



# Climate PFM At-a-Glance: KIRIBATI

\$ 195.7 Million 2018 Recurrent Budget  
 \$ 46.7 Million 2018 Development Budget  
 \$ 13.8 Million 2018 Budget Support

US\$174 Million Gross Domestic Production (GDP)  
 US\$ 1,578 (2015) GDP/Per Capita

110,500 (2015) Population  
 Fish and Copra: Main Export

Kiribati has:

- Strong economic fundamentals in recent years;
- Made commendable progress on structural reforms;
- Implemented important reforms to improve the Public Finance Management (PFM) System; and
- Some challenges still remain.

PFM is key to:

- Effective economic management;
- Achieving development outcomes; and
- Accessing climate change and disaster risk management (CCDRM) finances.

A summary of PFM performance and key areas for reforming are identified in the consolidated PFM issues matrix<sup>1</sup>.

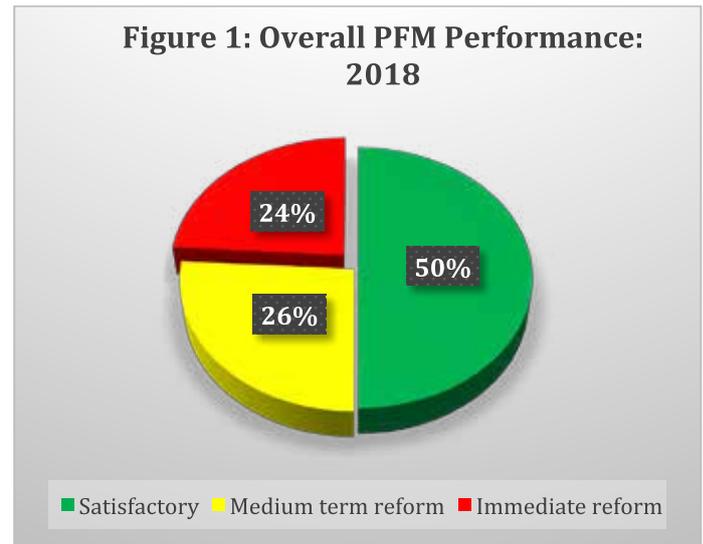
## Country's Strategic Direction

Kiribati's Government has adopted a 20-year Kiribati Vision for the period 2016-2036 offering a consolidated framework for development through which the National Development and Strategic Plans are being aligned to the KV20 providing meaningful process towards achieving the country's development outcomes. The KV20 is anchored on four pillars: Wealth, Peace and Security, Infrastructure and Governance. These KV20 pillars provided the government some key development guidance to improve the economic, infrastructure and social growth of the country, hence alleviating poverty.

## Public Finance Management Performance

The PFM analysis for Kiribati finds that overall performance reflects the commendable progress made over the years in governance and economic management, particularly in the PFM regulatory reforms. About 50% of the PFM was performing satisfactorily which was represented by the combined percentage of satisfactory (green) and medium-term reform (yellow). However, there are major areas within the PFM systems and processes that entail greater attention and to be immediately reformed as represented by 24% in figure 1 below.

Figure 1: Overall PFM Performance: 2018



Further look into the machinery of the PFM, the analysis finds Kiribati shares 5 common challenges faced by other PICs.

These are five common challenges faced by FICs, namely:

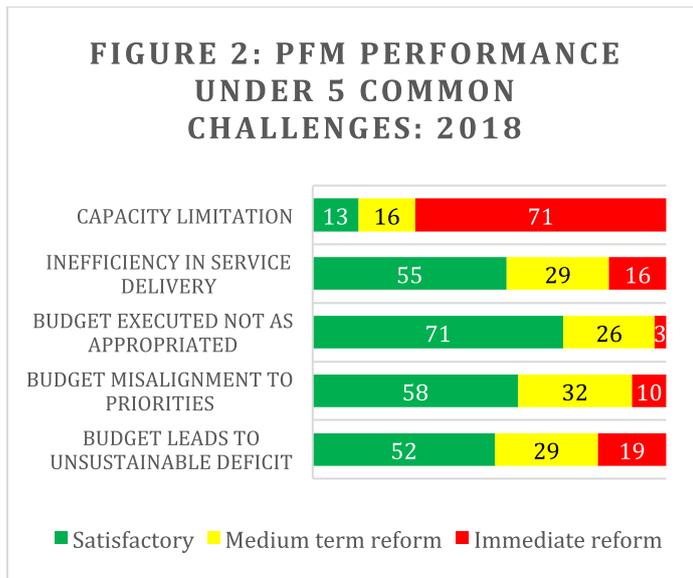
1.	Unrealistic budget leads to unsustainable deficits <sup>2</sup>
2.	Budget misalignment with priorities
3.	Budgets executed not as appropriated
4.	Inefficiency in service delivery
5.	Capacity limitation

<sup>1</sup> A traffic-light codes single matrix consolidated PFMS issues guided by PEFA and PCCFAF identified the weaknesses and strengthens. The RED required immediate reform actions; GREEN – satisfactory and need ongoing monitoring to avoid slippage and Yellow: requires medium reform actions.

<sup>2</sup> Budget surpluses being noticed in the past years.

## PFM performance by common challenges<sup>3</sup>

Clearly, the overall PFM is performing satisfactorily in almost all the common challenges except for capacity limitation. The absorptive capacity refers to the HR availability, competency and infrastructure (hard & soft)<sup>4</sup> capability. The analysis finds that about 71%, as shown in figure 2 below, of the PFM capacity requires an immediate augmentation policy actions within a year or two to achieve the desired robustness and credibility of the PFM system.



### Addressing capacity limitation

Capacity limitations are frequently cited as key constraint to obtaining “best practice” performance standard for PFM. The following are suggested actions to address capacity lacking in Kiribati.

1. Prioritize capacity to areas that matter most in achieving development outcomes and meeting CCDR funds fiduciary criteria;
2. Access to capacity building, supplementation and substitution opportunities;
3. Improve infrastructure capabilities;
4. Secure political support of all stakeholders involved in PFM reforms (leaderships/commitments); and
5. Alignment of donors’ aid modalities to country’s strategies - coordination and harmonization.

### Suggested key PFMS reform areas

Through ADB, the Green Climate Fund granted a US\$29 million and US\$15 million co-financing from ADB for climate resilient seawater desalination plant. Kiribati faces long-standing development challenges

due to its extreme remoteness and large dispersion. These eco-social development challenges are on top of the country’s vulnerability to natural disasters and climate change related shocks. The government should seek to secure financial and technical support opportunities from partners and countries in the region for partnership in an effort to access various sources of CCDR finance.

The following are suggested key PFM areas to consider reforming immediately:

- a. Integrating priorities into the budgeting and reforming the treasury operations, expenditure coding, internal control and management processes;
- b. Developing a monitoring and evaluation (M&E) framework to measure performance against desired results;
- c. Strengthening cash-flow management and internal audit risk frameworks;
- d. Developing asset and project management processes and framework; and
- e. Strengthening procurement processes and establishing an independent appeals body.

### Highlights of available support programs

- CFRP Project consolidated the PFM issues and validated areas of weaknesses that need to be reformed;
- PIFS, SPC, GIZ, and ADB supported the CCDRF assessment;
- CFRP Project provided technical support to improve treasury operation and a planned TA for internal audit;
- ADB provided support to strengthen PFM on three outputs to improve budget management and monitoring, procurement and asset management; and
- SPC, GIZ and other partners can support any recommendations from the CCDRF assessment.

### Key documents

- 20-Year Kiribati Vision and National Development Plan
- Kiribati Climate Change Policy
- PEFA Reports and Pacific Country Peer Review
- Kiribati Climate Finance Division Institutional Strengthening Desk Review: 2017

<sup>3</sup> PFM identified common challenges facing FICs.

<sup>4</sup> Refers to financial management information technology and key PFM documentations and institutions.