

REPUBLIC OF KIRIBATI/  
/EUROPEAN COMMISSION

JOINT ANNUAL REPORT

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## **1. Executive Summary**

Article 5, Annex IV of the Cotonou Agreement requires that the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the indicative programme and, upon completion of the review, draw up and submit the report on the conclusion of the annual review to the Development Finance Committee. This Joint Annual Report for 2003 fulfils this reporting requirement.

Under Cotonou, the indicative financial allocation for Kiribati is € 8.8 million for the “A” Envelope and € 2.2 million for the “B” envelope. The focal sector is Outer Island Social Development. Priority has been given to improving the health facilities in the outer islands and to continue the successful solar energy programme. As in the past, the concentration of the EU co-operation in the outer islands aims at improving living conditions in this part of the country, thus reducing the rate of migration towards the overpopulated South Tarawa.

Implementation of the programme financed under Lome IV is proceeding in satisfactorily for the major programmes, though most of them have not caught up with the time lost in the initial stages. Preparation of the main intervention under the 9<sup>th</sup> EDF for a programme to assist in the improvement of health delivery in the outer islands was delayed, due to a less than satisfactory feasibility study prepared by external technical assistance. Towards the end of 2003, the situation has been rectified thanks to assistance from the Regional CROP Agency “Fiji School of Medicine” and very good collaboration from the Ministry of Health and the NAO Office. A Financing Proposal to use all the funds available under the “A” Envelope was prepared and later on approved by the EDF Committee in November 2004. The Financing Agreement was then signed in Tarawa on 15 April 2005.

In view of Kiribati’s unique position as the poorest LDC in the Pacific and the need to develop the social sector facilities in the outer islands, MTR 2004 decided to maintain the entire “A” envelope allocation of € 8.8 million, which will be used to finance the improvement of health care in the outer islands. Verifiable indicators include the actual number of health facilities improved. Most of the funds earmarked for Non-State Actors intervention (€ 0.9 million) will also be directed towards community-based primary preventive health care and education in the outer islands to accompany the main institutional health project.

As Kiribati is a country prone to natural disasters, MTR 2004 agreed that the “B” envelope should be oriented to assist the country in setting up disaster prevention and preparedness mechanisms, as stated in Article 72 (3) (e) of the Cotonou Agreement. This should take into account similar efforts being carried out by the country and/or other international organisations. In addition, if need be, the “B” envelope may also be used through the FLEX facility in relation to copra production.

## **2. The policy agenda of the partner country**

Kiribati's main policy framework is contained in a combination of documents, namely:

- Government Policy Statement at the beginning of each new term in office
- The National Development Strategy 2004-2007 (NDS)
- National budget
- Annual budget speech delivered by the Minister of Finance on behalf of the Government

The key policy areas outlined in the NDS may be summarised as:

- Economic growth
- Equitable distribution
- Public sector performance
- Equipping people to manage change (education and training, and health)
- Sustainable use of physical resources
- Protecting and using financial reserves

The Government's central policy objective is the improvement of the living standards of the population. The Government recognises the strategic importance of sectors such as Health, Education and Private Sector Development for employment creation throughout its past and present development priorities.

Within the policy objective of sustainable use of physical resources, reference is made to the sustainable exploitation of marine resources. In practice, local conditions in terms of market access, availability of water and energy, industrial and marketing know-how and lack of foreign investments have limited the development of national export oriented marine products industries, with the notable exception of seaweed (with EU and NZ donor assistance), live aquarium fish, shark fins and beche de mer.

In response to this, in the short term, the Government has aimed at maximising and regularising income from tuna fishing licenses given to Distant Water Fishing Nations (DWFN). An example of this is the Fisheries Agreement that Kiribati signed with the European Union and that has been in force since 18 September 2003.

In 2002, fishing license fees represented 43.2% of government revenues and 26.6% of GDP, therefore dwarfing exports. Nevertheless, large fluctuations in fishing license earnings will continue to exist as part of the fees received, particularly in the case of the USA regional multilateral fishing agreement, depend on the amount of fishing boats operations made in the I-Kiribati zone (mainly purse seiners). This depends on the distribution and catchability of the target tuna species that, in turn, depend from Pacific-wide and worldwide climate oscillations and change.

### **3. Update on the political, economic and social situation**

#### **3.1 Political Situation**

Kiribati is a Republic having gained its Independence from the United Kingdom on 12 July 1979. Elections take place in two main phases, namely the general election and the Presidential election. First the 40 constituencies (island based) vote for their respective Members of Parliament. The 40 MPs then nominate 3 or 4 MPs as candidates for the President. The Presidential election takes place after 35 days notice. The President then appoints an Attorney General who joins the MPs in the House of Parliament. The term of office for both the President and the House of Parliament is four years. A President can only serve a maximum three terms.

General elections were held in December 2002 and, following a new dissolution of the Parliament again in June 2003. President Tito, who had just won the elections in December, lost his position in March following a vote of no confidence that brought the dissolution of Parliament. New parliamentary elections were called in June, which resulted in a new Presidential election on 5 July 2003. The outgoing President Tito could not contest a fourth term. Therefore, Mr Anote Tong was elected as the new President of Kiribati.

There are local councils based on each of the 22 inhabited outer islands. These have very limited capacity and funding (local taxes and some Central Government funding). They deal mainly with matters concerning their own island and include their own elected MPs.

#### **3.2 Economic Situation**

The Republic of Kiribati is classified as a Least Developed Country (LDC). This is reflected in the structure of its economy. Market based economic activity is largely confined to South Tarawa, while the economies of the outer islands are subsistence based with expanding tourism in the Line Islands – mainly on Christmas Island. Christmas Island is also likely to undertake further developments. Government ministries, account for some 40% of GDP with further public expenditure included under other sectoral classifications via the Public Sector Enterprises, which operate in almost all sectors of the economy. Kiribati is unusual in having a GNP (A\$178.1 million or € 107.6 million in 2002) valued at almost twice its nominal GDP (A\$98.2 million or € 59.3 million).

In 1956, Kiribati established a trust fund, called the Revenue Equalization Reserve Fund (RERF) from the proceeds of phosphate mining and government contributions. Due to prudent management and favourable markets over the last decade, the Fund has grown to A\$ 636 million in 2001 with average revenue of A\$ 30.9 million over the last four years (1998 – 2001). This Fund remains nevertheless exposed to world market fluctuations or recessions with a loss of A\$ 10.6 million in 2001. The value of the RERF was estimated at A\$ 590 million in 2003.

Earnings on the RERF and the large factor earnings from fishing license fees and remittances from the 1200 Kiribati seamen working on foreign ships are the main factors behind the GNP (in 1999 € 11.6, € 17.6 and € 7.8 million respectively).

Kiribati's GDP is dominated by four principal sectors, which accounted for approximately 85% of economic activity in 2001. These are:

1. Government services (41%)
2. Commerce and industry (27%)
3. Transport and communication (12%)
4. Agriculture and marine resources ( 5%)

### **3.2.1 Economic Performance**

During the 1990's there was a period of accelerated growth, due primarily to expansionary government spending from 1994 to 1998 driven by high returns from the sale of fishing licenses and the trust fund. But from 1998 to 2000, a weakening copra price, lowered output of both copra and fisheries, and a decline in construction activity (following completion of several major projects including the new port in Betio and the New Parliament House), reduced growth in real GDP, such that between 1999 and 2000 real GDP per capita is estimated to have fallen by 1%. Real GDP is estimated to have grown by 1.4% annually in 2000-2002, below the estimated population growth of 1.7%.

### **3.2.2 Reform Strategies**

The Government has invested heavily in Public Sector Commercial Enterprises (PSCEs). There are now 27 such businesses established in a variety of areas including export/import activities, housing, manufacturing, tourism, banking, transport, communications, public utilities and energy.

Many of these PSCEs have poor economic records of accomplishment, although they have offered secure employment to a number of I-Kiribati. Generally, the Government adopts a cautious approach to privatization, because simply slashing the workforce would be counterproductive. It is increasingly interested in the potential of public-private joint ventures.

Work on strengthening the government output budgeting and financial management and information system is ongoing. Procurement procedures were updated in 2002 making them more transparent. There were limited structural reforms including some privatisation.

## Economic Indicators in recent years

In Australian Dollars (1 Euro equivalent to 1.6549 A\$ in November 2003)

Year	1996	1997	1998	1999	2000	2001	2002
GNP per capita at current market prices	1,234	1,548	1,780	1,773	1,838	2,098	2,038
GDP per capita at current market prices	806	825	897	1,003	985	1,063	1,124
GNP at current market prices '000	97,421	124,305	145,340	147,253	155,334	180,307	178,100
GDP at current market prices '000	63,659	66,285	73,240	83,332	83,240	91,321	98,213
Growth in GDP	3.0	5.7	5.0	13.4	1.6	1.8	0.9
Inflation				5.60%	6.00%		
Total exports (\$'000 at nominal prices FOB)	6,817	8,432	9,300	14,065	10,694	na	na
Total imports (\$'000 at nominal prices FOB)	48,583	52,536	51,923	63,720	67,924	na	na
Copra exports	3,599	4,000	8,984	2,500	1,985	na	na
Seaweed exports	382	373	626	1,103	1,699	na	na
Fish exports	211	110	1,058	311	195	na	na
Government expenditure (\$'000) <sup>1</sup>	49,652	50,936	54,923	68,620	64,289	na	na
Of which for Health	7,628	8,368	7,108	9,239	8,830	na	na
Of which for Education	10,013	9,440	10,993	11,679	12,806	na	na
EEZ access fee revenue (\$ Million)				31.4	30.55	46.37	
RERF Interest/Dividends (\$'000)	17,070	20,282	20,651	23,867	23,222		
Source: Asian Development Bank, Kiribati Statistics Office, Ministry of Finance, Ministry of Natural Resources							

<sup>1</sup> Excluding donor funding, local government and special funds

### **3.2.3 Trade and Regional Cooperation**

Kiribati is a member of the Pacific Island Forum and as such is part of recently approved Umbrella Agreement including Australia and New Zealand, called “Pacific Agreement on Closer Economic Relations”, (PACER). This agreement includes the future creation of a free trade area amongst the 14 ACP Forum Island Countries (FICs) called “Pacific Island Countries Trade Agreement” (PICTA), without Australia and New Zealand.

The removal of trade barriers under different trade agreements will have a large impact on the Kiribati governments’ tax base, given that import duties account for a considerable portion of tax revenue. The Government is moving on with caution hoping to avoid or lessen any adverse impacts. To replace the lost revenue the Government has begun to look at other forms of taxation such as VAT. Question nevertheless remains on feasibility of switching from import taxation to VAT or similar in a country such as Kiribati.

Australia, Fiji the USA and Japan are the main trade partners of Kiribati. Dried Seaweed is exported to Denmark. Most of the seamen working abroad are employed in the German merchant navy. A few Spanish and Spanish owned purse-seiners have been fishing in the I-Kiribati EEZ under a private fishing agreement. A new EU bilateral fishing agreement, negotiated and signed in 2002 is effective since 18 September 2003. This new fishing agreement, which brings additional revenues to Kiribati was negotiated in compliance with regional and international tuna management arrangements and regulations.

### **3.2.4 Transparency and Accountability**

The institutional structures and systems of governance, which are an essential underpinning of a free and democratic society, are well established in Kiribati. The country’s Constitution provides for effective political representation and public participation and for transparency and accountability of Government. It also protects human rights and the rule of law. Property rights, especially rights over land, are determined by legal principles and by customary usage.

The new government, while having expressed clearly in its policies the need for administrative reforms remains very careful in not upsetting traditional culture and way of life in the process. This and other factors have and will influence the pace of administrative reforms and promotion of the private sector. Private sector development and reforms of the large government owned public sector are obviously also hampered by the limited size of the internal market.

There are two weekly newspapers, one of these is government owned. There is a local radio station and BBC World Service can be received on FM in South Tarawa. There is no TV station.

## **3.3 Social System and Social Situation**

Kiribati is comprised of a very densely populated urban area in South Tarawa compared with sparsely populated underdeveloped rural areas on the outer islands.

Rural-urban drift has occurred since independence and it has increased in recent years, posing ever-greater challenges on the government to create employment opportunities, provide more social services and infrastructure. The overpopulation of South Tarawa is putting ever-increasing pressure on the environmental balance of the island and lagoon, with over-utilisation and pollution of the underground water lens.

Birth and death rates are broadly comparable with other countries in the region. Infant mortality rates are improving, but still below the value of other neighbouring countries. Most indicators have shown significant improvement over the long term, for example life expectancy has risen from 52 to 62 in the period 1970 to present day. The increasing reliance on imported foodstuff, particularly in the most populated areas is completely changing the food habits of the population with negative health consequences.

There is a marked difference between South Tarawa (where most development has taken place) and the Outer Islands where many people still live subsistence based lifestyle. Successive governments have put a high priority on education, health and other social services, and this remains the central policy of the present government. The Government continues to promote policies aiming at improving the living conditions of outer island dwellers to reduce migration towards the heavily population area of South-Tarawa. Successive EDF NIPs have accompanied this approach with projects aiming at providing energy and earnings to outer island people.

The cultural values of the I-Kiribati have remained largely unchanged for centuries. This is especially the case on the Outer Islands. The I-Kiribati have developed a cultural system which fosters independence and self reliance, while at the same time subordinating individual ambition to the collective needs of family and community. This culture of cooperation and sharing makes for effective use of the limited resources provided by the country's island environment. It also contributes to the workability of political processes and to a community relatively free of the sorts of social tensions that are common in other countries. The traditional cultural and social values (and the living environment) are under pressure in the overpopulated main island of South Tarawa.

### **3.4 Sustainability of Current Policies**

External shocks of any kind are unlikely to have a large impact on Kiribati in the short term because the country is well supported by the RERF. However, there is certainly a risk from fluctuating revenues from fishing licenses as well as deterioration of returns from the investment of the RERF.

As in many parts of the world, urban employment is a big issue. There is a build up of youth population from the Outer Islands in South Tarawa, which are underemployed. In the medium term, the government will have to take care that expectations of this mainly urban youth, do not destabilize a country that is fundamentally rural.

The smallness, isolation and fragmentation of the Kiribati Outer Islands present many problems for delivery and access to services. As people migrate to the urban centre of South Tarawa, the sustainability of services to Outer Islands become more difficult whilst the urban services become more congested. Both cultural and physical factors

may reduce the effectiveness of the development of the private sector despite the stated government policies in this regard.

The Government has demonstrated a strong commitment to social development. This is reflected in the priority given to education, health and basic infrastructure. Nevertheless, problems exist in properly maintaining existing and new infrastructures as well as equipment.

However, of great concern are Climate Change and the long-term impact (50 years or more) that this will have on the atolls. Although average temperatures as collected at the weather station in South Tarawa do not appear to have risen significantly, there are increasing claims of evidence of rising sea level. Groundwater quality and its availability from its sources can be correlated directly with the amount of a climate-related variable precipitation, and seawater intrusion during flooding. More pressing environmental concerns in Tarawa are essentially the result of overpopulation and less than ideal management of the island ecosystem.

### **3.5 Medium Term Challenges**

The smallness, isolation and fragmentation of the Kiribati Outer Islands present many problems for delivery and access to services. As people migrate to the urban centre of South Tarawa, the sustainability of services to Outer Islands become more difficult whilst the urban services become more congested. Rural-urban drift has increased in recent years, posing ever-greater challenges on the government to create employment opportunities, provide more social services, infrastructure and reduce environment degradation.

GDP growth remains modest (below population growth) with an economy dominated by the public sector and often inefficient state owned enterprises. Reforms to improve efficiency and promote private investments will be difficult to implement. The huge gap between GDP and GNP is essentially due to RERF income, fluctuating revenues from fishing licenses and remittances from seamen working abroad. Kiribati has a very limited export base dominated by copra and seaweed. Kiribati has been ranked as having the most vulnerable economy of the Asian Development Bank Pacific members.

### **3.6 Progress Towards Millennium Development Goals**

This section is in large part taken from the Asian Development Bank report “Millennium Development Goals in the Pacific” published in 2003.

Available poverty estimates indicate a high incidence of poverty in Kiribati with possibly 50% of the population falling below the national poverty line in 1996. Education indicators have improved. However, available data suggest that access to primary education, particularly in the outer islands, remains a problem. The outer islands are also disadvantaged in terms of access to health services, general government services and communication. These disparities lead to increased migration to South Tarawa, where the rise in population density is leading to additional pressure on the provision of water and sanitation. Health indicators need further improvement to meet the targets by 2015. Child and maternal mortality rates have decreased but are still

comparatively high. Less than half of the population has access to safe drinking water with significant differences between urban and rural areas/outer islands.

Past and present European assistance has focused on improving livelihood conditions in the outer islands (e.g. solar energy) while attempting to create employment opportunities (e.g. seaweed production and vocational training) and has, as such, contributed to limiting the migration to Tarawa. Future interventions under the 9<sup>th</sup> EDF will focus on improving outer island health services and will thus have direct impact on the needed improvement in this area.

### **Goal 1 Eradicate extreme poverty and hunger**

- Figures have to be treated with caution, due to unreliability of data. In 1996, 39 % of households were estimated to be below the food poverty line (estimated in 1996 prices at A\$ 600 per capita per annum for South Tarawa and A\$ 167 for outer islands taking into account the higher level of subsistence food production). Some 50% of the population in South Tarawa and 51% in the outer islands are estimated to live below the basic needs poverty line (A\$ 750 per capita per annum in South Tarawa and A\$ 201 per capita per annum in outer islands).
- There are significant income disparities, particularly between government employees and those depending on subsistence farming/fishing or copra production. These inequalities are also one of the main reasons for increased migration to South Tarawa (the proportion of the national population residing in South Tarawa has increased from 36% in 1995 to 43%). There are also huge inequalities of access to adequate health and education facilities as well as communications and other government services, between the main island and the outer islands.
- Migrants from the outer islands, the unemployed, those with low educational achievement, and those with no access to land are among the most disadvantaged and the ones suffering most from hardship.

Ongoing 8<sup>th</sup> EDF projects such as the “solar energy for outer islands” will provide PV generated lighting to up to 1700 family units. Some 350 units had already been installed in a previous project. This will not only improve general living conditions for families in outer islands, but will also allow both men and women to undertake productive activities after sun set. Improved vocational training provided through an ongoing 8<sup>th</sup> EDF project will also contribute to progress in this MDG.

### **Goal 2 Achieve universal primary education**

- The overall primary school enrolment rate in 2001 was 82 % - 87 % for South Tarawa and 78 % for the outer islands, ranging from a low of 65 % on South Tabiteuea to more than 95% in the Line Islands. The differences suggest that there are problems of access to primary education in the outer islands. The quality of teachers and facilities at the schools is a critical issue.
- Completion rates for primary schools have also improved and have reached almost 100%. Nevertheless, it is estimated that only 5% of students will continue to form 7 after 14 years of schooling.

- There has been a significant improvement in access to secondary education, particularly in the outer islands, with 15 new junior secondary schools established since 1996.
- A main challenge is to improve the quality of education and school facilities, particularly in the outer islands, and to better match educational outcomes with the requirements of the employment market.

The 8<sup>th</sup> EDF funded “Kiribati Training Programme II” will upgrade the facilities at the campus of the Tarawa Technical Institute and also construct up to 12 outer island learning centres where children having terminated Junior Secondary or drop outs from secondary studies will be able to obtain formal vocational training. Adults groups will also be able to upgrade their mechanical, carpentry and other skills through shorter-term training/re-training in the centres.

### **Goal 3 Promote gender equality and empower women**

- Enrolment data suggest that Kiribati has eliminated gender disparities in education. The ratio of girls to boys is in favour of girls. However, girls, show lower achievement in post-primary education and their retention rate is also lower. There is no data on tertiary education, but 56% of overseas scholarship students in 2001 were women.
- The overall situation of women seems to be improving. The share of women in paid employment has increased from 33% in 1998 to 37% in 2002. According to the 2000 census, 44% of administrators and managers and 51% of professionals were women. There are a limited number of women in senior government positions. Males comprise 77% of Permanent Secretaries, 95% of secondary school principals and 73% of all legislators and senior officials. There are only two women in Parliament.
- The EU funded training programme will target a better gender equality in the access to vocational training both at the TTI Campus and in outer islands. All EDF projects address directly or indirectly the promotion of gender equality and have, often as a priority, the improvement of the living conditions of women and children.

### **Goal 4 Reduce child mortality**

- Both infant and under-five mortality rates have decreased. The under-five mortality fell from 88 to 70 cases (per 1,000 live births) between 1990 and 2000 and the infant mortality rate from 65 to 52 in the same period (there are varying figures for 2000, with the census indicating that the infant mortality rate was 43). Child mortality rates are higher in the outer islands.
- General immunization coverage has also improved and is estimated at 72% for DPT, polio, and Hepatitis B.

Most of the 9<sup>th</sup> EDF funds will be devolved toward improving Health Services in Outer Islands. It is hoped that the project to be finalised in 2004, start implementation in 2005.

### Goal 5 Improve maternal health

- Maternal mortality rates (per 100.000 live births) have fallen from 225 in 1995 to 56 in 2000, but are still comparatively high. The maternal mortality rate is much higher in the outer islands than the national average as many women remain isolated from maternal and infant health services.
- The proportion of births attended by skilled health personnel has improved to 85% in 1998, but the outreach of maternal care facilities and the quality, particularly in the outer islands, need to be improved as significant differences in access to health services exist.

### Goal 6 Combat HIV/AIDS, malaria and other diseases

- There were 38 cases of HIV/AIDS reported by September 2001 (compared to 3 in 1995) and 17 people have died from AIDS. Most of the people infected were seafarers and their wives and children.
- There is evidence that diseases associated with diet and life-style, such as diabetes and hypertension, are increasing.

#### Basic Health Indicators

Indicator	1995	2000
Population Total	77,658	84,494
0 –14 yrs	31,957 (41%)	33,772 (40%)
50+ yrs	8,414 (11%)	9,290 (11%)
Crude birth rate/1 000 people	32.2	26.4
Infant mortality rate (1 000 live births)	65	43
Maternal mortality rate (1 000 live births)	225	56
Life expectancy at birth Male	57.2	62.3
Female	58.2	67.3
Total fertility rate	3.8	4.3

Source: Kiribati Statistics Office

### Goal 7 Ensure environmental sustainability

- Water and sanitation indicators for Kiribati compare poorly with other Pacific countries mainly because of the nature of the atoll environment and the particular problems of South Tarawa, where nearly half the population live in exceptionally crowded conditions. In South Tarawa, the population growth and rising density has increased the pressure on water supplies and the environment. Sanitation is a main concern in South Tarawa, where it is estimated that 27% of households are without proper sanitation facilities. Some reports mention that more than half of the

population has no access to adequate sanitary facilities and almost half the population has no access to safe water.

- Kiribati is also threatened by climate change and rising sea levels.

As mentioned, the 9<sup>th</sup> EDF focal sector is “outer islands social development” with particular emphasis on improving health services in outer islands. The project in the pipeline will address either the problem of dilapidated or lacking peripheral health infrastructure as well as improvement on the management and delivery of health services.

It is expected that most of the funds earmarked for Non State Actors intervention (€ 0.9 million) will also be directed toward community based primary preventive health care and education in outer islands, to accompany the main institutional health project (around € 7-8 million). The 9<sup>th</sup> EDF projects will therefore directly address the need to achieve progress in regard to MDG goals 4, 5, 6 and 7.

### Development Performance Indicators

Type	Indicator	1995	2000	2001	2002	2003
<b>Impact:</b>	1. Poverty (ADB 2002), Households below A\$600/year in South Tarawa, A\$167 in Outer Islands		50%			
	2. Prevalence of underweight children (under five years of age)					
	Life expectancy at birth Male Female	57.5 58.2	62.3 67.3			
	3. Infant mortality rate (per 1,000 live births)	65	43			
<b>Outcome:</b>	4. Primary school enrolment		80%			
	5. Primary completion rate					
	6. Ratio of girls to boys in: <i>primary education</i> <i>secondary education</i> <i>tertiary education</i>		0.97 1.25			
	7. Maternal Mortality rate (100,000 live births)	225	56			
	8. Immunization coverage DPT		72%			
	9. No. of new HIV/AIDS cases reported	3	38			
	10. Proportion of population with sustainable access to safe drinking water.	51%	76%			

Sources: ADB December 2002 - Kiribati- Monetization in an Atoll Society

## 4. Overview of past and on-going cooperation

Co-operation between the European Commission and Kiribati has been characterised by a good degree of trust and understanding. The major problems have always been encountered in the framework of project implementation, partly as a result of limited human resources at the level of the different Ministries and State Companies concerned. This is often related to the complexity of undertaking project under EDF rules and regulations without the presence, in the country, of a Commission representation. This is to be changed in 2004 with the opening of an EC office in Kiribati. Nevertheless some line ministries have shown less than expected commitment towards EC projects, for example Kiribati Training Programme II.

The long political vacuum between the ending of Tito's government and the establishment of Anote Tong's government had a negative influence on all the projects but particularly affected the Kiribati Training Programme II, which is most dependent on policy decisions and directives.

In addition, the particular geographical unique situation of this multi-atoll country spread over a distance comparable to the full width of Europe has added to the problems. Only one 7<sup>th</sup> EDF project remains to be completed while the full 8<sup>th</sup> EDF allocation has been committed and is being disbursed.

Preparation of 9<sup>th</sup> EDF was hampered by poor TA performance and limited and initial slow response from the line ministry concerned. This situation was corrected at the end of 2003 when a successful mission, with the assistance of the Regional Organisation "Fiji School of Medicine" allowed the redrafting of the Financing Proposal with fully and very effective cooperation of the Ministry of Health. The programme was formally approved in 2004 and signed in Tarawa on 15 April 2005.

Weaknesses also exist at the level of the operational capacities of Non State Actors in a country that is essentially centred and almost very dependent on the central government rule and intervention. On the positive side, the well-known prudent government spending, very limited corruption and the good level of democracy/rule of law can be seen as major assets for the country

## **STABEX**

Kiribati has had difficulty in implementing Frameworks of Mutual Obligation aiming at qualitative improvements of the Copra sector (mainly purchase of equipment, building and training for the state Kiribati Copra Co-operative Society, KCCS). In the past, STABEX funds were directly handed over to the government to be used to subsidise local copra prices in outer islands. The funds of FMOs destined to seaweed promotion have been used at a faster rate. Unfortunately, most of the STABEX funds destined for the KCCS have remained unused for four years.

### **Airport Development Programme (€ 1.2 million)**

The project encountered administrative difficulties in 2002 with repetitive annulment of international tenders for the construction works of the Air Control Tower Rescue and Fire Fighting building with all bids being above the available budget even after reduction of the scope of the works (cancellation of the administration building). An agreement was finally reached with the lowest bidder of the second tender. Works started in 2003 and were to be completed in 2004.

### **Solar Energy for Outer Islands (4.0 million)**

After a slow start in 2001 with a problematic TA tendering exercise and difficulties with the TA in 2002, this project is finally advancing at a good speed. Studies, training, administration, upgrading and tendering are progressing with the TA expert doing good work. The main supply tender were launched and the supply contracts were signed in 2003. There have been again difficulties in assigning all supply lots but these difficulties were overcome and it is expected that installation of the systems will take place starting early in 2004, to be completed in 2006.

The main area of concern remains the financial viability of the Solar Energy Company (SEC) as a whole. The Government has to decide in which proportion to increase user fees. If fees, for social reasons, are not increased fully needed to ensure complete long-term viability of the company and all solar systems (including replacement) the Government will have to subsidise part of the user fees due to the company.

Nevertheless, the part paid by the users must be progressively increased from the current A\$ 9-10 per month to A\$ 12-14 with an additional subsidy bringing the total to A\$ 16-17. The subsidy can come from the national budget or from taxation on other forms of energy (fuel?) which is mainly used in South Tarawa where it is understood that the Government is already subsidising the utility company delivering grid power. Cost of electricity production from generators in the main population centre and PV in the outer island is apparently the same.

#### **Support to seaweed industry (€ 1.5 million)**

After a very slow start in 2001 due to difficulties in recruiting international technical assistance, the project is now progressing well despite some adverse climatic and economic conditions with the international price of seaweed having dropped in comparison to the Australian equivalent. A mid-term review was expected to take place in 2004 to possibly re-focus the project based on research and extension findings so far.

#### **Kiribati Training Programme II (€ 6.4 million)**

Initial mild support from this project from the line ministry and, in particular, the complete pullout of VSO (UK) volunteers from Kiribati had slowed down project start-up. Following a Rider to the Financing Agreement to resolve initial problems towards the end of 2002, the project was expected to progress well in 2003. This was not fully realised owing less than optimal collaboration from the Public Works Department and difficulties in securing decisions on the project from the line ministry.

The political vacuum between governments stalled decision making on the project and the new government is yet to demonstrate policy and management support. In addition, management inside the Tarawa Training Institute (TTI) is not as efficient as it was at the time the project was formulated.

#### **4. 9<sup>th</sup> EDF Focal sector**

The Country Support Strategy defines the 9th EDF “A” envelope allocation focal sector as follows:

- Outer Island Social Development, 90% or € 7.9 million. Priority will be given to improving the health facilities in the Outer Islands and to continue the successful solar energy programme. Proposals for health will be based on the outcome of the Health Study. Should there not be enough absorptive capacity, then the remainder of the funds will be used for the development of education in the Outer Islands.
- Direct allocation to Non-State Actors, in particular for capacity building, 10% or € 0.9 million.

There is therefore only one focal sector. The Country Strategy Paper was signed in July 2002. A feasibility study for the “improvement of Health Services in Outer Islands started at the beginning of 2002 and, at the end of the year, had failed to provide a final report. Following direct intervention from the Delegation with assistance from the Fiji School of Medicine (with financial assistance from the French Embassy in Fiji), a draft Financing Proposal was finalised at the end of 2003 and approved by the EDF Committee in November 2004 (and signed in Tarawa on 15 April 2005). The Ministry of Health has provided full support and assistance to the re-design phase. This project is expected to absorb the entirety of the “A” envelope, including funds earmarked for NSA financing. The Commission’s NGO co-financing budget line currently provides “capacity building” support to NSA for their future intervention.

## **5. Other instruments**

### **European Investment Bank**

The European Investment Bank financed a part of Kiribati’s shareholding in the Pacific Forum Line for an amount of € 0.2 million. Additionally, € 2.0 million was provided to the Development Bank of Kiribati (DBK) as guaranteed minimum risk capital. These funds consist of the following:

- A loan of € 0.5 million to the Republic of Kiribati for financing an increase of its equity participation in DBK,  
and

- A global loan for € 1.5 million to DBK for the financing of small and medium enterprises.

No new initiatives were approved in the year 2002 and 2003.

### **Enterprise Development**

The Centre for Development of Enterprise (CDE) has supported private sector development activities with a focus on the assessment of the potential of aquarium fish.

### **Regional Cooperation**

Past, present and future cooperation in the Fisheries and Island Management System have particular importance for Kiribati. Kiribati will also benefit from the 8<sup>th</sup> and 9<sup>th</sup> EDF agricultural projects. The regional programming exercise for the 9<sup>th</sup> EDF was concluded with the signature of the Regional Strategy Paper in October 2002. The regional allocation amounts to € 29 million and includes three focal sectors “Economic Integration and Trade” (€ 9 million), “Human Resources Development” (€ 8 million) and “Fisheries” (€ 5 million). A non-focal sector, for extension of ongoing 8<sup>th</sup> EDF programmes to the 6 new ACP countries (€ 7 million) is also included. Most of the Regional 9<sup>th</sup> EDF projects are to be signed at the beginning of 2004:

- “Regional Economic Integration” (REI) - € 9 million

The programme aims to assist the region in strengthening its capacity to implement PICTA (free trade area among the Pacific Island Countries), negotiate trade agreements with developed partners (eg. EPA), participate in multilateral trade negotiations (WTO) and assist the private sector in addressing supply-side constraints. Disbursements should start in 2004.

- “Human Resources Development” (HRD) - € 8 million

The objective of the programme is two-pronged: to assist Pacific island countries (PICs) in developing a sector-wide strategy for Education and subsequently to finance the implementation of some parts of that strategy. Most PICs have identified Education as a focal sector in their NIP and a number of other donors are very active in the sector in all of them. A financing decision on the Pacific Regional Initiative for the Development of Education (PRIDE) was taken and started implementation early 2004.

- “Fisheries” - € 5 million

This section will be composed of two projects:

- a) Extension of PROCFISH to the 6 new ACPs - € 1.9 million

The complementary financing proposal was submitted to headquarters end 2002 and has been approved at the end of 2003, for implementation in 2004 (cf. 8<sup>th</sup> EDF, below, for further details on PROCFISH).

- b) DEV FISH, a project to be managed by the Forum Fisheries Agency (FFA) in collaboration with the Secretariat of the Pacific Community (SPC) - € 3 million

The objective of the project is to increase the benefits received by PICs from sustainable use of marine resources, by increasing the capacity of PICs to directly participate in the tuna fishing and processing industry, and reinforcing national and regional policies and strategies for the sector. The financing proposal was prepared and presented to headquarters during 2003, in view of a decision before the end of the year. Implementation should start immediately after.

- Non-focal sector - €7 million

All extensions refer to the participation of the 6 new ACP countries (Cook Islands, Federated States of Micronesia, Nauru, Niue, Palau and the Republic of the Marshall Islands), which cannot benefit from 8<sup>th</sup> EDF funding, in projects recently approved and financed under the 8<sup>th</sup> EDF. Two extension proposals were submitted during 2002 and two other s have been signed in 2003.

PROJECT	EURO Millions	EDF SOURCE
SPC/DSAP ext.	2.00	9th NF
SPC/PPP ext.	1.51	9th NF
SOPAC ext.	2.25	9th NF
SPREP/PIEN ext.	0.35	9th NF

### **Community budget-lines**

Kiribati participates in the VSO regional project aiming at reinforcing NGO capacities in the Pacific region.

## **Fishing Agreement**

The EU and the Republic of Kiribati signed a new bilateral Fisheries Agreement in July 2002 for an initial period of three years. This Agreement, which is the first concluded by the EU in the Pacific region, will provide fishing possibilities exclusively for tuna for EU vessels fishing in the waters of Kiribati. The EU financial contribution will be approx. € 1,378,000 a portion of which will be allocated to targeted measures to strengthen Kiribati's participation in regional and international fisheries organisations and to support the country's institutional capability in the fisheries area. The agreement has entered into force since 18 September 2003.

For the first year of application, 6 purse seine vessels and 12 long-liners will be authorised to fish tuna under the agreement. As from the second year, fishing possibilities will be levelled at a minimum of 4 purse seiners and 12 long-liners; however, the number of purse seine vessels may be increased to up to 11 vessels according to the management decisions to be taken under the Palau Arrangement for the Management of the Western Pacific Purse Seine Fishery. This international arrangement, to which Kiribati is a Party, limits the number of vessels which can be licensed to fish in the waters of its Parties in order to control fishing effort in the areas concerned.

The EC financial contribution has been set at € 546,000 for the first year (corresponding to a reference tonnage of 8,400 tonnes of tuna catches) and € 416,000 for the two subsequent years (corresponding to a reference catch of 6,400 tonnes), with a possible increase of € 65,000/year for each additional licence obtained.

€ 100,000 per year (approximately 19 % of the financial contribution for the first year) will be allocated to targeted measures to strengthen Kiribati's participation in regional and international fisheries organisations and to support the country's institutional capability in the fisheries area. The share of the cost to be met by ship-owners is higher than in any other tuna Agreements between the EU and third countries. It has been agreed at € 35 per tonne of tuna caught.

## **6. Setting indicators and targets for measuring results in focal sectors**

The 9<sup>th</sup> EDF CSS presents indicators for progress as follows:

“Verifiable indicators will be inter alia the number of health facilities improved and the number of households and public facilities provided with solar power devices”. However, the 9<sup>th</sup> EDF programme “improvement of Health Services for Outer Islands” was still under preparation in 2003.

## **7. Dialogue in country with the NAO and non-State actors**

In country dialogue with the NAO was generally good, but hampered by the fact that the Commission did not have a permanent representation in the country. The same can be said for the NSA. This is to be changed in 2004 with the opening of a Commission office in Kiribati also covering Nauru.

## **8. CONCLUSIONS**

### **Progress achieved in poverty reduction**

Ongoing 8<sup>th</sup> EDF projects such as the “solar energy for outer islands” will provide PV generated lighting to some 1700 family units and around 100 community halls. Some 350 units had already been installed in a previous project. This will improve general living conditions for families in outer islands. Solar light will allow both men and women to undertake productive activities after sun set including traditional activities such as mats waving, rope production, handicrafts production, preparation and processing of night fishing, preparation of seaweed production gears, repair of other production gear and other productive activities. Children (and adults) will be allowed to read and write. Solar lighting in community halls will improve traditional community interaction, planning and education. Parental child-care and general family care will be greatly enhanced.

Improved vocational training both at outer island and central level provided through an ongoing 8<sup>th</sup> EDF project will enhanced the capacity for the large increasing youth population to join the productive sector and increase income. Training provided to adult groups will also enhance their capabilities to increase income and production. Increased seaweed production, because of an ongoing 8<sup>th</sup> EDF project will increase rural income, presently often limited to copra production (that was and is the subject of STABEX). Increased income will allow rural communities to pay for introduced monetary necessity related to a more modern living style (including solar energy fees).

9<sup>th</sup> EDF Outer Island Health Sector programme was under preparation in 2003 (then approved in November 2004 and signed in Tarawa on 15 April 2005) and will greatly increase proper health services delivery to the poor rural communities.

In essence, ongoing and planned EDF intervention is and will greatly contribute to progress in achieving poverty reduction and several other MDG goals in a sustainable manner.

### **Main results and activities in focal sector and relevant programmes**

The 8<sup>th</sup> EDF interventions are all-ongoing and have as their main common objective the improvement of living conditions in outer islands therefore diminishing migration towards the overpopulated main centre of South Tarawa. All the 8<sup>th</sup> EDF projects, despite having encountered initial difficulties, are now progressing well and are expected to achieve most, if not all, their objectives. 8<sup>th</sup> EDF interventions have achieved also a very high visibility of the EU development efforts in Kiribati.

The difficulties reported are essentially linked to the limited human resource situation in the country, isolation and very particular geographical situation of the island state and, in large part, to EDF rules and regulations that are inadequate to a country that is so far away from Europe and most of the other ACP countries.

9<sup>th</sup> EDF programme preparation was well underway with the feasibility study of the “Improvement of Health Services in Outer Islands”. Initial usual difficulties in recruiting technical assistance for the feasibility study coupled with poor initial

performance by the TAs recruited and difficult interaction with the Health Ministry did not allow the completion of the feasibility study in 2002. It is expected that the main financing proposal will be ready by the end of 2003. Progress achieved under the 9<sup>th</sup> EDF was therefore limited. (The Financing Proposal was then approved at EDF Committee on 24-25 November 2004 and then signed in Tarawa on 15 April 2005).

### **Key perspectives for the future**

The key perspective for the future is the successful completion of all 8<sup>th</sup> (and one 7<sup>th</sup>) EDF projects and the start-up of activities under the 9<sup>th</sup> EDF including major intervention from NSA in improving health services in outer islands. The planned opening of an EC office in Kiribati will go a long way to speed up project implementation and particularly monitoring.

### **Efforts undertaken in the speeding up of the use of EDF resources and in refinement of indicators to measure performance in focal sectors and macroeconomic support**

The Delegation has limited human resources to devolve to a high number of very distant and dispersed countries including Kiribati. Despite efforts made by the Delegation to streamline and optimise project management and monitoring the main difficulties, remain linked to factors that are not under the control of the Delegation.

Changes in technical and geographical functions/personnel happened over the recent years in Brussels coupled with the very particular “situation” of the country have diminished the capacity of the Delegation and NAO to make timely progress in projects and programmes. Taking stock of past experience, the NAO and the Delegation have realised that, in Kiribati, there is a need to concentrate activities under the 9<sup>th</sup> EDF on a very limited number of project (possibly 1 major project and 1 or 2 complementary ones).

The present active 7<sup>th</sup> – 8<sup>th</sup> portfolio of project is too dispersed. Nevertheless it is not always easy to prepare and implement interventions in only one sector as it must be realised that Kiribati, as many other ACP countries, has absorption capacity limited by human resources. Direct budgetary intervention is not yet a possible alternative to classic project intervention in Kiribati with the possible exception of limited future renewed solar intervention under the 9<sup>th</sup> EDF.

In conclusion, it can be said that, despite the good relationship between the country and the EC and the good level of commitment under the 8<sup>th</sup> EDF, there have been problems in the implementation of the projects that need to be addressed. Possible realistic solutions to the problems presented above that would ensure faster EDF aid delivery could be listed as follows:

- Opening of an EC representation in Tarawa (*done in 2005*)
- The de-concentration of financial and contractual responsibilities and a more realistic interpretation of the EDF tendering and rule of origin regulations;
- A more direct and stronger interest of most of the line ministries in the preparation and implementation of EDF projects;
- A wider delegation of the NAO office prerogatives and responsibilities to the competent line ministries (presently partly in progress);

## Post scriptum

The 9<sup>th</sup> EDF focal sector is “Outer Islands Social Development” with particular emphasis on improving health services. The Financing Agreement was approved at the EDF Committee of 24-25 November 2004 and signed in Tarawa on 15 April 2005. Its objective is to support the Government of Kiribati in its policy to achieve MDG and socio-economic development in the outer islands. It will address both the problem of dilapidated and/or insufficient peripheral health infrastructure, as well as improvement in the management and delivery of health services. It is consistent with the EU’s commitment to support poverty reduction. All the disbursements are expected to be completed by 2007.

In view of Kiribati’s unique position as the poorest LDC in the Pacific and the need to develop the social sector facilities in the Outer Islands, MTR 2004 decided to maintain the “A” envelope allocation of € 8.8 million, which will be used to finance the improvement of health care in the outer islands. Verifiable indicators will include the *number of health facilities improved*. It is expected that most of the funds earmarked for Non-State Actors intervention (€ 0.9 million) will be directed towards community-based primary preventive health care and education in the outer islands to accompany the main institutional health project.

As it is a country prone to natural disasters, it was also agreed that the “B” envelope should be oriented to assist Kiribati in setting up disaster prevention and preparedness mechanisms, as stated in Article 72 (3) (e) of the Cotonou Agreement. This should take into account similar efforts being carried out by the country and/or other international organisations. In addition, if need be, the B envelope may be used through the FLEX facility in relation to copra production.

**9<sup>th</sup> EDF**

The EC Country Support Strategy for Kiribati will be financed through different instruments with following indicative allocations:

**9<sup>th</sup> EDF A-envelope** (€ 8.8 m). This amount shall serve to cover long term development operations within the framework of the Support Strategy.

**9<sup>th</sup> EDF B-envelope** (€ 2.2m.). This will be mobilized to provide additional support when this becomes necessary as a result of external factors.

## Activity pipeline chronogramme

<b>Titles</b>	<b>Amount (in € million)</b>	<b>Identification</b>	<b>Appraisal</b>	<b>Financing decision</b>
Improvement of Health Services in Outer Islands (including NSA intervention)	8	2 <sup>nd</sup> quarter 2003	3 <sup>rd</sup> quarter 2003	end 2003
Non-focal sector (Possibly Solar)	0.8	Depending on results of current 8 <sup>th</sup> EDF Project		
<b>Total</b>	<b>21.000</b>			

**Forecasts of commitments and disbursements**

<b>A envelope</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Commitments (in € million)	8.8 (1 <sup>st</sup> quarter)	0	Additional Funds? (1 <sup>st</sup> quarter)	Additional Funds? (1 <sup>st</sup> quarter)
Disbursements (in € million)	1 (by 4 <sup>th</sup> quarter)	3.4 (by 4 <sup>th</sup> quarter)	2.4 (by 4 <sup>th</sup> quarter)	2 (by 4 <sup>th</sup> quarter)

## **DRAFT COUNTRY ENVIRONMENTAL PROFILE KIRIBATI**

*This document, which heavily relies on available scientific material published by SOPAC, the South Pacific Applied Geoscience Commission, has to be considered as initial input for the development of a new comprehensive Country Environmental Profile for Kiribati in the frame of the next Country Annual Review exercise. In this connection, we would like to warmly thank SOPAC for having made available its scientific material and for all the collaboration has provided. The Republic of Kiribati has been a full member of SOPAC since 1979. SOPAC is an independent, intergovernmental, regional organization, which provides expert technical assistance, policy advice and information on the sustainable management of these natural resources. SOPAC also contributes to a variety of geo-scientific training and educational opportunities at all levels to increase the country's capacity in science and resource management. Additional assistance is made available by SOPAC through technical support for the establishment and maintenance of database information systems and for electronic exchange of information. Expertise in hazard assessment, disaster preparedness, mitigation and management is also provided.*

### **1 BACKGROUND**

The Republic of Kiribati comprises 33 low-lying coral atolls which are divided into three main island groups; the Gilbert group, the Phoenix group and the Line Islands. Its total land area is about 810 sq km within an equatorial Economic Exclusive Zone (EEZ) of some 3.5 million sq km in the Central Pacific. The maximum height above sea-level for Kiribati is 87 m. The population of Kiribati was estimated at 84,500 in 2002, of which over 90% live in the Gilbert group, mostly on Tarawa atoll, the capital and commercial centre of Kiribati. GDP per capita is estimated at about A \$ 1124 (2002) roughly equivalent to € 665 .

Situated in the dry belt of the equatorial oceanic climatic zone, rainfall varies from 1 000 mm to 3 000 mm per year. Severe, prolonged droughts are common in the drier islands in the central and southern equatorial region.

The mainstays of the Kiribati economy are fishing, agriculture, copra, returns from investments and remittances. Subsistence activities are still a major component of the economy of Kiribati. There are several resource and environmental issues, common to island nations, affecting sustainable development in the Republic of Kiribati. These include an array of issues from climate and sea-level variability, environmental degradation and pollution to resource management. More specific challenges to sustainable development include coastal erosion, water quality, water availability and sanitation. Sustainable management of resources such as aggregate, terrestrial and offshore minerals and renewable energy are other issues in Kiribati's quest for development.

For Small Island Developing States (SIDS), natural resource development and management holds the key to rapid economic development. Unwise exploitation of non-renewable resources and exploitation of renewable resources at a pace higher than the natural rate of replenishment could prove detrimental to the sustainable development plans of the country.

In Kiribati natural resources in terrestrial, lagoon-al and near-shore areas are extremely limited. In addition, even though its marine EEZ is blessed with a vast number of resources, these are difficult to utilize.

## **2 ISSUES**

There are several resource and environmental issues, common to island nations, affecting sustainable development in Kiribati . These include an array of issues from climate and sea-level variability, environmental degradation and pollution to resource management.

### **Common characteristics of Pacific Island Countries**

*This description draws from the Pacific Island Countries presentation to the UN Conference on Environment and Development , The Pacific Way (SPC 1992), as reported in the ADB Pacific Region Environmental Strategy 2005-2009 Discussion Draft June 2003.*

Geographical isolation. Though communications have been improved, the geographic position of the Pacific Island Countries continues to present a fundamental challenge to development, and it has contributed to the specialized ecosystems, species endemism, and vulnerability to invasive species that occur in the region.

Fragile Island Environments. Island environments have the highest rates of species extinction globally, and recent evidence of the negative impact of ocean temperature rise on the health of coral reef (through the “bleaching” effect) is indicative of the relative fragility of the island ecosystems.

Limited Land Resources. Fragility of ecosystems is often compounded by their small size. Limited land resources make many terrestrial and near shore resources, including freshwater, vulnerable to over exploitation and pollution from poorly planned waste disposal. Limited land resources have become especially troubling for low lying atolls, in view of the projected rates of sea level rise over the next 50-100 years.

Rapid Population Growth . Rebounding from the depopulating diseases of first contact with colonial powers, Pacific Island Countries’ populations have grown rapidly over the past 100 years, and this has been linked to the degradation of forests and fisheries and to loss of species. These pressures are easing now as population growth rates are beginning to slow and are further offset in some places by upward trend of out migration.

Dependence on Marine Resources . With the exception of some higher islands , there remains a strong dependence on marine resources to meet daily needs of many Pacific families – providing foods , tool , transport , and waste disposal. This may be slowly weakening in certain areas with the increase in international trade, but it remains a fundamental characteristic of the smaller atoll-dominated Pacific Island countries such as Kiribati, Marshall Islands and Tuvalu.

Vulnerability. This trait of the Pacific islands countries has received increasing attention over the last decade. Exposure to natural disasters and to external global perturbations (for instance in climate change, trade, and capital markets) and a heavy reliance on a limited range of economic sectors, creates a high degree of vulnerability. Moreover, the factors contributing to islands vulnerability appears to have increased in recent years. The baseline of assets and live at risks is increasing as population and infrastructure located in coastal areas expand and Pacific island economies open to global economy.

## **Environmental issues affecting Kiribati**

### **Water and sanitation**

Fresh water is a fundamental resource for small island nations. Most development plans are pivotal on the availability of fresh water. Clean water and proper sanitation enhance the health and productivity of the work force and have particular implications for the children and future generations.

The availability of water has been a long-standing problem throughout Kiribati. Natural sources of permanent potable water are limited to groundwater in freshwater lenses. These freshwater lenses are floating on the higher-density seawater beneath the atolls. Other sources of water include hand-pump wells, roof catchments and galleries. Groundwater resources in Kiribati are commonly contaminated from human and other solid wastes. This arises from inadequate use of proper toilet facilities and lack of infrastructure in the sanitation sector. Due to the shallow water tables, seepage of waste into the fragile groundwater system is a common occurrence in Kiribati.

As a result, there is a need to assist with water and sanitation problems in Kiribati on the following issues:

- development of policy and legislation;
- water sector action plans for Kiribati;
- undertaking of pilot projects, research and feasibility studies to address water and sanitation issues;
- Improvement of infrastructure within the water and sanitation sector, e.g. proper maintenance of toilets.

### **Global Climate**

Global climate variability may be responsible for increasingly more-frequent and more-severe storms, interspersed with scorching droughts. The impact of this variable climate has been harsh on the ecosystems and coastal, terrestrial and marine biodiversity. Economically, the impact has translated into decreased agricultural yield, death of livestock, and decrease and loss of marine biodiversity. This has caused loss of revenue that can have detrimental effects on the social and economic systems of SIDS and developing economies.

As the majority of the people dependent on these sources of income are poor, the poverty implications of variable climate are high. Some of the potential effects of climate variability include an increase in the frequency of tropical cyclones.

Even though Kiribati lies outside the normal cyclone belts to the north and south of the equator, the effect of distant storms and cyclones can sometimes be felt in the northernmost and southernmost islands. Other effects of variable climate comprise the inundation of low-lying atolls, saltwater contamination of freshwater lenses, increased coastal erosion and the loss of already limited and valuable land. While the actual impact of climate change at the local level has not been assessed, the issue of global warming and sea level change and its possible impact on the environment is of critical concern to the government and people of Kiribati.

### **Coastal erosion**

Coastal erosion is one of the major problems facing Kiribati. Being a small low-lying and relatively flat country, Kiribati is coastal. Therefore most activities such as recreation, liquid and solid waste disposal, extraction of sand and gravel rock for construction and building of roadways take place along the shorefront of Kiribati. However, due to the lack of understanding of the wave and current dynamics around the islands and the misconception that the coasts will recover, these atoll environments are under severe stress and are affected by significant erosion, pollution and damage to marine coastal biodiversity.

Activities that contribute to the increasing problem of erosion on Kiribati include fill reclamation for road construction, blasting of reefs for boat channel construction, and aggregate mining for construction purposes. Coastal erosion is most acute near the urban centre of South Tarawa, where population density, unregulated shorefront development and overexploitation of coastal resources are the highest.

### **Minerals**

Kiribati is naturally endowed with several types of mineral resources. These range from terrestrial minerals such as phosphate and gypsum to offshore cobalt-rich crusts and manganese nodules in the country's EEZ. In the period 1900-1979, phosphate mining was undertaken in Banaba. This ceased in 1979 after the major deposits of fossilized sea-bird guano became exhausted. However, there are still a few un-mined areas on the island. Recently mining companies have shown an interest in mining this remaining phosphate on Kiribati.

The other terrestrial and coastal resources include sand, coral, gravel and limestone aggregate that are feeding into the upsurge in construction activities. Offshore exploration is still at a nascent stage in Kiribati. Surveys, however, reveal the extensive presence of cobalt-rich crusts and poly-metallic manganese nodules in the EEZ around Kiribati.

The future exploitation of these minerals has the potential to provide great economic benefits to the country. Several exploration companies have expressed interest in these findings and have applied for exploration licenses assess the scope and potential for development.

Environmental pollution, adverse social impact and economic redistribution are the biggest concerns arising out of mining and mineral exploration. Air pollution, water pollution and deterioration of land quality are the primary damages inflicted by mining

operations. The disposal of mine tailings is an arduous task for small, land-scarce islands. Mining also leads to loss of green cover and diminished aesthetic appeal of natural surroundings, and renders the land unsuitable for other applications, even long after the closure of the mine.

Offshore mining could unleash a completely new host of problems ranging from the irreversible destruction of the fragile ecosystem to loss of fishing grounds. Mineral resource development often leaves indelible scars on the fabric of traditional societies through the resultant change in lifestyle, perceptions and values that it inevitably affects. While displacement and compensation for externalities form a complex range of issues on their own, the assignment of pecuniary or economic value to communally owned properties like land has often lead to social disharmony. The loss of land or fishing grounds deprives many of their traditional lifestyles and the resultant unemployment catalyses alcoholism, violence and crime in the affected societies.

## **Energy**

Kiribati relies heavily on imported fossil fuels for its commercial and transportation energy needs, but many problems are faced by the energy sector. Diesel generators supply electricity to most of the urban centers like Tarawa. For the outer islands, however, where there is no regular supply of fuel for generators, solar photovoltaic technology has been promoted. Importing fossil fuels for energy generation has been putting an increasing strain on the economy of Kiribati, while the technical expertise and infrastructure needed to utilize the resources better are lacking.

The use of alternative, renewable energy sources will help to offset future dependence on imports and contribute to the overall aim of achieving the maximum degree of energy independence, while providing opportunities for development primarily in the rural sector.

Biomass plays an important role for domestic purposes such as cooking in the outer islands and for most families in South Tarawa. Timber products including coconut palms constitute the biomass resources in Kiribati. Increasing population and the overexploitation of fuel-wood has resulted in the loss of suitable supplies. On Betio, fuel-wood has to be purchased to meet the growing demand.

One alternative source of energy, wind power, is used for pumping water. However, due to problems of maintaining the equipment, it is not utilized for any other purpose. Photovoltaic systems have also been installed in rural homes, but most systems have failed.

## **3 Policy and Institutional settings**

As reported by the ADB its publication “ Kiribati-Monetization in an atoll society 2002” in the last decade Kiribati has prepared the National Environment Management Strategies (1992), The National Biodiversity Strategy Action Plan (2000), the National Adaptation Programmes of Action on Climate Change (2001), the National Report to the World Summit on Sustainable Development (2002) and most recently a priority Environmental Concerns report prepared for the Kiribati International Waters Programme.

The government is aware that economic and social development can impose high costs on the environment. With only limited resources available, development policies thus attempt to guard against incurring such high environmental costs, while initiating remedial measures that repair past environmental damage, and protect the existing natural environment.

The government is seeking assistance on strengthening sectors responsible for monitoring and surveillance of natural hazards and strengthening the natural disasters management authority. However, surveys undertaken by external scientists in 1998 had proved to be connected with the lack of data, qualified analysts and the ability for nationals to cater with these kinds of extreme events. The Government of Kiribati is trying to build more personnel resources into this important issue of climate change.

Elsewhere, Kiribati's accession to the United Nations and integration into the global economy brings with it enormous obligations with regard environmental protection. Monitoring the EEZ with regard to biodiversity, sea dumping, trans-boundary movement of hazardous wastes and protection of migratory fish are just some of the issues that Kiribati has to consider.

#### **4 Future needs**

As the country develops and more goods are consumed with more development projects, the issue of domestic waste disposal becomes critical. This is especially the case in South Tarawa, where the Government is developing a basic waste disposal framework and Environmental Impact Assessment procedure is integrated through all prescribed developments. Developing an effective waste disposal system requires full implementation of the Environmental Act 1999 and, more allocation of additional financial resources.

The increasing importance of climate and sea level variability certainly requires specific actions in this domain as experience and expertise in coastal management, environmental vulnerability assessment, and mitigation and adaptation strategies.

In addition, being a disaster prone country, there is a need to set up efficient disaster prevention and preparedness mechanisms, including prediction and early warning system, with a view to reducing the consequence of disasters.

#### **5 EC activities in Environmental Mainstreaming**

The *Support to Seaweed Industry* (€ 1,5 million) aiming at developing, in a sustainable way, the increase of the production of seaweeds for an export purpose, and the development of *the Solar Energy* (€ 4 million) project in the outer islands, in view to allow the local population to increase their livelihood and to stay instead to join the increasing population of the capital, are considered as environmental project by respecting the natural resources of the islands and avoiding the pollutions due to the use of an unsustainable source of energy.

In addition, the regional project *Reducing Vulnerability of Pacific ACP States* (€ 7 million) addresses environmental vulnerability reduction in the Pacific ACP States through the development of an integrated planning and management system (Island System management) on three focal areas: hazards mitigation and risk assessment, aggregates for construction, and water resources supply and sanitation. The project is implemented by SOPAC – South Pacific Applied Geoscience Commission.

Furthermore being Kiribati a natural disaster-prone country, it has been agreed at the MTR 2004 that the total amount of € 2.2 million of the 9th EDF “B” envelope be used to assist Kiribati in setting up disaster prevention and preparedness mechanisms, as provided for in Article 72(3)(e) of the Cotonou Agreement.

## **6 . Conclusion**

The information above reported pinpoints the appropriateness of the current EU strategy to promote socio-economic development in Kiribati and in particular in the Outer Islands.

In fact, similar to the other Pacific small islands states, 9<sup>th</sup> EDF country strategy for Kiribati aims to reduce migration and consequent social and environmental pressure to the capital, through the provision of adequate social (and solar energy) services in the outer islands.

In addition being a natural disaster-prone country, the entire B envelope allocation may be used to finance specific assistance in setting up disaster prevention and preparedness mechanisms, as provided for in Article 72(3) (e) of the Cotonou Agreement.