | 0.3 | -0.3 | -0.7 |
| Memorandum items: | | | | | | | |
| Change in members' accounts | 2.8 | 3.1 | 2.5 | 3.9 | 5.6 | 5.3 | 6.3 |
| Contributions | 1.5 | 1.1 | 1.8 | 2.4 | 3.4 | 3.8 | 3.9 |
| Interest | 2.5 | 2.9 | 3.2 | 4.1 | 4.6 | 5.3 | 6.1 |
| Withdrawals | -1.3 | -0.9 | -2.5 | -2.7 | -2.5 | -3.8 | -3.7 |
| Interest rate paid to members (In percent per annum) | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |

Sources: Data provided by the Kiribati authorities.

1/ Book value, including reinvested interest income.

2/ Includes interest stabilization reserves, special death benefit reserves, and accumulated surpluses.

Table 19. Kiribati: Assets and Liabilities of the Development Bank of Kiribati, 1992-98

(In millions of Australian dollars; end of period)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|------|------|------|------|------|------|------|
| Assets | 3.4 | 3.2 | 3.4 | 3.8 | 4.1 | 4.0 | 4.4 |
| Fixed assets | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Loans and investments | 2.6 | 3.1 | 3.2 | 3.7 | 4.1 | 3.3 | 3.8 |
| Long-term loans to subsidiary companies | 0.8 | 0.8 | 0.6 | 0.6 | 0.6 | 0.3 | 0.3 |
| Other long-term loans | 1.1 | 1.6 | 1.8 | 1.7 | 2.2 | 2.7 | 3.2 |
| Investment in subsidiary companies | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.3 | 0.3 |
| Current assets | 0.7 | 0.0 | 0.2 | 0.7 | 0.6 | 0.7 | 0.6 |
| Cash and bank balances | -0.5 | -0.1 | 0.0 | -0.4 | -0.4 | -0.5 | -0.4 |
| Liabilities | 3.4 | 3.2 | 3.4 | 3.8 | 4.1 | 4.0 | 4.4 |
| Capital | 2.2 | 2.1 | 2.0 | 2.1 | 2.4 | 2.7 | 3.0 |
| Government grants | 0.7 | 0.7 | 0.7 | 0.7 | 1.2 | 0.0 | 0.0 |
| Retained earnings | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 | -0.3 | -0.5 |
| Government investment | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 2.9 | 3.4 |
| Investment revaluation reserve | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | ... | ... |
| Long-term liabilities 1/ | 0.8 | 0.8 | 1.2 | 1.5 | 1.7 | 1.3 | 1.3 |
| Current liabilities | 0.3 | 0.2 | 0.1 | 0.2 | 0.1 | 0.0 | 0.1 |
| Trade credits | -0.2 | -0.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |

Source: Data provided by the Kiribati authorities.

1/ Asian Development Bank loan.

Table 20. Kiribati: Balance of Payments Summary, 1992-98

(In millions of Australian dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Est. |
|--|--------|--------|-------|-------|--------|--------|--------------|
| Current account balance | -4.9 | 6.2 | 5.7 | 1.0 | -17.5 | 4.8 | 18.5 |
| Trade balance | -44.0 | -37.8 | -29.0 | -37.5 | -41.8 | -44.1 | -49.1 |
| Exports, f.o.b. | 6.5 | 5.1 | 7.1 | 10.0 | 6.8 | 8.4 | 9.4 |
| Imports, f.o.b. | 50.5 | 42.9 | 36.1 | 47.5 | 48.6 | 52.5 | 58.5 |
| Balance on services | -20.7 | -21.4 | -18.4 | -21.5 | -25.5 | -29.7 | -33.7 |
| Credit | 5.9 | 7.3 | 5.6 | 5.2 | 5.8 | 5.4 | 5.4 |
| Debit | 26.6 | 28.7 | 24.0 | 26.7 | 31.3 | 35.1 | 39.1 |
| Balance on factor income 1/ | 37.6 | 35.4 | 38.5 | 45.6 | 31.9 | 57.6 | 75.5 |
| Credit | 39.3 | 37.9 | 41.6 | 47.4 | 33.6 | 58.7 | 76.9 |
| Fishing license fees | 13.0 | 14.1 | 18.4 | 18.8 | 6.2 | 29.4 | 42.5 |
| Investment income | 21.6 | 19.0 | 17.8 | 21.5 | 19.7 | 20.1 | 23.2 |
| Seamen's remittances | 4.7 | 4.8 | 5.4 | 7.1 | 7.7 | 9.2 | 11.2 |
| Debit | 1.7 | 2.5 | 3.1 | 1.8 | 1.7 | 1.1 | 1.4 |
| Balance on current transfers | 22.3 | 29.8 | 14.7 | 14.2 | 17.9 | 21.0 | 25.9 |
| Credit | 25.3 | 32.3 | 16.5 | 16.6 | 19.0 | 22.7 | 27.6 |
| Of which: Government | 13.1 | 14.3 | 11.7 | 12.0 | 14.3 | 17.3 | 21.7 |
| Debit | 3.0 | 2.5 | 1.8 | 2.4 | 1.1 | 1.7 | 1.7 |
| Of which: Government | 0.8 | 0.7 | 0.8 | 1.4 | 0.0 | 0.7 | 0.7 |
| Capital balance | 10.2 | 15.1 | 10.1 | -2.1 | 2.5 | -0.6 | 6.5 |
| Government | 22.3 | 8.6 | 7.1 | 5.4 | 7.1 | 8.4 | 9.6 |
| Capital transfers | ... | 6.1 | 5.0 | 5.2 | 6.1 | 7.4 | 9.3 |
| Loans (net) | ... | 2.5 | 2.1 | 0.2 | 1.0 | 1.0 | 0.3 |
| Direct investment | 0.6 | -1.1 | 0.4 | 0.1 | 0.0 | 0.2 | 0.0 |
| Financial institutions | -12.7 | 7.6 | 2.6 | -7.6 | -4.6 | -9.2 | -3.1 |
| Errors and omissions | 18.0 | -5.0 | -4.8 | 12.0 | 8.3 | 15.0 | 11.1 |
| Overall balance | 23.3 | 16.3 | 11.0 | 10.9 | -6.6 | 19.2 | 36.2 |
| Monetary movements | | | | | | | |
| (Increase in foreign assets -) 2/ | -23.3 | -16.3 | -11.0 | -10.9 | 6.6 | -19.2 | -36.2 |
| Revenue Equalization Reserve Fund | -19.8 | -11.3 | -11.9 | -9.9 | -2.9 | -7.3 | -19.2 |
| Government funds 3/ | -3.5 | -5.0 | 0.9 | -1.1 | 9.5 | -11.9 | -17.0 |
| Memorandum items: | | | | | | | |
| Balance on goods and services (percent of GDP) | -140.1 | -121.8 | -87.7 | -94.9 | -104.5 | -112.9 | -115.2 |
| Current account balance/GDP (in percent) | -10.5 | 12.5 | 10.6 | 1.4 | -27.2 | 7.4 | 25.9 |
| Current account balance excl. official grants/GDP (in percent) | -37.2 | -15.3 | -9.6 | -15.6 | -49.4 | -17.9 | -3.3 |
| Official external assets 4/ | 306.8 | 370.1 | 334.1 | 384.7 | 379.1 | 487.8 | 606.3 |
| (In years of imports) | 4.0 | 5.2 | 5.6 | 5.2 | 4.7 | 5.6 | 6.2 |
| Foreign reserve assets | 19.4 | 24.4 | 23.8 | 25.2 | 15.7 | 27.7 | 45.1 |
| (In months of imports of goods and services) | 3.3 | 4.9 | 3.9 | 3.8 | 2.2 | 3.4 | 5.0 |
| Other assets | 287.4 | 345.7 | 310.3 | 359.5 | 363.4 | 460.1 | 561.2 |
| External debt | 4.9 | 7.9 | 9.3 | 9.3 | 12.6 | 12.4 | 12.3 |
| (In percent of GDP) | 10.6 | 16.2 | 17.3 | 15.0 | 19.5 | 19.0 | 17.2 |
| External debt service | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| (In percent of exports of goods and services) | 0.8 | 0.8 | 0.8 | 0.9 | 1.3 | 1.2 | 1.1 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Includes fishing license fees which would be shown as current transfers under the conventional international guidelines.

2/ Excludes valuation changes.

3/ Comprises the Consolidated, Development, and STABEX Funds.

4/ On the basis of market value, including valuation changes.

Table 21. Kiribati: Composition of Exports, 1992-98

(Value in millions of Australian dollars; volume in metric tons;
unit value in Australian dollars per ton)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Est. |
|------------------------|--------|--------|--------|--------|---------|--------|--------------|
| Total exports (f.o.b.) | 6.5 | 5.1 | 7.1 | 10.0 | 6.8 | 8.4 | 9.4 |
| (As a percent of GDP) | 14.1 | 10.4 | 13.1 | 16.1 | 10.6 | 12.9 | 13.1 |
| Domestic exports | 5.6 | 4.5 | 6.8 | 8.7 | 6.0 | 5.7 | 8.5 |
| Copra | | | | | | | |
| Value | 4.4 | 2.3 | 4.5 | 6.4 | 3.6 | 4.0 | 5.1 |
| Volume | 9,907 | 8,430 | 10,317 | 13,159 | 5,989 | 7,722 | 7,577 |
| Unit value | 439 | 276 | 434 | 484 | 602 | 523 | 678 |
| Fish | | | | | | | |
| Value | 0.4 | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | 1.0 |
| Volume | 379 | 286 | 262 | 71 | 59 | 30 | 59 |
| Unit value | 958 | 1,794 | 1,481 | 3,746 | 3,576 | 3,633 | 17,746 |
| Seaweed | | | | | | | |
| Value | 0.3 | 0.2 | 0.3 | 0.2 | 0.4 | 0.7 | 0.7 |
| Volume | 388 | 339 | 374 | 178 | 858 | 971 | 635 |
| Unit value | 737 | 984 | 794 | 989 | 445 | 751 | 1,039 |
| Shark fins | | | | | | | |
| Value | 0.1 | 0.1 | 0.1 | 0.7 | 0.2 | 0.1 | 0.1 |
| Volume | 6 | 2 | 2 | 17 | 2 | 23 | 10 |
| Unit value | 20,702 | 61,500 | 73,893 | 38,764 | 97,000 | 4,177 | 12,900 |
| Pet fish | | | | | | | |
| Value | 0.3 | 0.5 | 0.5 | 0.8 | 0.6 | 0.7 | 0.7 |
| Volume | ... | ... | ... | ... | 6 | 9 | 10 |
| Unit value | ... | ... | ... | ... | 114,107 | 81,163 | 71,600 |
| Handicrafts (value) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others (value) | 0.3 | 0.7 | 1.5 | 0.4 | 0.9 | 0.7 | 1.5 |
| Reexports (value) | 0.9 | 0.6 | 0.3 | 1.3 | 0.8 | 2.7 | 0.9 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 22. Kiribati: Direction of Trade, 1992-98

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Est. |
|-------------------------------------|-------|-------|-------|-------|-------|-------|--------------|
| (In millions of Australian dollars) | | | | | | | |
| Exports, f.o.b. 1/ | 5.6 | 4.5 | 6.8 | 8.7 | 6.0 | 5.7 | 8.5 |
| Australia | 0.0 | 0.1 | 0.1 | 0.1 | 0.4 | 0.3 | 0.4 |
| Bangladesh | 4.3 | 0.0 | 4.5 | 6.3 | 3.4 | 4.0 | 4.6 |
| Fiji | 0.2 | 0.2 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Japan | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 |
| New Zealand | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| United States | 0.6 | 0.6 | 0.9 | 0.9 | 0.8 | 0.8 | 0.9 |
| European Union | 0.3 | 2.5 | 0.3 | 0.2 | 0.4 | 0.4 | 0.0 |
| Other | 0.2 | 1.0 | 1.1 | 1.2 | 0.8 | 0.1 | 1.1 |
| Imports, f.o.b. | 50.5 | 42.9 | 36.1 | 47.5 | 48.6 | 52.5 | 58.5 |
| Australia | 19.4 | 18.4 | 16.6 | 22.6 | 22.3 | 21.1 | 28.9 |
| China | 1.7 | 2.5 | 2.1 | 2.6 | 2.9 | 2.2 | 3.9 |
| Fiji | 5.7 | 4.9 | 6.2 | 9.1 | 9.0 | 8.3 | 10.0 |
| Hong Kong | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.5 |
| Japan | 11.5 | 6.3 | 2.4 | 3.6 | 4.1 | 9.7 | 5.1 |
| New Zealand | 2.7 | 2.8 | 2.4 | 4.2 | 4.0 | 2.6 | 2.2 |
| United Kingdom | 0.3 | 0.2 | 0.2 | 0.4 | 0.0 | 0.1 | 0.0 |
| United States | 1.4 | 1.2 | 3.5 | 1.5 | 2.0 | 4.2 | 2.5 |
| Other | 7.3 | 6.3 | 2.3 | 3.3 | 4.0 | 4.2 | 5.2 |
| (In percent of totals) | | | | | | | |
| Exports, f.o.b. 1/ | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Australia | 0.4 | 1.3 | 1.3 | 1.2 | 7.2 | 5.1 | 4.2 |
| Bangladesh | 77.0 | 0.0 | 65.5 | 71.9 | 57.3 | 71.1 | 53.9 |
| Fiji | 3.1 | 4.3 | 0.3 | 0.9 | 0.8 | 0.5 | 0.2 |
| Japan | 0.0 | 1.2 | 0.0 | 0.3 | 0.6 | 0.6 | 17.0 |
| New Zealand | 0.2 | 0.0 | 0.7 | 0.0 | 2.1 | 0.1 | 0.0 |
| United States | 10.8 | 14.5 | 12.5 | 9.8 | 12.9 | 13.9 | 11.2 |
| European Union | 5.2 | 56.0 | 4.3 | 1.7 | 6.4 | 6.6 | 0.0 |
| Other | 3.3 | 22.7 | 15.4 | 14.3 | 12.7 | 2.2 | 13.5 |
| Imports, f.o.b. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Australia | 38.4 | 42.8 | 45.9 | 47.6 | 46.1 | 40.1 | 49.4 |
| China | 3.3 | 5.9 | 5.8 | 5.4 | 5.9 | 4.1 | 6.7 |
| Fiji | 11.3 | 11.4 | 17.2 | 19.1 | 18.7 | 15.7 | 17.2 |
| Hong Kong | 1.0 | 0.9 | 1.2 | 0.5 | 0.6 | 0.5 | 0.8 |
| Japan | 22.7 | 14.7 | 6.7 | 7.6 | 8.6 | 18.5 | 8.7 |
| New Zealand | 5.4 | 6.4 | 6.6 | 8.9 | 8.4 | 4.9 | 3.8 |
| United Kingdom | 0.5 | 0.5 | 0.6 | 0.9 | 0.1 | 0.1 | 0.1 |
| United States | 2.9 | 2.7 | 9.6 | 3.1 | 3.3 | 8.0 | 4.3 |
| Other | 14.5 | 14.6 | 6.4 | 7.0 | 8.3 | 8.1 | 8.9 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Excludes reexports.

Table 23. Kiribati: Composition of Imports, 1992–98

(In millions of Australian dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Est. |
|--|-------|------|------|------|------|------|--------------|
| Total imports | 50.5 | 42.9 | 36.1 | 47.5 | 48.6 | 52.5 | 58.5 |
| (In percent of GDP) | 109.5 | 88.2 | 66.8 | 76.5 | 75.5 | 80.4 | 81.4 |
| Food and live animals | 10.7 | 11.9 | 11.5 | 15.4 | 16.4 | 13.7 | 19.9 |
| Beverages and tobacco | 2.5 | 2.6 | 3.1 | 3.1 | 3.2 | 3.0 | 3.9 |
| Crude materials | 0.6 | 0.9 | 0.8 | 0.7 | 1.0 | 0.8 | 1.2 |
| Mineral fuels | 4.0 | 3.0 | 3.4 | 4.8 | 4.9 | 6.9 | 4.5 |
| Animal and vegetable oils and fats | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |
| Chemicals | 1.7 | 2.6 | 2.3 | 3.5 | 3.3 | 2.8 | 3.4 |
| Manufactured goods | 4.1 | 5.0 | 4.8 | 9.1 | 7.0 | 8.2 | 7.6 |
| Machinery and transportation equipment | 23.9 | 12.1 | 6.3 | 6.9 | 8.7 | 11.8 | 10.4 |
| Miscellaneous manufactured articles | 2.8 | 4.3 | 3.6 | 3.6 | 3.2 | 4.6 | 3.5 |
| Other | 0.2 | 0.2 | 0.3 | 0.4 | 0.7 | 0.4 | 3.8 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 24. Kiribati: Services and Income, 1992-98

(In millions of Australian dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Est. |
|------------------------------------|-------|-------|-------|-------|-------|-------|--------------|
| Balance on services | -20.7 | -21.4 | -18.4 | -21.5 | -25.5 | -29.7 | -33.7 |
| (In percent of GDP) | -44.8 | -44.0 | -34.0 | -34.5 | -39.6 | -45.4 | -46.9 |
| Credit | 5.9 | 7.3 | 5.6 | 5.2 | 5.8 | 5.4 | 5.4 |
| Transport | 3.2 | 4.3 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Travel | 1.5 | 1.9 | 1.8 | 1.6 | 1.8 | 2.0 | 2.7 |
| Communications | 0.6 | 0.6 | 0.6 | 0.8 | 0.8 | 0.8 | 0.8 |
| Other | 0.6 | 0.5 | 0.4 | 0.0 | 0.4 | -0.2 | -0.9 |
| Debit | 26.6 | 28.7 | 24.0 | 26.7 | 31.3 | 35.1 | 39.1 |
| Transport | 16.6 | 16.5 | 14.4 | 16.8 | 15.6 | 15.6 | 15.6 |
| Other | 10.0 | 12.2 | 9.6 | 9.8 | 15.7 | 19.5 | 23.5 |
| Balance on income 1/ | 37.6 | 35.4 | 38.5 | 45.6 | 31.9 | 57.6 | 75.5 |
| (In percent of GDP) | 81.4 | 72.8 | 71.1 | 73.4 | 49.5 | 88.2 | 105.1 |
| Credit | 39.3 | 37.9 | 41.6 | 47.4 | 33.6 | 58.7 | 76.9 |
| Fishing licence fees | 13.0 | 14.1 | 18.4 | 18.8 | 6.2 | 29.4 | 42.5 |
| Investment income | 21.6 | 19.0 | 17.8 | 21.5 | 19.7 | 20.1 | 23.2 |
| Seamen's remittances | 4.7 | 4.8 | 5.4 | 7.1 | 7.7 | 9.2 | 11.2 |
| Debit | | | | | | | |
| Investment income | 1.7 | 2.5 | 3.1 | 1.8 | 1.7 | 1.1 | 1.4 |
| Memorandum items: | | | | | | | |
| Interest and dividend receipts | 21.6 | 19.0 | 17.8 | 21.5 | 19.7 | 20.1 | 23.2 |
| Revenue Equalization Reserve Fund | 17.1 | 14.2 | 14.0 | 17.4 | 16.5 | 17.1 | 20.3 |
| Other government accounts 2/ | 0.5 | 1.3 | 0.0 | 0.2 | 0.4 | 0.0 | 0.2 |
| Bank of Kiribati | 1.5 | 1.5 | 1.6 | 1.9 | 1.7 | 1.0 | 1.6 |
| Kiribati Provident Fund | 2.1 | 1.3 | 2.2 | 1.7 | 0.8 | 2.0 | 1.1 |
| Kiribati Copra Cooperative Society | 0.4 | 0.7 | 0.0 | 0.3 | 0.3 | 0.0 | 0.0 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

1/ Includes fishing license fees which would be shown as current transfers under the conventional international guidelines.

2/ Interest earnings on STABEX, Import Levy, Coinage, Dai Nippon Causeway, and Leper Trust Fund accounts held abroad.

Table 25. Kiribati: External Grants by Principal Donors, 1995–98

(In millions of Australian dollars)

| | 1995 | 1996 | 1997 Est. | 1998 Est. |
|--------------------------------|-------------|-------------|--------------|--------------|
| Principal donors | | | | |
| Asian Development Bank | 0.6 | 3.0 | 0.3 | 1.9 |
| Australia | 4.7 | 4.3 | 4.7 | 6.8 |
| European Community | 3.6 | 6.5 | 6.5 | 6.5 |
| Japan | 0.4 | 0.8 | 3.2 | 8.5 |
| New Zealand | 2.7 | 2.6 | 2.7 | 2.8 |
| Other donors | | | | |
| China | 0.2 | 0.2 | 0.2 | 0.5 |
| UNDP | 0.7 | 0.9 | 1.2 | 1.3 |
| USAID | 0.4 | 0.4 | 0.4 | 0.4 |
| WHO | 0.2 | 0.3 | 0.4 | 0.5 |
| Other | 3.7 | 1.4 | 5.1 | 1.8 |
| Total | 17.2 | 20.4 | 24.7 | 31.0 |
| Current | 12.0 | 14.3 | 17.3 | 21.7 |
| Capital | 5.2 | 6.1 | 7.4 | 9.3 |
| Memorandum items: | | | | |
| Total grants as percent of GDP | 27.7 | 31.7 | 37.8 | 43.2 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

Table 26. Kiribati: External Assets and Liabilities, 1992-98

(In millions of Australian dollars)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 Est. |
|------------------------------------|-------|-------|-------|-------|-------|-------|--------------|
| Total external assets | 367.5 | 430.6 | 400.1 | 462.0 | 448.5 | 580.5 | 701.1 |
| Official external assets | 306.8 | 370.1 | 334.1 | 384.7 | 379.1 | 487.8 | 606.3 |
| Revenue Equalization Reserve Fund | 295.9 | 353.4 | 318.4 | 367.9 | 371.8 | 468.6 | 570.1 |
| Government funds 1/ | 10.9 | 16.7 | 15.8 | 16.8 | 7.3 | 19.2 | 36.2 |
| Reserve position in the Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other external assets | 60.7 | 60.5 | 65.9 | 77.3 | 69.5 | 92.7 | 94.8 |
| Bank of Kiribati | 29.9 | 25.8 | 30.5 | 38.1 | 27.4 | 46.4 | 42.9 |
| Kiribati Provident Fund | 28.2 | 32.3 | 33.0 | 37.4 | 40.9 | 46.3 | 51.9 |
| Kiribati Copra Cooperative Society | 2.6 | 2.4 | 2.4 | 1.8 | 1.2 | 0.0 | 0.0 |
| Total external debt | 4.9 | 7.9 | 9.3 | 9.3 | 12.6 | 12.4 | 12.3 |
| Memorandum items: | | | | | | | |
| Revenue Equalization Reserve Fund | | | | | | | |
| Opening balance | 262.0 | 295.9 | 353.4 | 318.4 | 367.9 | 371.8 | 468.6 |
| Changes, net | 33.9 | 57.5 | -35.0 | 49.5 | 3.9 | 96.8 | 101.5 |
| Interest and dividends | 17.1 | 14.2 | 14.0 | 17.4 | 16.5 | 17.1 | 20.3 |
| Contribution from government | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers to the budget | -5.6 | -5.5 | -4.4 | -7.5 | -13.6 | -8.0 | 0.0 |
| Management fees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1.8 | -1.1 |
| Valuation and currency gains 2/ | 22.4 | 48.8 | -44.7 | 39.6 | 1.0 | 89.5 | 82.3 |
| Closing balance | 295.9 | 353.4 | 318.4 | 367.9 | 371.8 | 468.6 | 570.1 |
| Currency composition 3/ | | | | | | | |
| U.S. dollars | 79.0 | 94.4 | 63.6 | 76.5 | 79.4 | 145.8 | 194.6 |
| Deutsche mark | 15.4 | 18.4 | 6.9 | 24.3 | 31.0 | 36.4 | 66.9 |
| Japanese yen | 34.6 | 41.3 | 34.7 | 45.0 | 41.3 | 34.4 | 36.4 |
| Pounds sterling | 16.0 | 19.1 | 14.9 | 22.1 | 28.7 | 52.7 | 39.6 |
| Australian dollars | 118.9 | 142.1 | 151.4 | 104.4 | 111.4 | 126.9 | 162.4 |
| Other | 32.0 | 38.2 | 46.8 | 95.7 | 79.9 | 72.4 | 70.2 |
| Portfolio composition 3/ | | | | | | | |
| Bonds | 175.1 | 183.2 | 199.4 | 158.6 | 154.6 | 201.5 | 256.5 |
| Equities | 120.7 | 170.3 | 119.0 | 180.3 | 180.4 | 229.6 | 279.3 |
| Other | 0.0 | 0.0 | 0.0 | 29.0 | 36.7 | 37.5 | 34.2 |

Sources: Data provided by the Kiribati authorities; and Fund staff estimates.

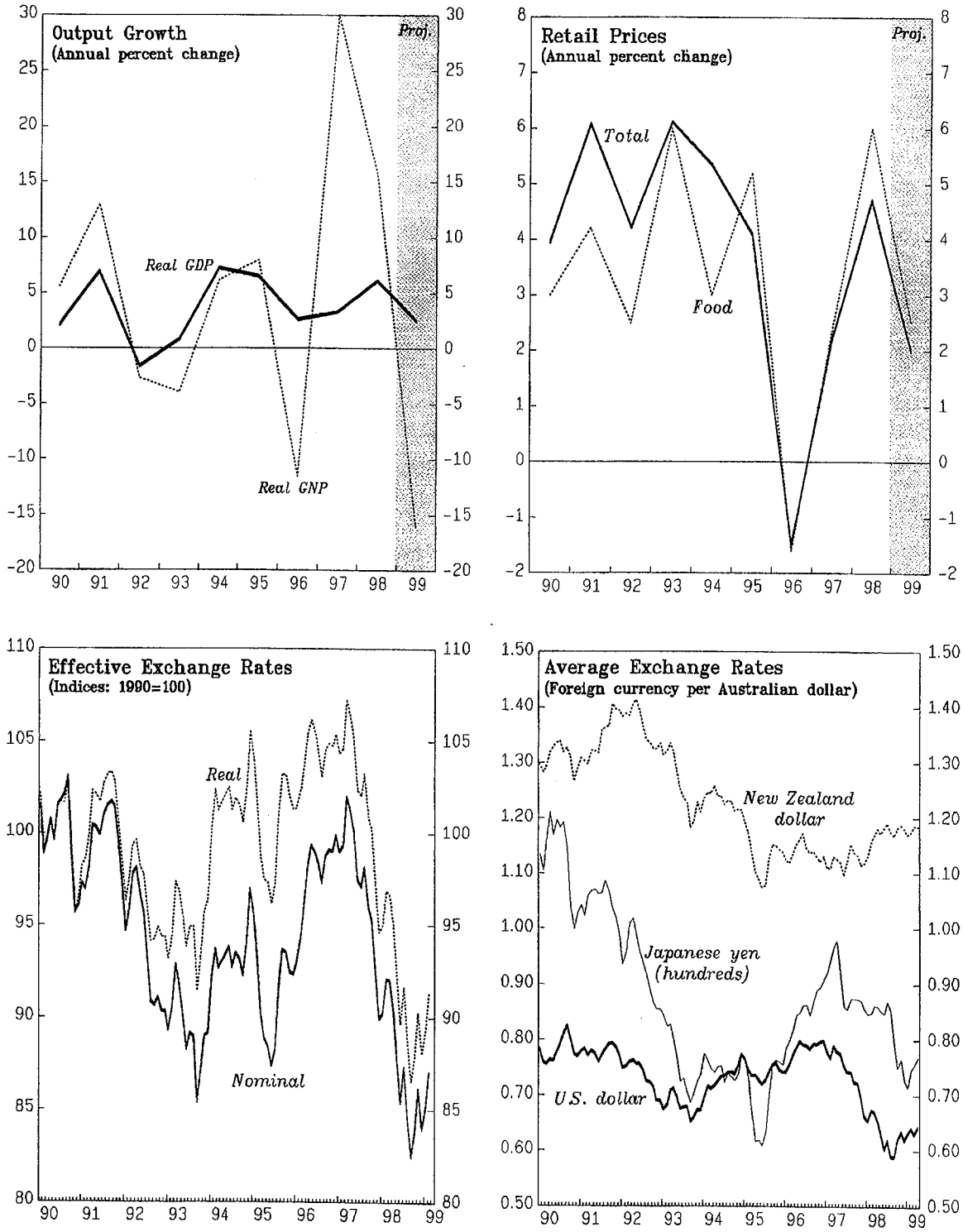
1/ Comprises the Consolidated, Development, and STABEX Funds.

2/ Includes accrued interest not received, unrealized capital gains, and the effects of exchange rate changes.

3/ End of period.

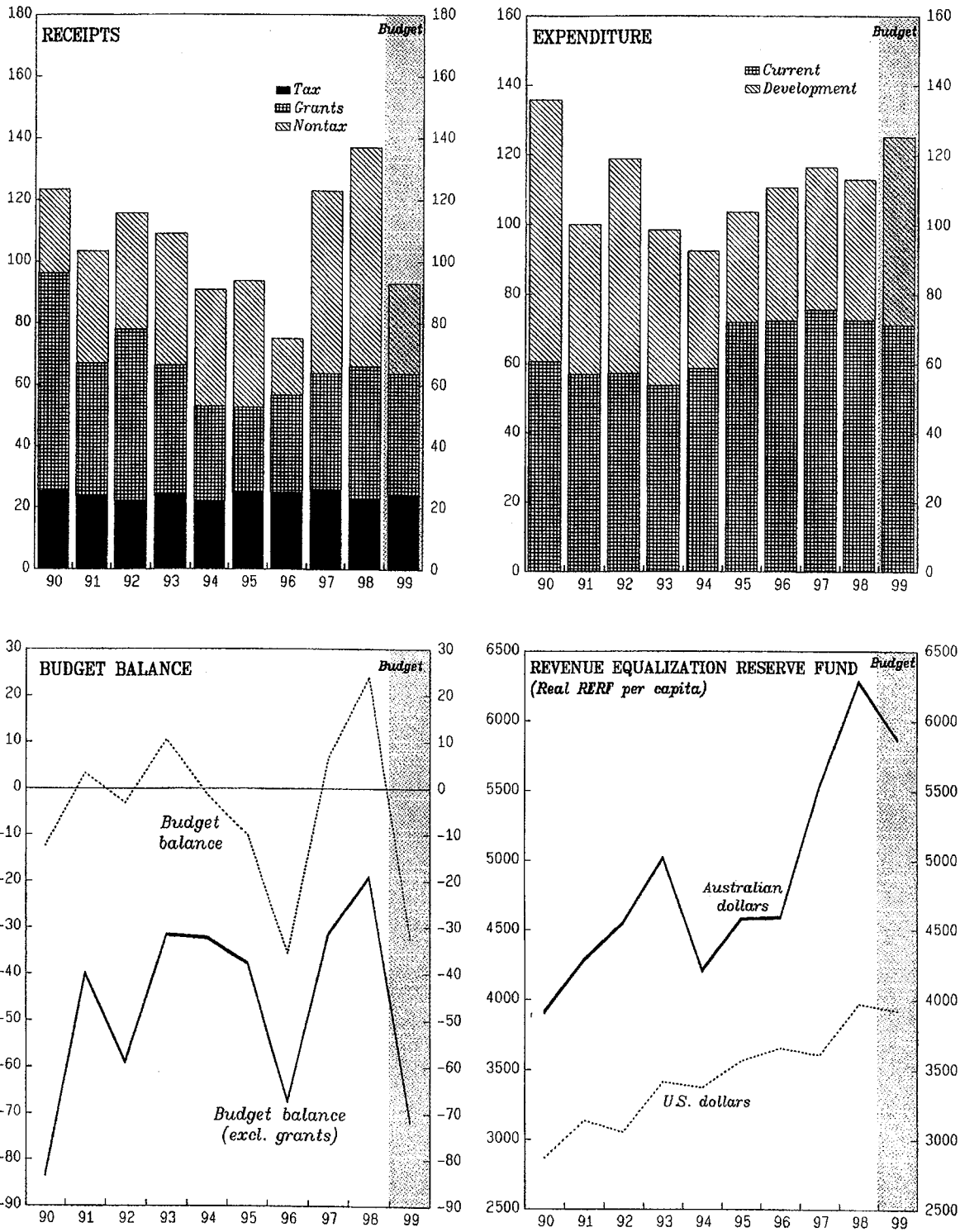
Figure 1
Kiribati

OUTPUT, PRICES, AND EXCHANGE RATES, 1990-99



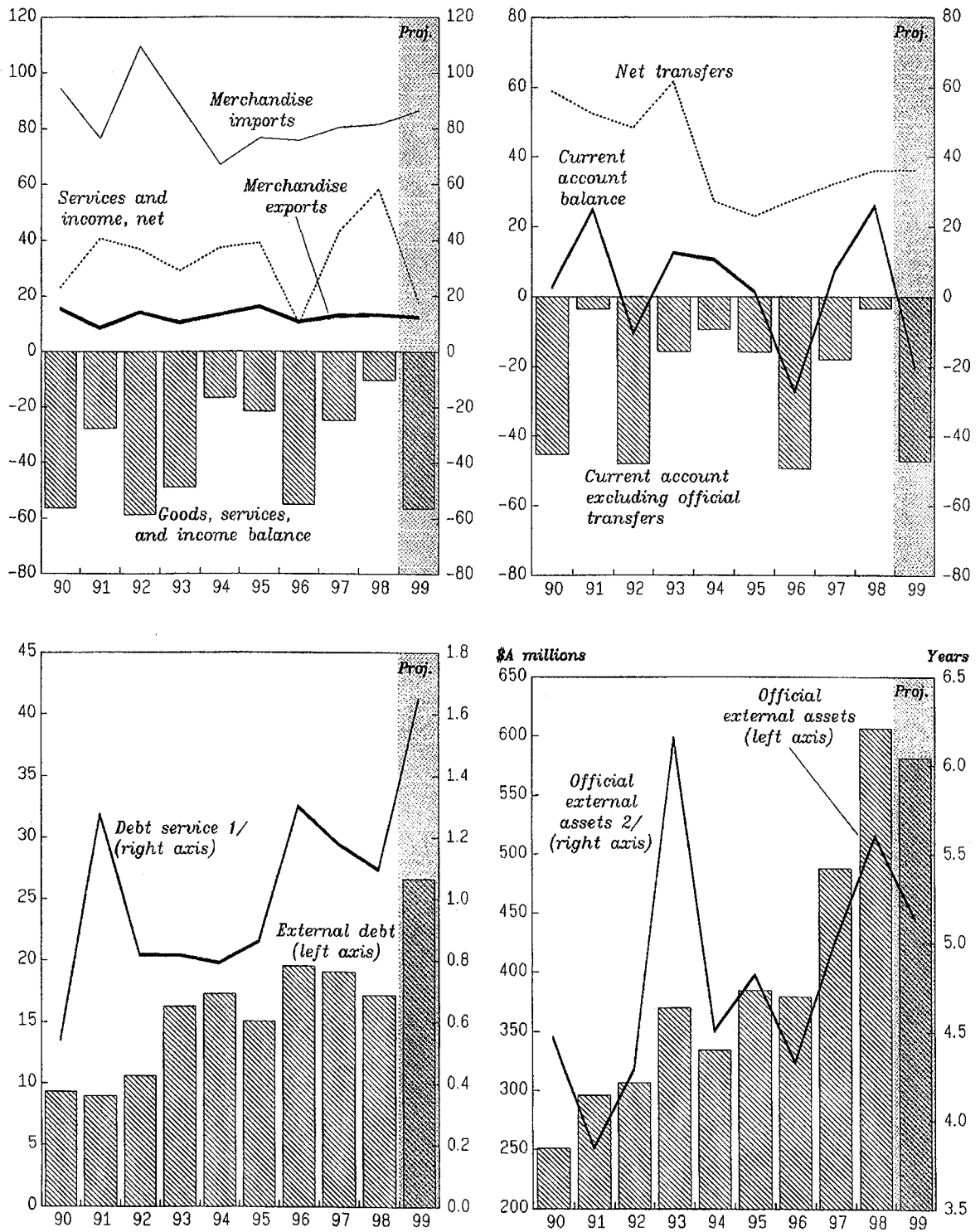
Sources: Data provided by Kiribati authorities; IMF, Information Notice System; and Fund staff estimates.

Figure 2
Kiribati
CENTRAL GOVERNMENT BUDGET, 1990-99
(In percent of GDP, unless otherwise noted)



Sources: Data provided by Kiribati authorities; and Fund staff estimates.

Figure 3
Kiribati
EXTERNAL DEVELOPMENTS, 1990-99
(In percent of GDP, unless otherwise noted)



Sources: Data provided by Kiribati authorities; and Fund staff estimates.

1/ In percent of exports of goods and services.

2/ In years of imports of goods and services.