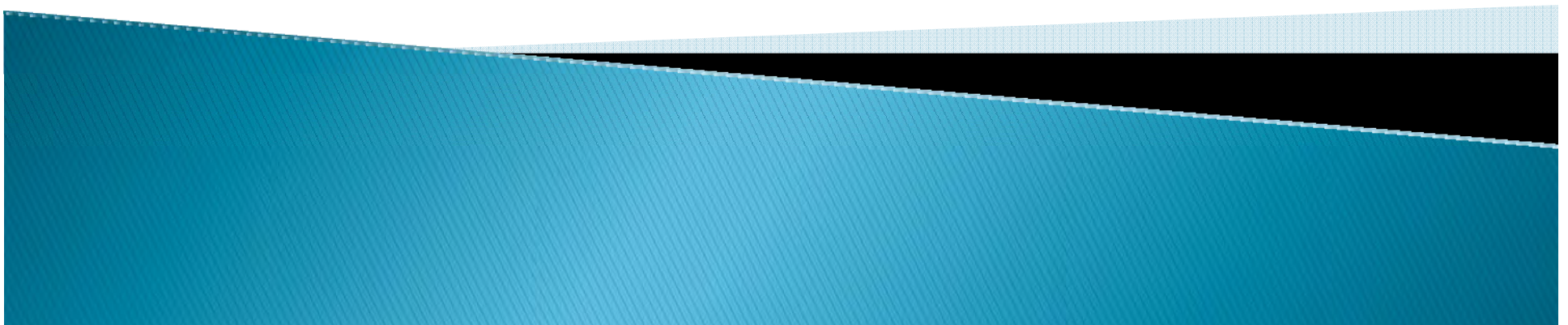


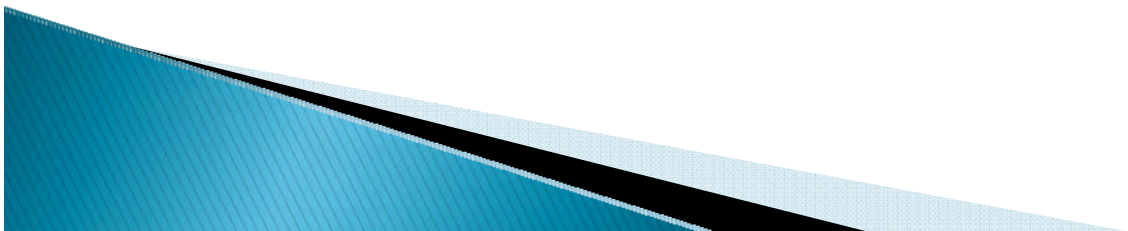
# Graduation from LDC Status

Kiribati Case



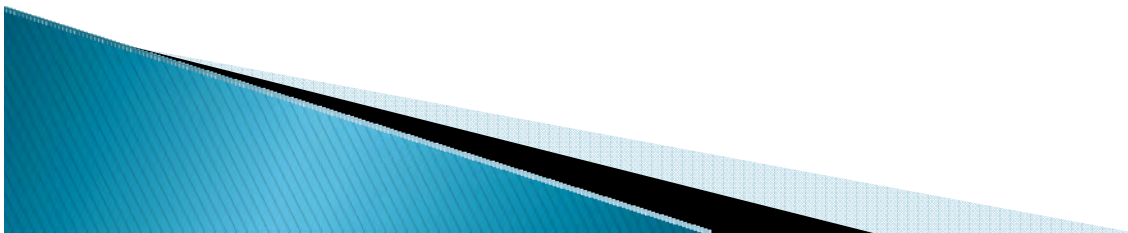
# Basis of graduation

- ▶ Risen toward graduation thresholds under at least two of the three criteria which in the case of Kiribati is the:
  - Low-income criterion and
  - Human Capital weakness criterion.



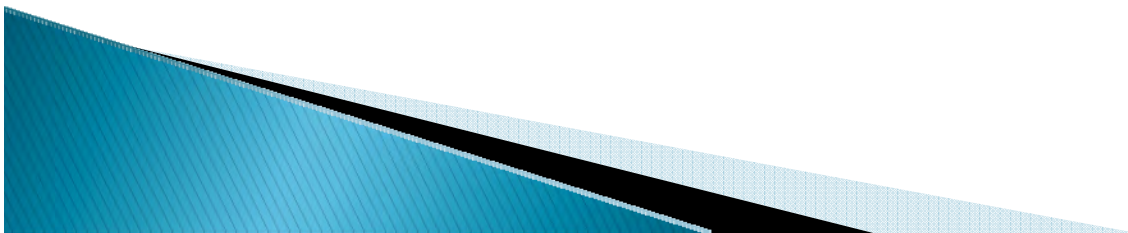
# Low-income criterion

- ▶ Calculation is based on GNI,
- ▶ In the case of Kiribati:
  - GNP is about 2 times GDP
  - This means limited productive capacity
  - Net income factor transfers from abroad comprise of:
    - Fishing license revenue
    - RERF drawdown
    - Remittances from abroad



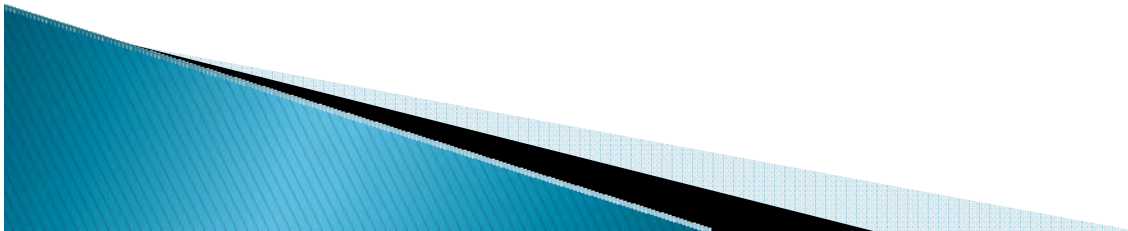
# Net income factor transfers abroad

- ▶ Based on factors that are highly volatile
  - RERF drawdown is utilized to balance the Government recurrent budget and not for developmental needs.
  - RERF highly susceptible to global financial shocks such as experienced in 2002 and again in 2009.
  - For 2009 the drop in the RERF for one of our fund managers was over 50% of the 2008 Government budget



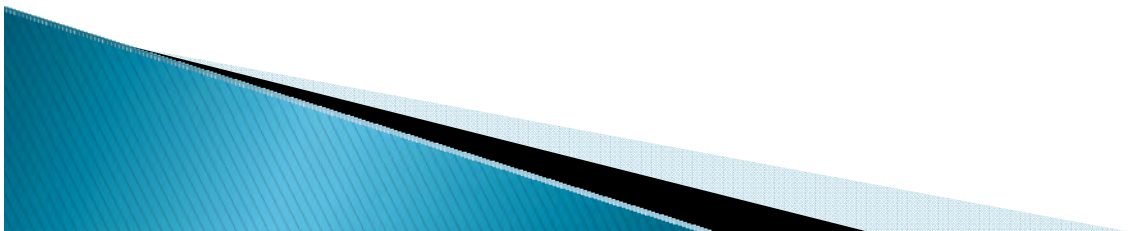
# Net income factor transfers abroad

- Fishing license revenue is based on how productive our waters are,
- Also dependent on strength of the US dollar,
- Remittances abroad made up mostly from seafarers – highly dependent on their employability – high cost of getting them from Kiribati to their ports

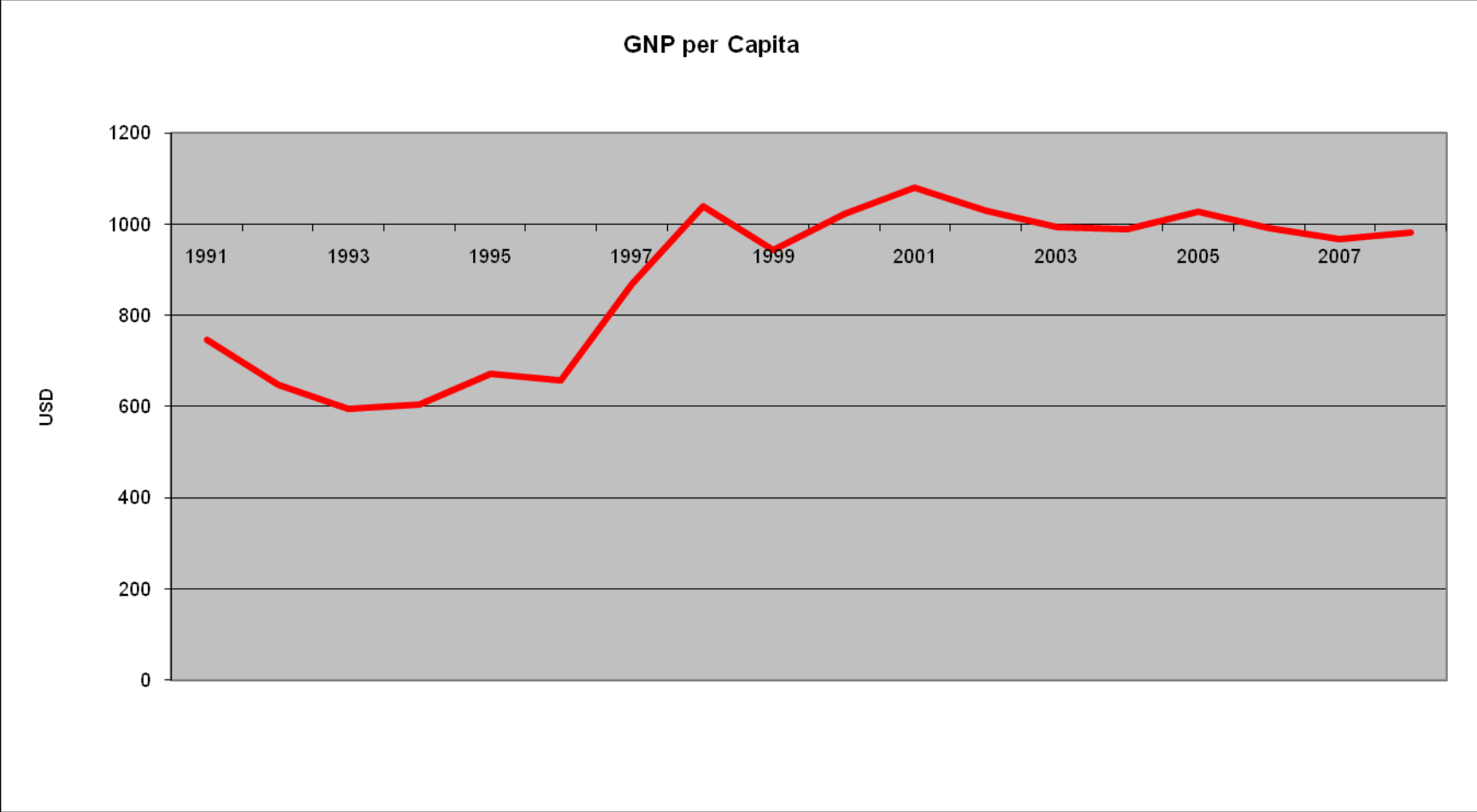


# Recalculation of GNI per capita

- ▶ Based on Kiribati NSO statistics, GNI for following years:
  - 2005 US 1,028
  - 2006 US 992
  - 2007 US 967
  - 2008 US 982

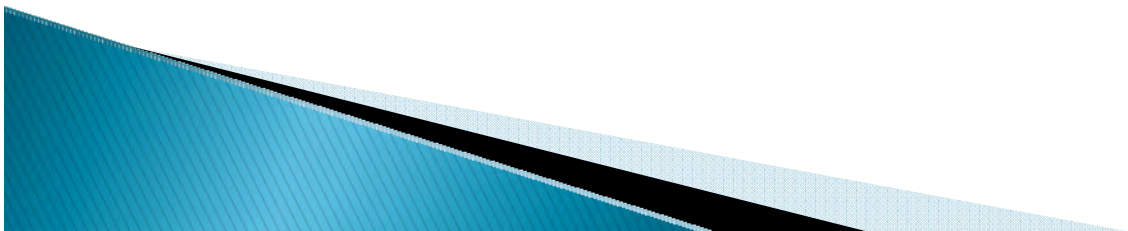


# GNI per capita



# Notes to GNI per capita graph

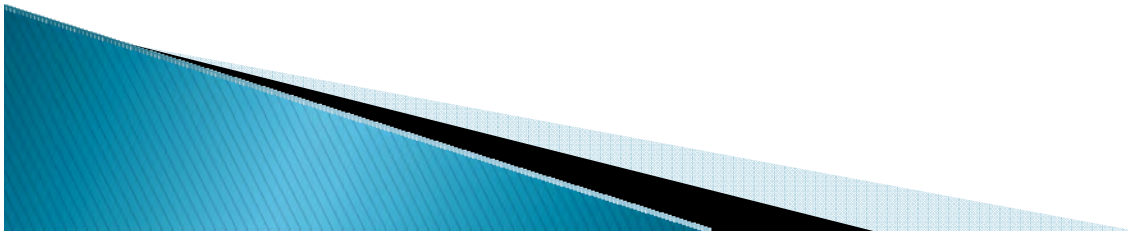
- ▶ Notes 1. The figure above is GNI in US dollars based on an estimated exchange rate of AUD1.35 per USD1.00 (Average exchange rate is not available).
- ▶ Note 2. The Atlas method used in the "Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures" to derive GNI Index cannot be used in this case because there is no data on SDR exchange rates.
- ▶ (Source: Kiribati National Statistics Office)





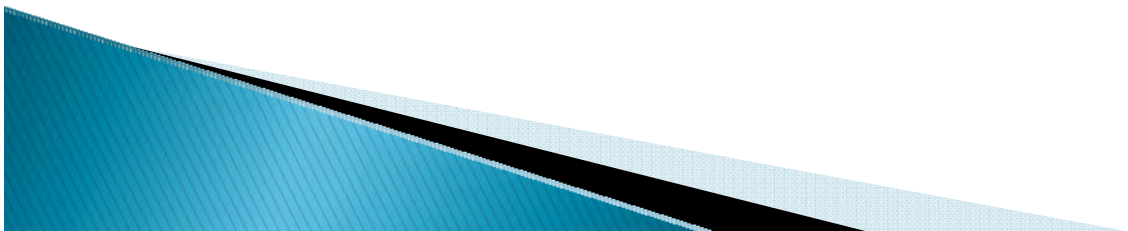
# Other factors – adverse global events

- ▶ Small island developing state – highly prone to adverse global events such as:
  - High fuel prices – impacted on essential services based on high dependency on fuel related products – eg. Diesel generated electricity, transportation,
  - High food prices – 37% of our population live below the national poverty line of AUD3.00 per day. (NSO HIES 2006)



# Other factors – trade limitations

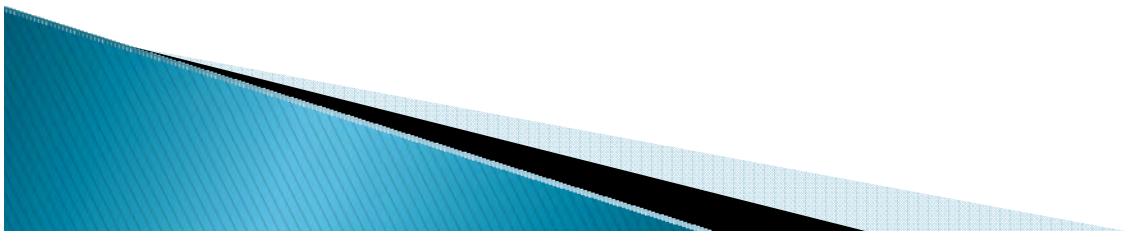
- ▶ Limited export and production base
- ▶ Limited access to overseas markets:
  - High transportation costs – under-developed port facilities,
  - Unable to meet quarantine and quality standards,
  - Remoteness – too far off the regular shipping or airline routes,
  - High cost of exports due to small and limited production capacity



# Other factors – high unemployment

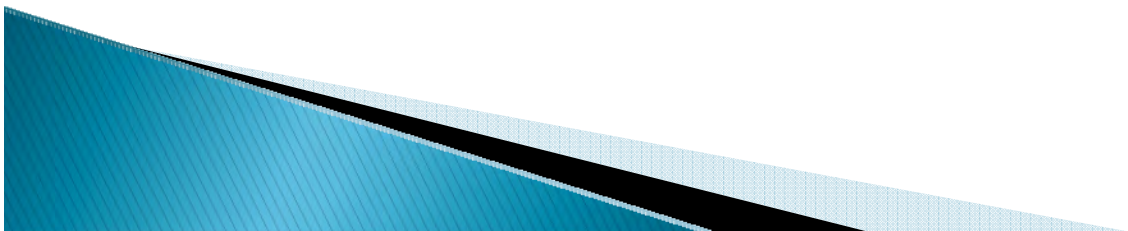
## ▶ In regards to HAI

- Though high secondary enrolment rate – does not take into consideration quality of education,
- Though high literacy rate – also high unemployment rate among the literate youth (15 to 24 years) – 89% un-employed (Kiribati MDG report 2007)

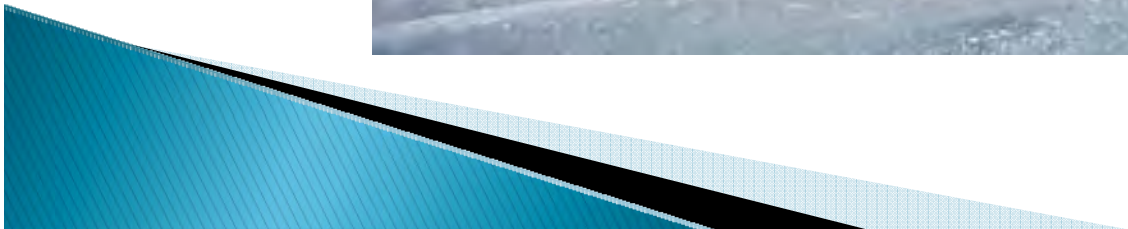


# Other factors – adverse effects of climate change and sea level rise

- ▶ High environmental vulnerability, especially with climate change and sea level rise:
  - Highest point is 2 meters above sea level,
  - Limited land space – matter of survival than adaptation,
  - Impact on limited groundwater lens – affect:
    - Development on Agriculture
    - Food security and
    - Human health



# Other factors – adverse effects of climate change and sea level rise

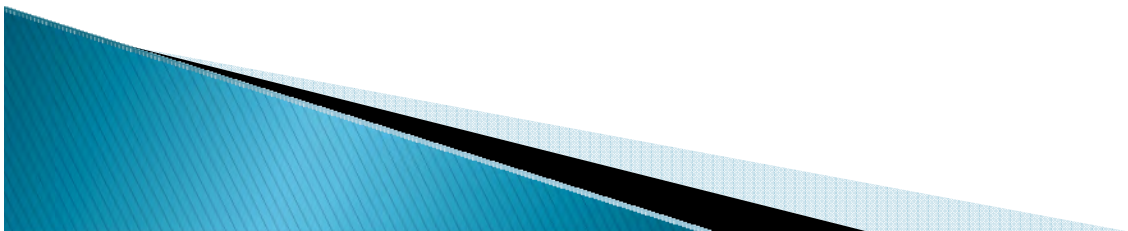


# Other factors – adverse effects of climate change and sea level rise



# Other factors – adverse effects of climate change and sea level rise

- ▶ According to the World Bank, “in the absence of adaptation, Kiribati could face economic damages due to climate change and sea level rise of US\$8–\$16 million a year by 2050, or 17–34 % of its 1998 GDP”.
- ▶ In terms of annual development assistance from our development partners which averages at \$20 million this would be about 40 to 80%,
- ▶ In terms of Government recurrent budget which is estimated at about \$88 million for 2009, this would be about 10 to 20%



# Conclusion

- ▶ Graduation from LDC – *While this may be a positive reflection in our (both nationally and with our Development Partners) endeavours to improve the lives of our people, we are concerned that this may be premature and would undermine our achievements to date. .*

