



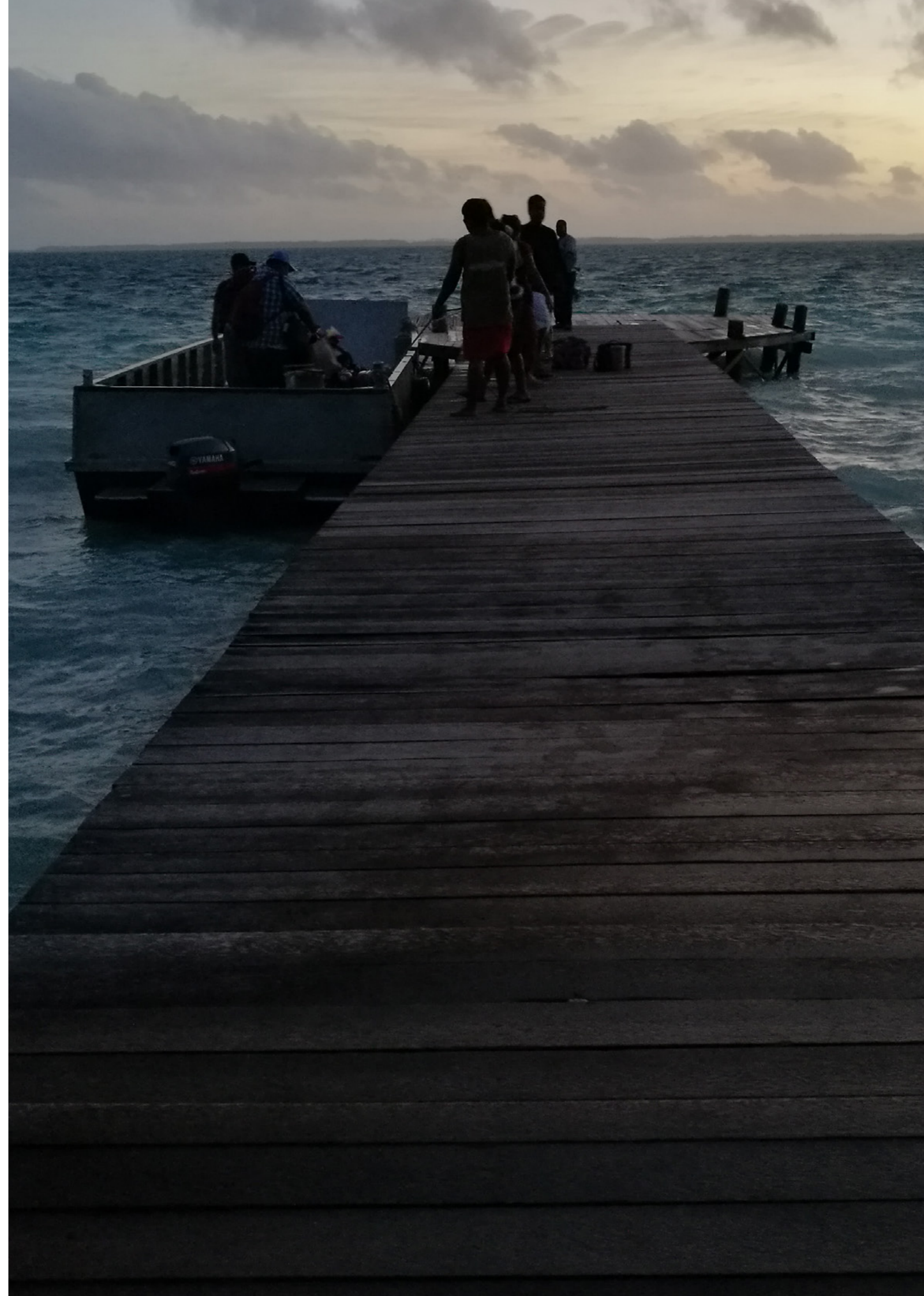
Kiribati Trade Policy Framework 2017-2027



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Acronyms

ACPS	African, Caribbean and Pacific States	GSP	Generalised System of Preferences	MEHR	Ministry of Employment and Human Resource.	RERF	Revenue Equalisation Reserve Fund
ADB	Asian Development Bank	HACCP	Hazard Action Critical Control Point	MLPID	Ministry of Line and Phoenix Islands Development	RoO	Rules of Origin
AfT	Aid for Trade	HDI	Human Development Inde	MYWSSA	Ministry of Youth, Women, Sports and Social Affairs	RMI	Republic of the Marshall Islands
AKL	Air Kiribati Limited	HS	Harmonised System	MSC	Marine Stewardship Council	RTA	Regional Trade Agreement
ALD	Agriculture and Livestock Division	H&S	Hub and Spokes Programme	MSG	Melanesian Spearhead Group	RSE	Recognised Seasonal Employer
APTC	Australia –Pacific Technical College	ICT	Information and Communication Technology	MTC	Marine Training Centre	SBM	Seabed Minerals
ATHKL	Amalgamated Telecom Holdings Kiribati Limited	IMF	International Monetary Fund	MTEC	Micronesia Trade and Economic Community	SDGs	Sustainable Development Goals
AUD	Australian Dollar	IP	Intellectual Property	NCDs	Non-Communicable Diseases	SIDS	Small Island Developing State
BPC	Business Promotion Centre	ISO	International Standards Organisation	NFP	National Fisheries Policy	SIS	Small Island State
BRC	Business Regulatory Centre	IUU	Illegal, Unreported and Unregulated	NIPS	National Intellectual Property Strategy	SMEs	Small and Medium Sized Enterprises
CCFZ	Clarion Clipperton Fracture Zone	KCCI	Kiribati Chamber of Commerce and Industry	NLMP	National Labour Mobility Policy	SOEs	State Owned Enterprises
CITES	Convention on International Trade in Endangered Species	KCMCL	Kiribati Copra Mill Limited	NMTP	National Maritime Transport Policy	SOEMAU	State Owned Enterprise Monitoring and Advisory Unit
CLPB	Central Land Planning Board	KCS	Kiribati Customs Service	NQP	National Quality Policy	SPC	Secretariat of the Pacific Community
CPSC	Central Pacific Shipping Commission	KDP	Kiribati Development Plan	NSO	National Statistics Office	SPMS	South Pacific Marine Services
CSDS	Coconut Sector Development Strategy	KIEP	Kiribati Integrated Environment Policy	NSC	National Shipping Council	SPS	Sanitary and Phyto-sanitary Measures
CSOs	Civil Society Organisations	KIT	Kiribati Institute of Technology	NTB	Non-Tariff Barriers	SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
DBK	Development Bank of Kiribati	KFL	Kiribati Fish Limited	NTAC	National Trade Advisory Committee	SWF	Sovereign Wealth Fund
DFQF	Duty Free and Quota Free	KNSL	Kiribati National Shipping Line	NZ	New Zealand	SWP	Seasonal Worker Programme
DSM	Deep Sea Mining	KNTO	Kiribati National Tourism Office	OCO	Oceania Customs Organisation	TBT	Technical Barriers to Trade
DTIS	Diagnostic Trade Integration Study	KPA	Kiribati Ports Authority	ODA	Official Development Assistance	TFA	Trade Facilitation Agreement
DWFNs	Distant Water Fishing Nations	KPF	Kiribati Provident Fund	OECD	Organisation for Economic Co-operation and Development	TK	Traditional Knowledge
EBA	Everything But Arms	KSSL	Kiribati Shipping Services Limited	PAC	Pacific Access Category	TPF	Trade Policy Framework
EEZ	Exclusive Economic Zone	LDC	Least Developed Country	PACER-Plus	Pacific Agreement on Closer Economic Relations Plus	TTM	Taiwan Technical Mission
EIA	Environmental Impact Assessment	LPIDS	Line and Phoenix Islands Development Strategy	PACPS	Pacific African, Caribbean and Pacific State	TVET	Technical and Vocational Education and Training
EIF	Enhanced Integrated Framework	MCIC	Ministry of Commerce, Industry and Cooperatives	PCA	Post Clearance Audit	UN	United Nations
EPA	Economic Partnership Agreement	MICTTD	Ministry of Information, Communication, Transport and Tourism Development	PICs	Pacific Island Countries	UNCLOS	United Nations Convention on the Law of the Sea
ERP	Economic Reform Programme	MEA	Multilateral Environmental Agreement	PIFS	Pacific Islands Forum Secretariat	UNDP	United Nations Development Programme
EU	European Union	MELAD	Ministry of Environment, Lands and Agricultural Development	PICTA	Pacific Island Countries Trade Agreement	USD	United States Dollar
FAO	Food and Agriculture Organisation	MFED	Ministry of Finance and Economic Development	PIPSO	Pacific Islands Private Sector Organisation	USP	University of the South Pacific
FIC	Foreign Investment Commission	MFMRD	Ministry of Fisheries and Marine Resources Development	PNA	Parties to the Nauru Agreement	VAT	Value Added Tax
FICs	Forum Island Countries	MFN	Most Favoured Nation	PPP	Public Private Partnership	VDS	Vessel Day Scheme
FDI	Foreign Direct Investment	MHMS	Ministry of Health and Medical Services	PSDI	Private Sector Development Initiative	WCO	World Customs Organisation
FFA	Forum Fisheries Agency	MIA	Ministry of Internal Affairs	PSDS	Private Sector Development Strategy	WHO	World Health Organisation
FSM	Federated States of Micronesia			PT&I	Pacific Trade and Invest	WIPO	World Intellectual Property Organization
FTA	Free Trade Agreement			QIS	Quality Infrastructure System	WTO	World Trade Organization
GDP	Gross Domestic Product						
GEF	Global Environment Facility						
GLUP	General Land Use Plan						
GNI	Gross National Income						
GoK	Government of Kiribati						

Foreword

I am delighted to present the first Trade Policy Framework (TPF) for Kiribati. The TPF provides a clear codification of the Government's strategy towards using trade as a tool for creating wealth and prosperity for our people.

The TPF is in line with the development aspirations in Te Motinnano, KV20 and the Kiribati Development Plan (2016-2019) which seek to promote economic growth, inclusive sustainable development and poverty reduction through the development of the private sector. The policy is an example of a planned, predictable and evidence-based policy informed by various consultations undertaken by the Ministry of Commerce, Industry and Cooperatives (MCIC) with technical and financial assistance from the Enhanced Integrated Framework (EIF) through the United Nations Development Programme (UNDP).

The TPF has benefited from a series of consultations conducted from November 2016 with the private sector, Government Ministries, Agencies and Civil Society. The consultations included a successful validation workshop hosted in June 2017, followed by consultations with the National Trade Advisory Committee (NTAC) where the final draft of the TPF was discussed.

The TPF serves several important purposes. Firstly, the document pulls together recent policies and strategies to create a primary umbrella policy for the Government with regards to key policy measures that would foster and stimulate the development of trade.

This document does not obviate the relevant roles of the already existing policies, such as the National Intellectual Property Strategy (NIPS), the National Fisheries Policy (NFP), the National Transport and Maritime Policy (NTMP), National Quality Policy (NQP) and National Labour Migration Policy (NLMP). Instead, the TPF selectively pulls these documents together into one overarching framework, allowing implementation to be easily conducted and monitored. Secondly, the document fills a vital gap in outlining Kiribati's strategy with regards to important trade policy issues which are currently not adequately covered in the existing Government Policy.

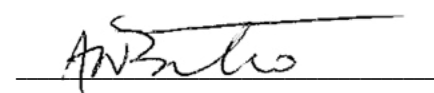
The TPF will serve as a living document and will be amended as policy conditions change. The Government will make annual assessments on the progress of the TPF and, from time to time, will make amendments to ensure that the country's trade policy continues to deliver the best development choices for the citizens of Kiribati.

Through the implementation of this Trade Policy, we seek to foster the right trade and investment environment for the development of the economy and importantly, the growth and promotion of the key productive sectors such as Fisheries, Coconuts and Tourism. The Government intends to develop these sectors through targeted and innovative policies which address key constraints to growth. In this way, we can foster a new and dynamic private sector that creates wealth and prosperity for all citizens of Kiribati.

I would like to end by thanking all the partners, Government ministries, the private sector and civil society members who have contributed constructively in the development process and helped to bring this document to completion.

I would like to give particular thanks to the EIF Secretariat and UNDP for financial support to allow the International Consultant, Mr. Danny Lui to undertake the TPF assignment. I would also like to acknowledge the technical support of the Commonwealth Secretariat through the National Trade Advisor, Mr. Samson Odhiambo Awino, under the Hub and Spokes programme, towards the formulation of this TPF, as well as MCIC staff, in particular the Director for Business Promotion Centre (DBPC) and staff of the Trade Promotion Division at BPC. Without such continuous support, this document could not have become a finished product.

Te Mauri (Health) Te Raoi (Peace) ao Te Tabomoa (Prosperity).



Hon. Atarake Nataara
Minister of Commerce, Industry and Cooperatives

Executive Summary

The TPF is the first integrated trade policy document on trade related matters in Kiribati. The policy fills an important gap in the country's overall policy framework for economic transformation, which has so far relied on a horizontal treatment of trade issues coupled with some selected trade-specific measures. It sets out the importance of trade for Kiribati as well as the overall mechanisms through which Kiribati can use trade as a tool for inclusive and sustainable development in line with national development strategies.

The TPF in the Overall Development strategy: The TPF is one of the national economic strategies and policies that seeks to create wealth and prosperity. The role of the TPF is to ensure that various trade related policies – including but not limited to National Quality Policy, National Fisheries Policy, National Labour Migration Policy, Seabed Minerals Policy etc. – are not contradicting each other in regards to the national trade development agenda. In addition, the Policy also addresses certain trade policy issues which are not part of the other specific policies or strategies such as the participation of Kiribati in the global economy through regional trade agreements like PACER Plus, PICTA, SPARTECA, and EPA.

The TPF promotes a balanced relationship between integration in the global economy and sustainable development. It also promotes a more transparent and predictable business environment and seeks to integrate SMEs, women, youth and the disabled – especially those living on the outer Islands – into the national development agenda.

In summary, the TPF seeks to:

- a) Set and redefine Government Policy relating to international and domestic trade;
- b) Design appropriate complementary measures to improve the business regulatory and macroeconomic environment;
- c) Increase investment in infrastructure to support trade development ;
- d) Improve coordination of institutions responsible for promoting and regulating trade;
- e) Improve the institutional arrangements for implementing the trade policy agenda in Kiribati;

Constraints to be addressed in the TPF: In order to achieve the objective of TPF and reap the development benefits of growth in the private sector and improved trade performance, Kiribati will have to address multiple domestic constraints for firms to invest, develop new industries, produce and contribute to the development of trade. While Government has been implementing various measures to support the development of inter-island trade, domestic trade for local products is still constrained by limited supply capacity and producer market linkages, poor marketing infrastructure and poor inter-Island connectivity.

Other constraints to trade and private development include the existence of outdated business laws, which are incompatible with the current private sector and trade development regime, thus negatively impacting on the inflow of Foreign Direct Investment (FDI). As such, very few businesses participate in productive sectors like fisheries and tourism on the outer Islands. Low participation in the productive sector implies limited supply capacity. Other sectors like Seabed Mining still remain unexploited. Exports are mainly concentrated on only a few primary products and few destination markets. Kiribati still faces market access challenges linked to Product Quality and Technical Standards for goods and services. The cost of doing business in Kiribati is relatively high, compared to similar economies in the Pacific.

Addressing the Constraints: The constraints will be addressed through various strategic policy measures. In order to establish a framework for implementation, monitoring and evaluation of the TPF under each of the Policy areas, the Policy sets out a rationale, underlying measures within each of the designated Policy areas, performance indicators and targets. The Policy attaches great importance to the promotion of social inclusion, gender equality and the avoidance of negative impacts on environment.

Implementation Principles: In order to ensure that the trade policy is coherent and consistent with other policies, the responsibility of TPF implementation will rest with the Government line Ministry which has the mandate for each specific policy, and monitoring of progress and consistency for the TPF will be the purview of the National Trade Advisory Committee (NTAC) in collaboration with the Ministry of Commerce, Industry and Cooperatives. In this way, the TPF avoids duplication of work while ensuring coherence of the policy framework. The underlying principle is to mainstream trade policy objectives across Kiribati's Policies.



1. Introduction

1.1: Vision

The 20-year development blue print (KV20) seeks to foster inclusive trade and private sector development through fisheries and tourism as the key productive sectors among other existing sectors. The KV20 aims to increase exports, the volume of domestic trade and inflow of Foreign Direct Investment (FDI). The KV20 aims to ensure macroeconomic sustainability by developing sustainable tourism, inclusive sustainable trade and private sector development, promoting sustainable fisheries and marine development, as well as investing in human capital to enhance productivity and employment.

Kiribati Development Plan (KDP) 2016-2019 also seeks to promote better education, better health and inclusive sustainable economic growth and development. The KDP seeks to foster equitable development in the context of geography and at the same time address the plight of marginalised groups including women, youth and disabled people.

Bearing in mind the vision of KV20 and the mission of KDP, the TPF sets out the vision of the Government of Kiribati on how trade can be used as a fundamental tool for achieving the KV20 and the KDP. The vision of the Trade Policy is:

A dynamic and competitive economy for equitable distribution of wealth and prosperity

1.2: Mission Statement

The overall mission of the Policy is to facilitate the transformation of Kiribati into a competitive economy and strengthen its participation in both domestic and international trade with the ultimate objective of creating wealth and prosperity.

1.3: Objectives

The TPF mission will be achieved through the following objectives:

- Setting and redefining Government policy relating to international and domestic trade;
- Designing appropriate complementary measures to improve the business regulatory and macroeconomic environment;
- Increasing investment in infrastructure to support trade development;
- Improving coordination of institutions responsible for promoting and regulating trade;
- Improving the institutional arrangements for implementing the trade policy agenda in Kiribati; and
- Mainstreaming trade into national development strategies and sector policies.

1.4: Guiding Principles

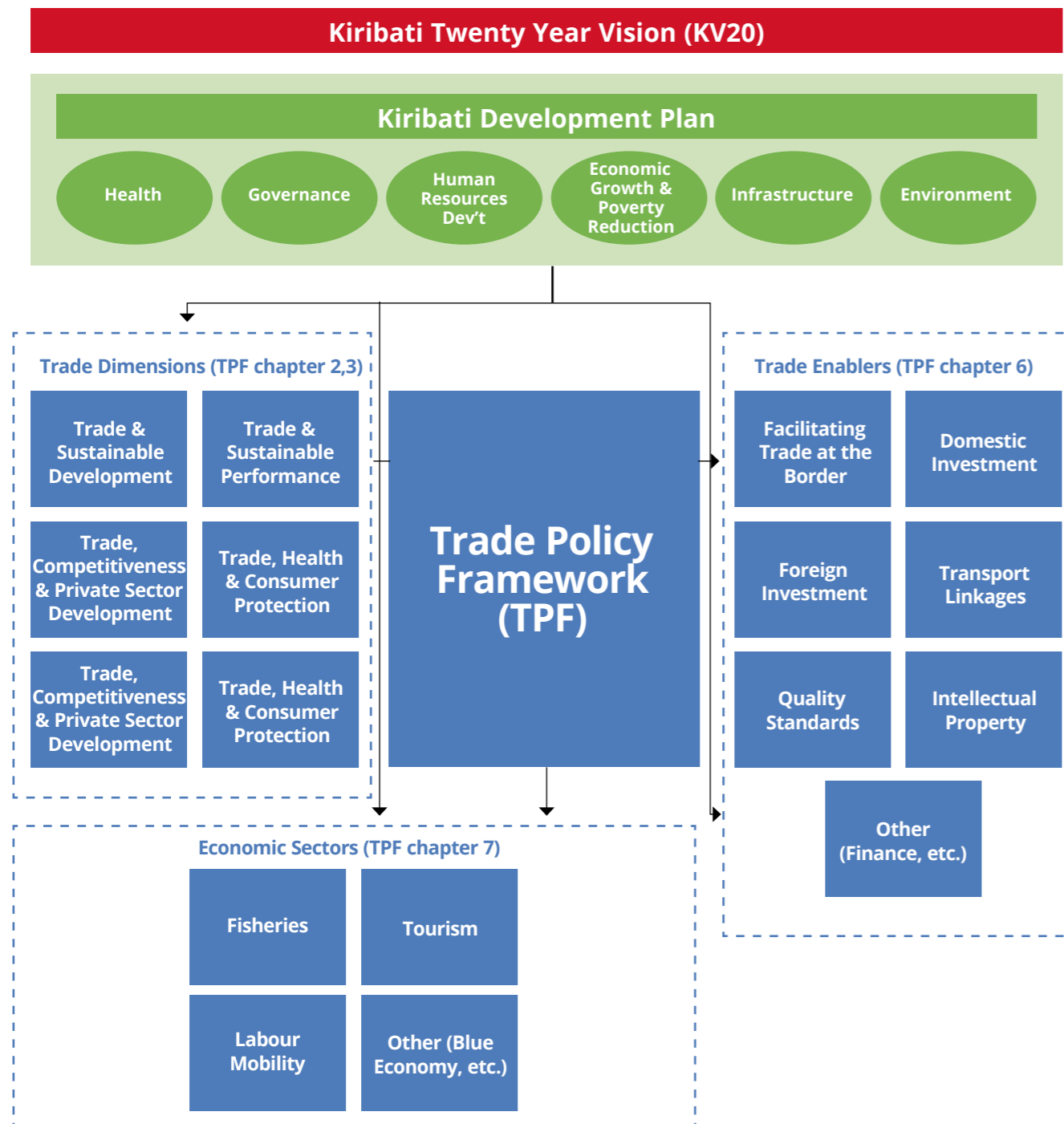
The TPF is premised on the following guiding principles:

- Strengthening the capacity to trade in local produce and foster international trade;
- Mainstreaming trade into national development strategies and sector policies;
- Coordinating the approach to the formulation and implementation of trade policies;
- Conforming with the country's obligations in regional and bilateral trade agreements;
- Creating opportunities for all, including women, youth, disabled people and those on the outer islands;
- Creating an enabling environment to support the development of the private sector through increased domestic and Foreign Investment; and
- Creating value chain linkages to support the development of national and international trade in goods and services.

1.5: Scope of Trade Policy

The TPF is broad-ranging and thematic in its scope, given that trade is a complex cross-cutting activity. The TPF firstly examines the trade and economic situation (Section 2) and then examines some key trade dimensions, including the relationship between trade and sustainable development, health, inclusive growth and environmental sustainability (Section 3). It further analyses the key trade policy instruments (Section 4). Section 5 of the TPF deals with Kiribati's trading partnerships with the rest of the world, including current negotiations and other commercial arrangements. Section 6 of the TPF looks at a number of key enablers of trade including trade facilitation and border processes, international and domestic transport, local and foreign investment as well as quality standards and intellectual property regimes such as trademarks. Section 7 details the linkages between trade policies in key economic sectors including fisheries, agriculture, tourism, labour mobility and the blue or ocean-based economy. Finally, Section 8 looks at the implementation and institutional framework for ensuring that the TPF delivers on its goals.

Figure 1.1 Map of the Trade Policy Framework and Relationship to the KDP

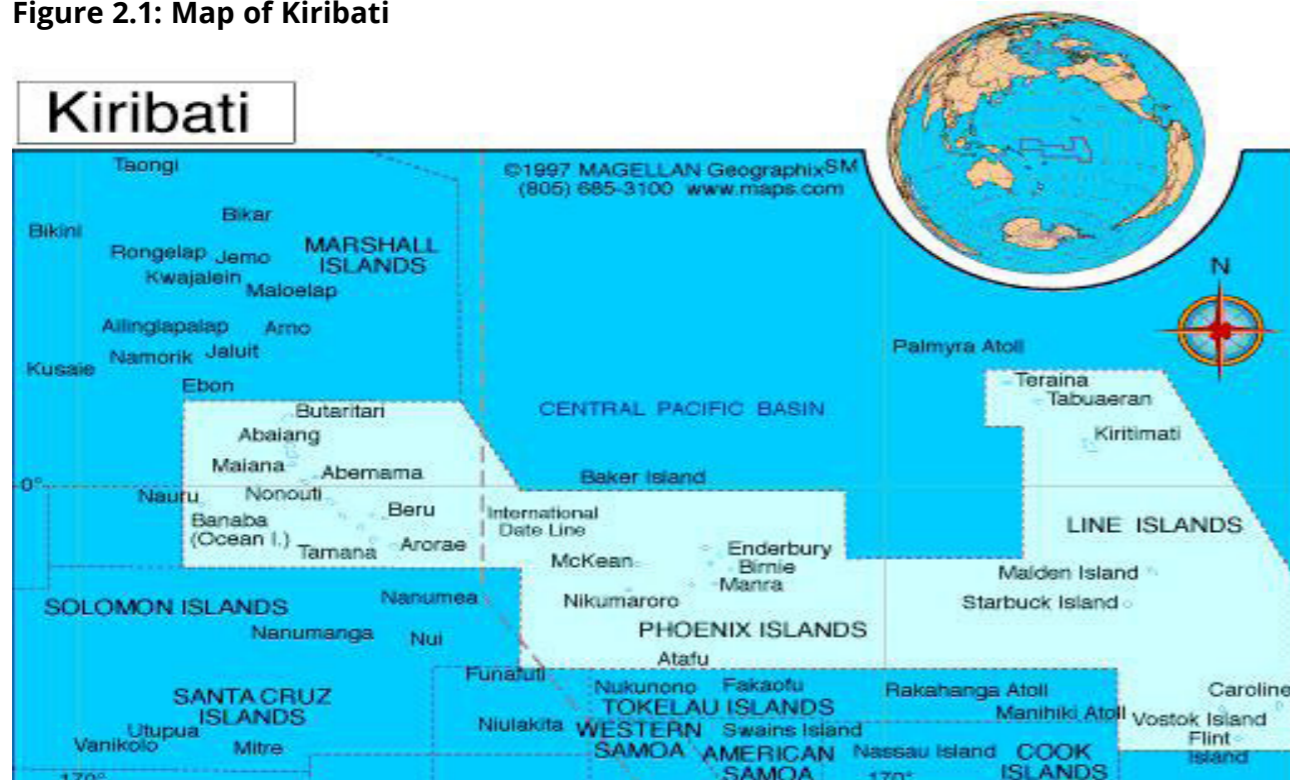


2. Country and Economic Context

2.1 Country Background

The Republic of Kiribati, with a population of 110,136 (2015 Census), is one of the most isolated countries in the world. Situated on either side of the International Dateline, as well as north and south of the equator, it comprises of 32 coral atolls and 1 raised atoll spread across 3.5 million square kilometres of ocean, an area bigger than the Caribbean Sea. More than 90 per cent of the population is concentrated in the Gilbert Islands, with over 50 per cent of those living in South Tarawa.

Figure 2.1: Map of Kiribati



The total land area is only 811 square km. About 1,480 km east of the Gilbert Islands lies the Phoenix Islands, a group of eight largely uninhabited low-lying atolls and reef islands. Further east are the Line Islands including Kiritimati, which is about 3,330 km from Tarawa. Kiritimati is the world's largest atoll (388 square km), accounting for almost half of Kiribati's land area but only about 5 per cent of the population.

Although there is no extreme poverty, Kiribati is ranked 12th of 14 Pacific island countries and 137th in the world according to the UNDP Human Development Index (HDI) ranking. Illnesses associated with malnutrition exist, particularly on the outer islands. While Kiribati is considered a low HIV prevalence country, it has one of the highest HIV infection rates per capita in the Pacific with a total of 60 HIV infections for the period of 1991 to 2015. School enrolment is close to 100 per cent, but reporting of attendance is unreliable and the Figure masks other shortcomings in the education system such as survival and retention rate at primary level. Kiribati has ranked highly on the UN Economic Vulnerability Index since 1991, with a score greater than 70 per cent for most of these years.

Kiribati faces significant challenges in participating in international value chains and the global economy. Exports of both goods and services are limited. Kiribati's international competitiveness is best understood in reference to its main challenges to participating in the global economy, which are well-known and include:



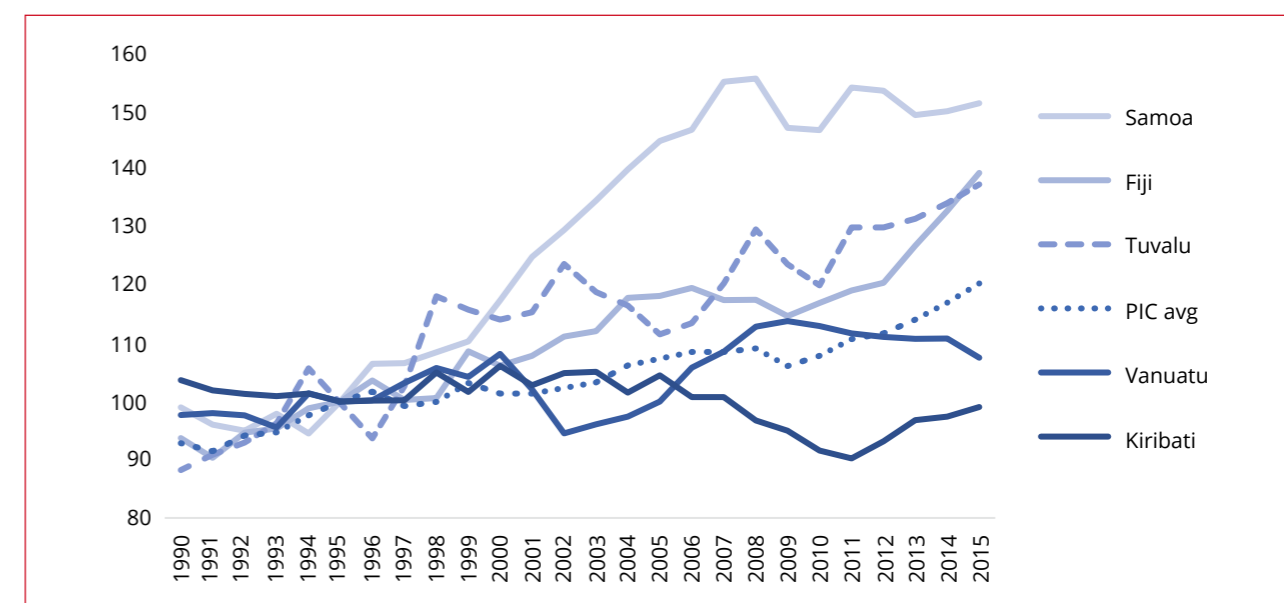
Kiribati nevertheless enjoys several advantages, including an unspoilt and attractive natural environment, with significant under-exploited potential in tourism. It also has relatively large foreign reserves in the Revenue Equalisation Reserve Fund (RERF), initially established by the UK colonial administration prior to independence. Additional advantages include a strong traditional culture among I-Kiribati, which promotes social stability and family welfare, high literacy rates, potential in fisheries and low-skilled services exports and the country's vast ocean space containing untapped marine resources whose commercial value has yet to be determined.

2.2 Historical and Recent Economic Performance

While some new opportunities have begun to emerge in areas such as fisheries and labour mobility, the basic structure and characteristics of the Kiribati economy outlined above have remained largely unchanged since 1979. Overall, the broad macroeconomic environment for trade in Kiribati over the last 25 years has been progressive towards achieving development goals, though its relatively volatile economic growth has been lower than its peers on average.

Figure 2.2 depicts that the real GDP per capita has risen by 50 per cent since 1990 in Samoa but has essentially stagnated in Kiribati at levels similar to those recorded in the early to mid-1990s.

Figure 2.2 Long term economic growth performance of selected PICS (in constant 2010 USD)



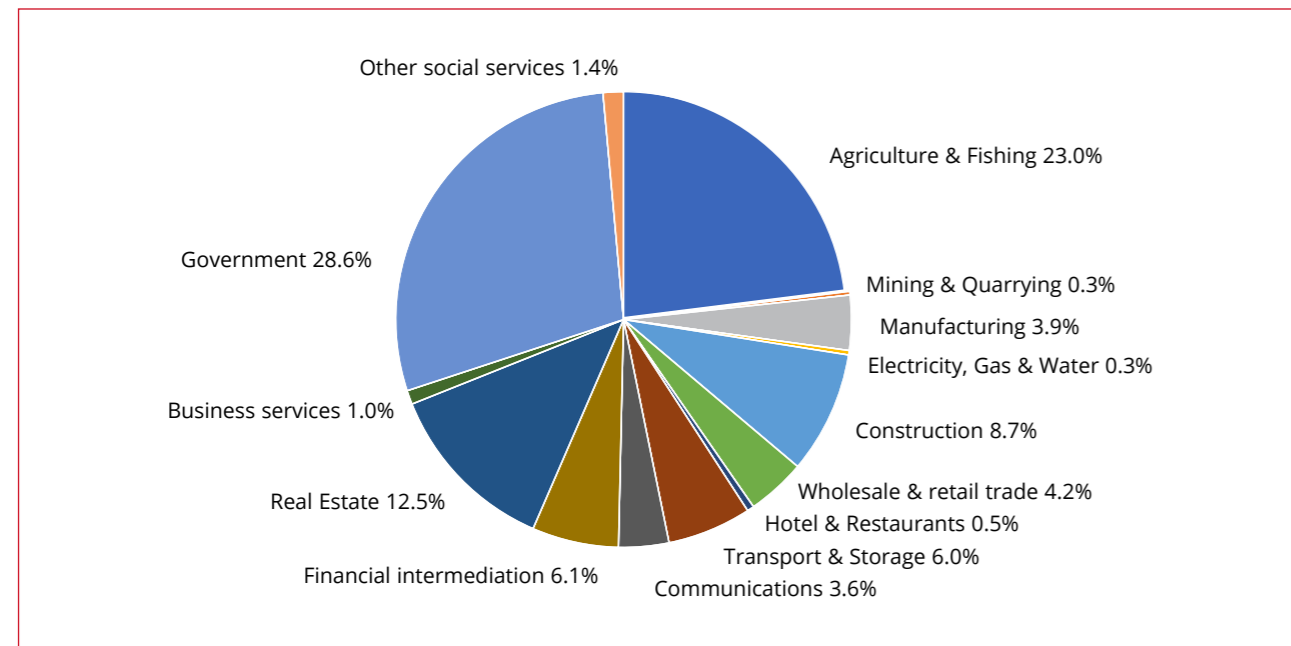
Source: World Development Indicators

In the near future, economic growth is expected to be around 3 per cent per annum, mainly reflecting the impact of major donor projects. GDP per person in 2014 was AUD1,838, which is one of the lowest of all Pacific Island nations. At the same time, this still puts Kiribati among the better off countries within the United Nations Least Developed Country (LDC) grouping, and the UN expects that Kiribati will graduate from this group to become a Middle Income Country by 2024.

2.2.1. Structure of the Economy

National accounts statistics show that while agriculture and fishing account for 23 per cent of production in Kiribati, and manufacturing around 4 per cent, as in many other countries the largest share of output is generated by services, including real estate, construction, finance, transport, wholesale and retail trade, and communication (Figure 2.2.1).

Figure 2.2.1. Composition of GDP by Industry 2014



Source: Kiribati National Statistics Office

2.3 Employment

Table 2.1 shows that agriculture remains the largest employer in Kiribati, followed by public administration, wholesale and retail trade and fisheries. Gender and geographical aspects of employment are analysed further in Section 3.

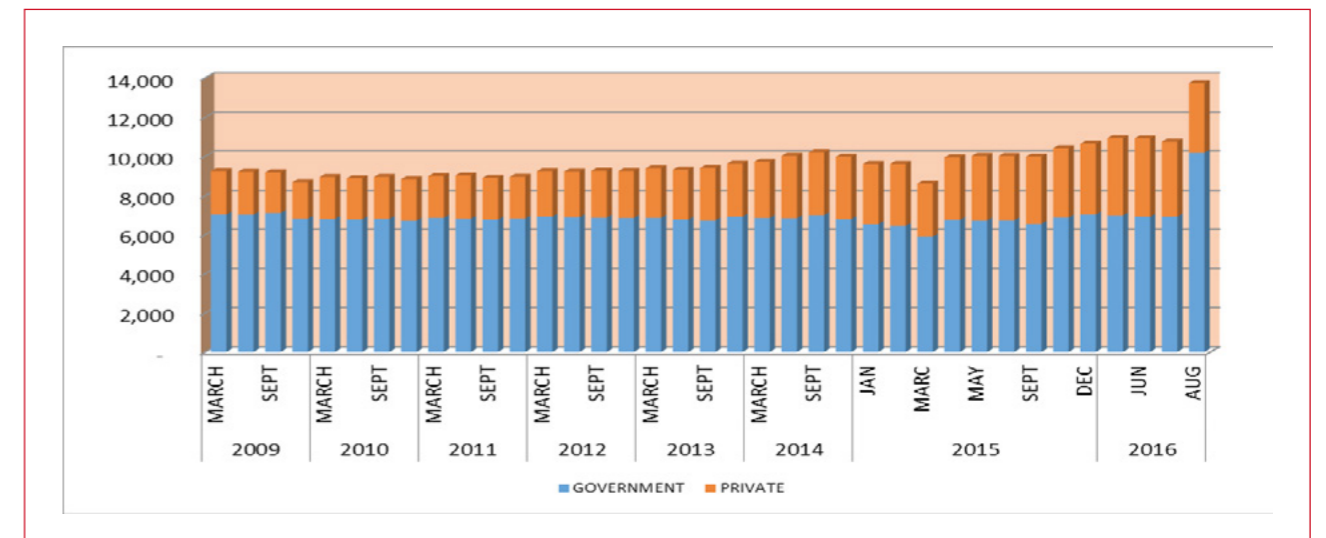
Table 2.1. 2015 Census Data on Employment in Kiribati

	Total	Men	Women
Agriculture	4104	2984	1119
Public Administration	3521	2192	1329
Wholesale & Retail	3457	1749	1708
Fisheries	2708	2228	480
Education	1940	595	1345
Transport	1233	908	325
Health	977	289	688
Handicrafts	919	74	845
Construction	846	784	62
Hotels and Restaurants	659	263	396
Personal Services	646	245	399
Security Services	646	594	52
Finance & Real Estate	381	192	188

Source: 2015 Population Census Report. Kiribati National Statistics Office

Complementary data from the Kiribati Provident Fund (KPF) on contributors to the KPF system show that the number of private sector contributors has increased from 2,130 in June 2010 to 3,982 in June 2016, which depicts a rise of 87 per cent. The number of contributors from the public sector however rose from 6,789 in 2010 to 6,917 in 2016 (Figure 2.3).

Figure 2.3: Public and Private Sector KPF Contributors, Kiribati, 2009-2016

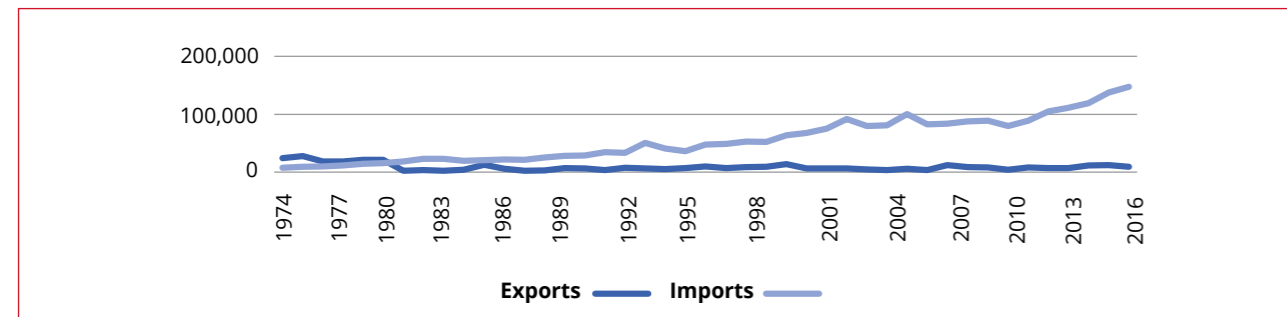


Source: Kiribati Provident Fund

2.4 Analysis of the Balance of Payments and Trade

Kiribati is a trading nation, receiving significant levels of income from a variety of sources and purchasing significant levels of goods and services in return. A feature of Kiribati's overseas trade is that while Kiribati generates revenue from abroad, the small size of the economy means that it relies heavily on imported goods to meet its essential needs. In order to finance its development needs and pay for goods produced domestically and overseas, Kiribati generates foreign exchange revenue in a number of ways. Actual exports of goods (shown in Figure 2.4) and services are small. In recent years, remittances from seafarers and workers overseas (e.g. on the New Zealand RSE scheme) were greater than the total value of exports sent abroad. Revenue from fishing licences has been a key source of foreign exchange, but can vary substantially from year to year due to the migratory nature of the fish stock. In addition, the long term sustainability of the fishery sector depends on the success of regional stock conservation efforts. In addition, the Government in past years, has relied on withdrawals from the Revenue Equalisation Reserve Fund (RERF) although the long-term policy is to maintain the RERF at a constant level. Overall, the trade figures show that Kiribati needs to diversify away from vulnerable sources of foreign exchange (fishing licence revenues, aid and RERF income), towards increased remittances and exports of goods and services.

Figure 2.4 Imports and Exports, 1974 to 2016

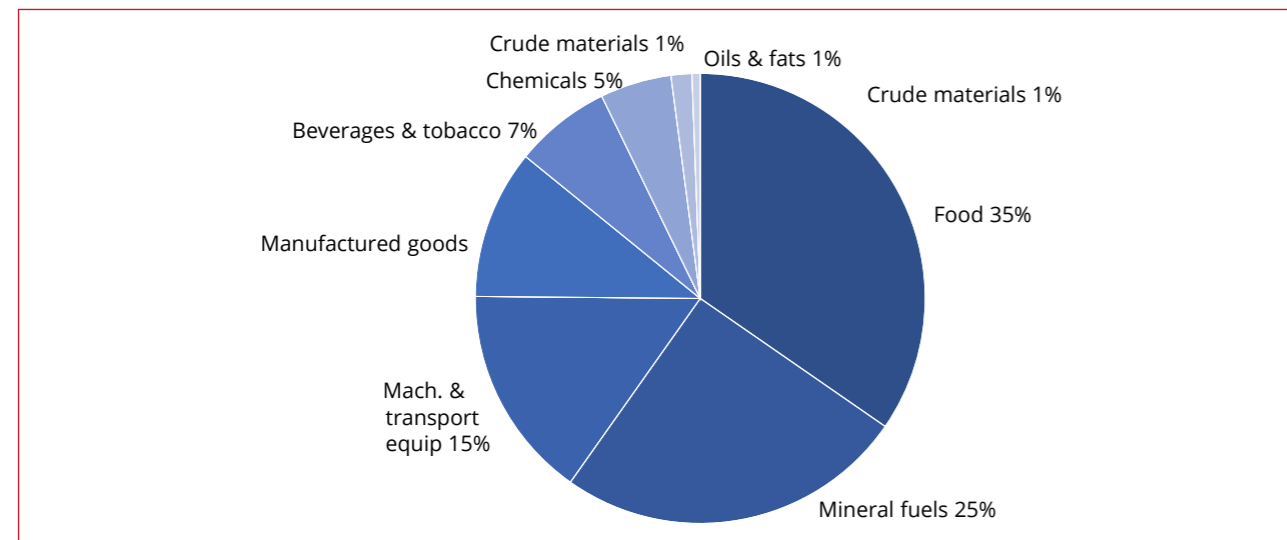


Source: National Statistics Office

2.4.1. Goods Imports

The value of imports into Kiribati was AUD\$118.9m in 2014, or around 57 per cent of the country's overall economic output. The main imported goods are food items (accounting for 35 per cent of the total import bill), followed by fuel (25 per cent), machinery and transport equipment (15 per cent), manufactured goods (11 per cent), beverages and tobacco and chemicals (Fig 2.4.1). Given Kiribati's reliance on imports, small reductions in the cost of imported goods could provide greater benefits than even modest increases in exports from current levels.

Figure 2.4.1: Share of Imported Goods, 2006-10

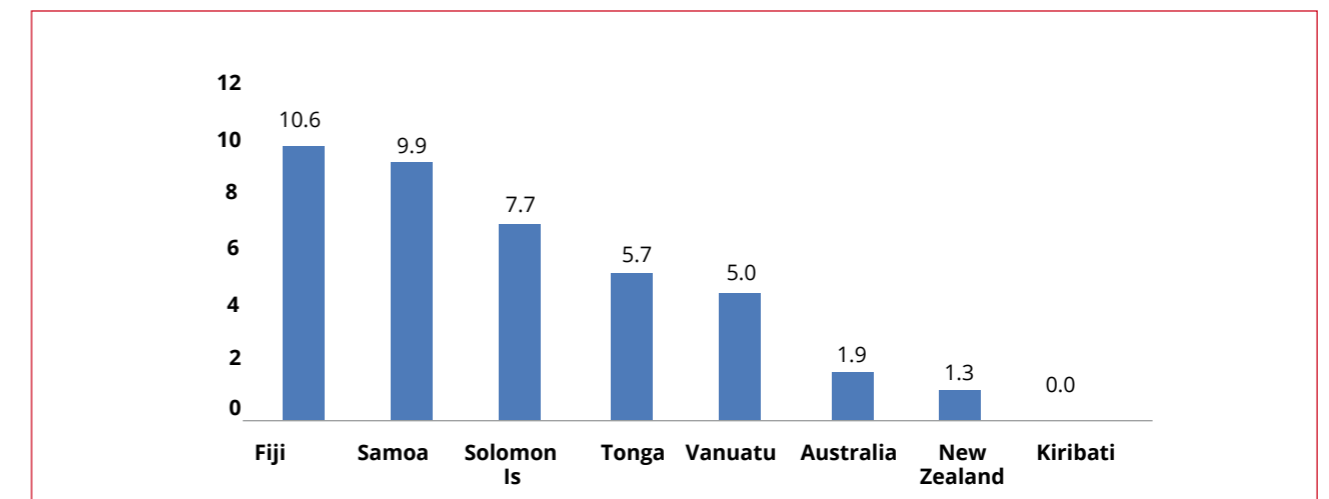


Source: National Statistics Office

The government recognises the possible challenges and operates a number of policies to lower the cost of imports. In this context, the government implemented tax reform in 2014 which led to the abolition of import duties and the adoption of VAT, reducing all tariff rates to zero. Kiribati is therefore considered to be an open trading nation in the Pacific (including Australia and New Zealand) alongside Hong Kong as shown in Fig 2.4.2. Kiribati however recognises that there are further steps that can be taken to lower the cost of imports both at the border and in the economy through trade facilitation policy measures.

Over the last 15 years, there has been a significant shift in the source of imported goods into Kiribati. At the turn of the century, the largest import source by far was Australia, followed by Fiji, Japan and New Zealand. Today, Fiji is the main source of imports ahead of Japan, China, Australia and Korea. Growth of imports from Fiji highlights the importance of regional trade relationships. The growth of imports from China also suggests a shift towards lower cost goods, bringing benefits for consumers in terms of lower prices, when complemented with good corresponding policies related to consumer and product quality.

Figure 2.4.2: Avg. Weighted Traffic Rates in FICs, 2015



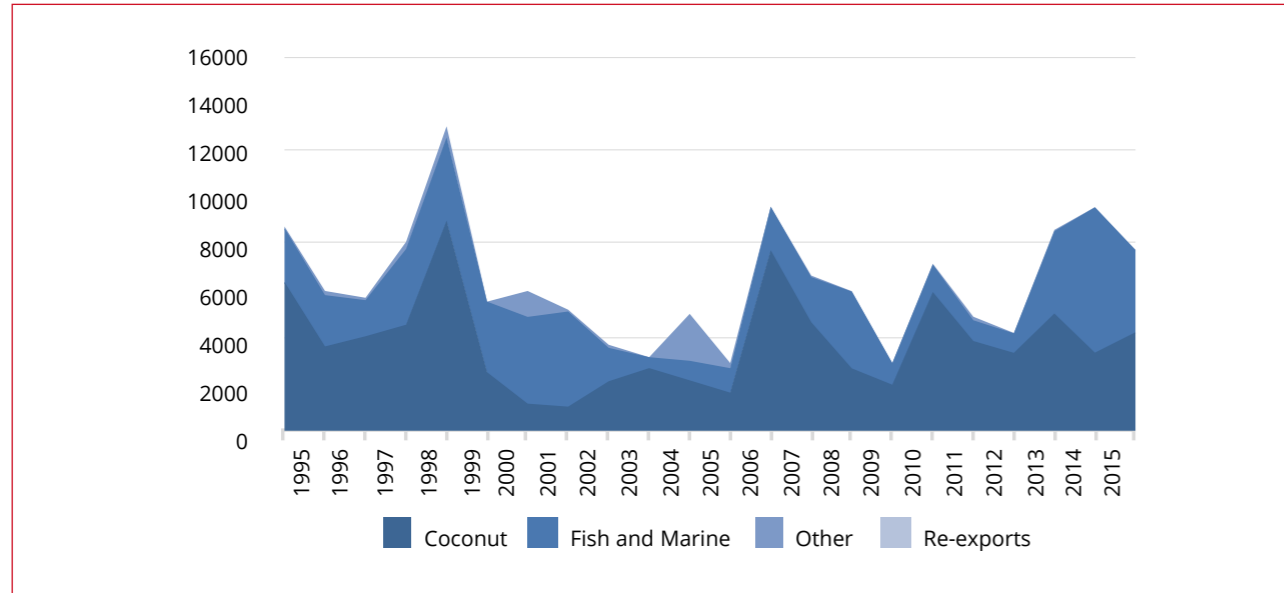
Source: National Statistics Office

2.4.2. Goods Exports

Analysis of exports from Kiribati is difficult due to limitations in the consistency and accuracy of the data. The key exports recorded over recent years have been coconut products, sea cucumber, shark fin and, in later years, fish (tuna) products. Receipts from coconut-related products however, have fluctuated in recent years.

The exportation of fish began strongly after the establishment of Kiribati Fish Limited (KFL) in 2014. The most accurate export statistics however, come from the industry itself. Recent statistics from Customs for the first eight months of 2015 suggest that fish exports (valued at AUD\$2.2m from January to August) have begun to overtake coconut products (AUD\$1.2m for the same period) for the first time in that year and have since increased further (Fig 2.4.3)

Figure 2.4.3: Exports 1996-2016



Source: National Statistics Office

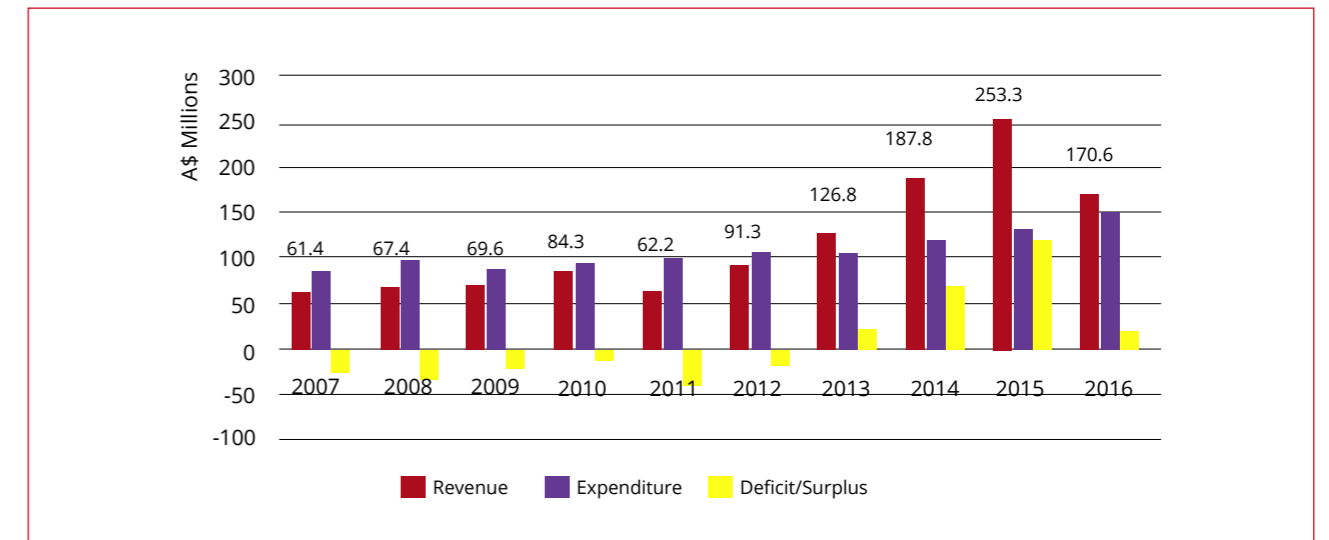
2.5 Macroeconomic Policy

Government has undertaken a number of important macroeconomic policy reforms in recent years in response to the poor growth performance and fiscal sustainability issues that arose in the years directly following the Global Financial Crisis. This period saw a significant decline in the value of the RERF, falling revenues from fishing licences and from tax, underperformance from State Owned Enterprises (SOEs), as well as shortcomings in debt management, leading to reductions in Government expenditures and unsustainable growth in fiscal deficit.

In 2013, the Government adopted an Economic Reform Programme (ERP) that included the introduction of Value Added Tax (VAT), a reduction in import tariffs, commitments to reform the country's underperforming State Owned Enterprises (SOEs), changes in the management of the RERF portfolio and improved debt management. These reforms also coincided with significant increases in fishing licence revenue under the Vessel Day Scheme (VDS), which together have resulted in a return to a positive fiscal balance for 2014 and 2015. This has allowed the Government to replenish the RERF. Large inflows of development assistance for the aforementioned infrastructure projects also provided a significant boost to growth performance in this period, resulting in strong GDP growth in 2015.

Kiribati has maintained consistent improvement in revenue generation since 2010. Total revenue in 2016 was AUD\$176.9m while expenditure was AUD\$175.4m in 2016, resulting in a surplus of AUD\$1.5m. This is higher than the total revenue generated of AUD\$84.3m and the total expenditure of AUD\$95.1m incurred in 2010 (Figure 2.5). Generally, Kiribati has experienced relative fiscal stability over the years due to strong public expenditure, infrastructure development and the growth in revenue from fishing licences and the expansion of its revenue base through tax reforms associated with the implementation of VAT.

Figure 2.5: Revenue, Expenditure, Deficits and Surpluses, Kiribati, 2007-2016



Source: MFED

The RERF also provides a financing function for recurrent deficits. At the end of 2016, the sovereign wealth fund, the RERF, stood at AUD\$868.1m. While RERF has been instrumental in supplementing recurrent deficits, strengthening the management of RERF is critical towards ensuring long term macroeconomic sustainability.

The TPF places the highest premium on a stable macroeconomic environment. A stable macro-economic environment is the only way in which the confidence among investors and the public can be maintained. It also works in favour of the poor who tend to lose the most during periods of inflation. In this context, the Government will seek to manage expenditure prudently and provide the necessary resources to achieve sustainable economic growth. Fiscal measures to accelerate macroeconomic stability for long-term sustainable development will be implemented, alongside measures to improve the gathering of statistics for managing and monitoring economic development.

Policy Measures

In order to maintain macroeconomic stability, the Government will:

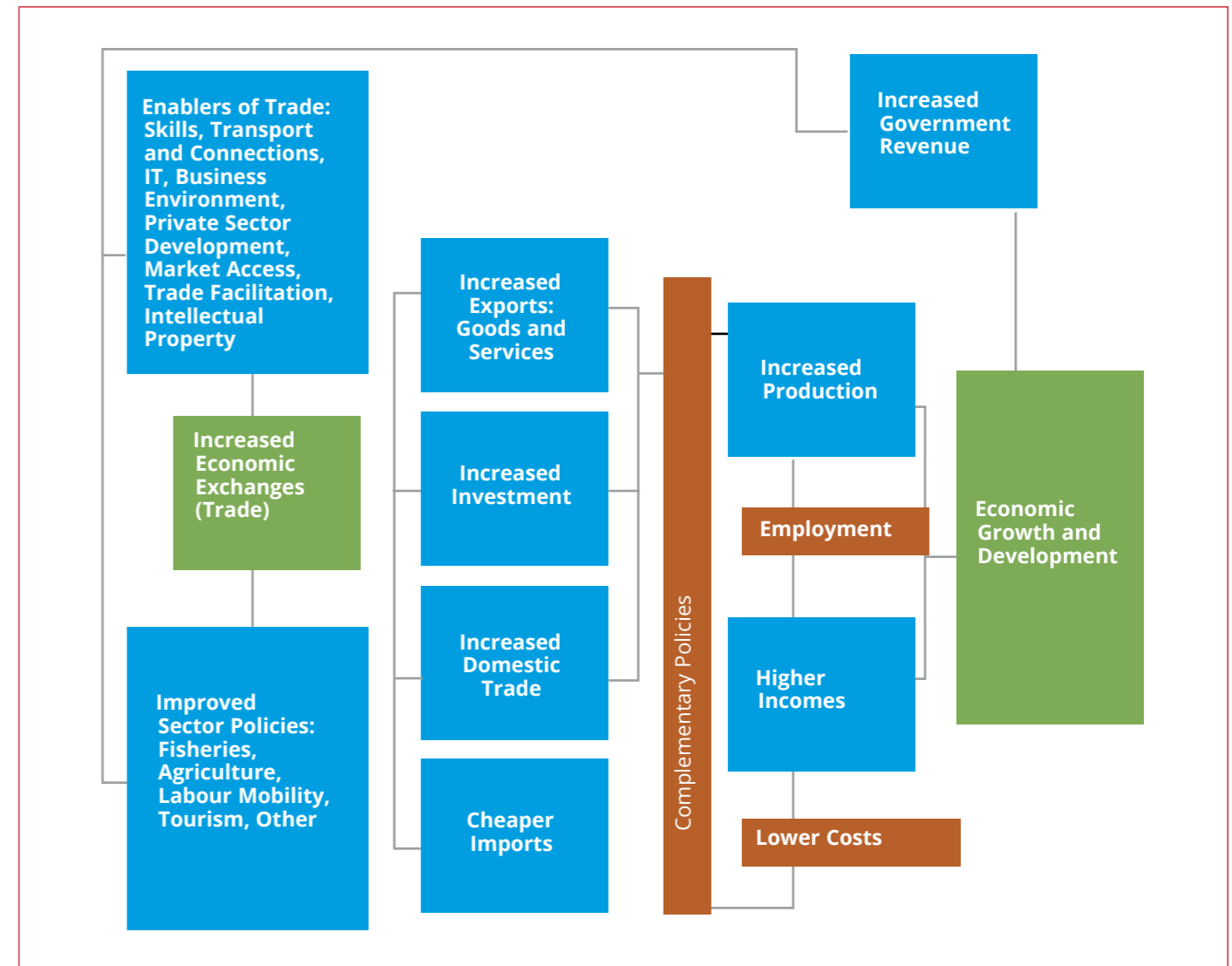
- Continuously maintain and update the management of the RERF through regular monitoring of RERF asset performance and efficient utilisation of RERF assets;
- Increase Government revenue by maintaining and improving existing plans to expand the revenue base; and
- Improve database collection and recording by strengthening the National Statistics Office's (NSO's) input and collections.



3. Trade and Sustainable Development

Trade is essential for Kiribati’s long term sustainable development. The main channel through which trade supports progress towards achieving the Sustainable Development Goals (SDGs) is through its direct contribution to economic growth, and the incomes and livelihoods of I-Kiribati. Other important channels include the impact of trade in improving outcomes in areas of health, education, communication and convenience through which I-Kiribati can live their lives.

Figure 3.1. Overall Framework for How Trade, defined broadly as ‘Exchanges’ or ‘Transactions’ between individuals, contributes to Development



Efficient trade through improved processes at the border are expected to lower the price of goods and services that are used every day by I-Kiribati, from food to hardware to mobile phones. Increased levels of trade – domestically and internationally – contribute to increased Government revenues, allowing the Government to provide services and infrastructure and reducing dependence on overseas aid.

3.1 Trade and Health: Ensuring a Healthier Kiribati

Engagement in domestic and international trade should contribute to the healthy and sustainable development of citizens of Kiribati. The Government's overall stance is that exchanges of goods and services contribute significantly to well-being and sustainable development, and trade does not by itself lead to unhealthy outcomes. Nevertheless, there are concerns that an increase in consumer choices brought by greater availability of more convenient foodstuffs of poor nutritional value as well as tobacco and alcohol are contributing to poorer health outcomes in the Pacific Islands, contributing to high levels of non-communicable diseases (NCDs) and premature death.

In Kiribati, the prevalence of NCDs is increasing, and consequently consuming an increasing proportion of the public expenditure towards the Health budget. The most common NCD is diabetes, with a prevalence rate of 15.7 per cent as shown in the most recent WHO Steps Survey in 2015. This survey also showed that 83.6 per cent of the population have three or more risk factors in developing NCDs¹, an increase from 79.0 per cent in 2006. The World Bank estimates that by 2040, the economic burden of NCDs in Kiribati will amount to 9.2 per cent of 2010 GDP and about 11 per cent of the effective labour force will be lost due to NCD-related premature mortality and disability.

Nationally, Government can encourage reduced consumption of unhealthy food products and promote healthy alternatives through the taxation system, border controls (customs and biosecurity), the Food Safety Regulations Framework, the National Quality Policy Framework, other policies and investments to increase the supply and availability of fresh local agricultural and fisheries products, and the adoption of regional and international conventions relating to trade and public health. Government has also developed a draft Food and Nutrition Security Policy, and a draft National NCD Multi-Sectoral Strategic Plan for a coherent cross-Governmental approach to NCDs. The Ministry of Health and Medical Services (MHMS) has also prioritised its efforts on NCD issues through interventions aimed at prevention and management.

The Government's overall policy is to ensure that international and domestic commerce is regulated in ways which are consistent with public health objectives, with measures designed that conform to relevant international obligations and through best practices.

Policy Measures

In order to promote the healthy and sustainable development of Kiribati's citizens, the

Government will:

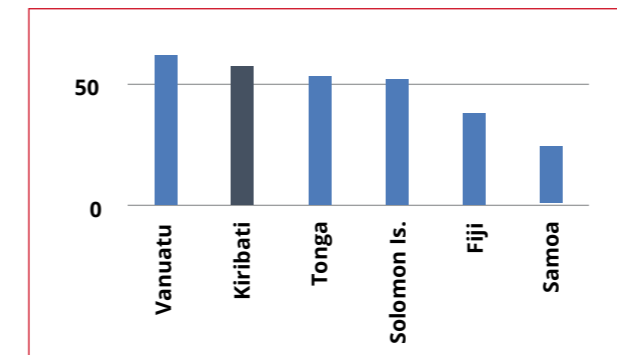
- Ensure the trade policy is consistent with public health objectives and the country's obligations in regional trade agreements relating to Sanitary and Phytosanitary (SPS) Measures and Technical Barriers to Trade (TBT);
- Adopt and effectively implement the National NCD Multi-Sectoral Strategic Plan; and
- Adopt and effectively implement the draft Food and Nutrition Security Policy.
- Adopt regulatory measures to ensure public health objectives while ensuring such measures are in line with the country's obligations in regional trade agreements.

¹ Risk factors of developing NCDs include being categorised as overweight or obese, being physically inactive, eating less fruits and vegetables, consuming tobacco and alcohol as well as having high blood pressure, blood glucose and blood cholesterol levels.

3.2 Inclusive Trade: Spreading the Benefits of Trade to All I-Kiribati

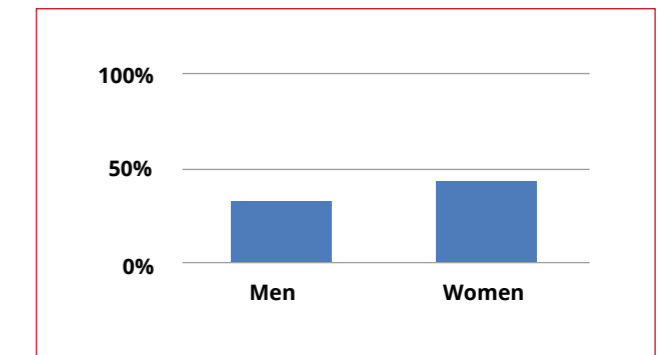
Trade needs to generate economic growth that is sustainable and broad-based. In particular, the benefits of trade need to reach marginalised groups, including women, youth, disabled people and those on the outer islands. Analysis of the 2015 Census shows that the participation rate of women in the labour force is around 58 per cent, which is higher than other PICs but still below the average in developed countries (Figure 3.2.1). Figure 3.2.2 shows that unemployment among women (43.5 per cent) was significantly higher than that of men (33 per cent).

Figure 3.2.1: Female (15+) Labour Force Participation Rate in Selected PICs



Source: Population Census 2015

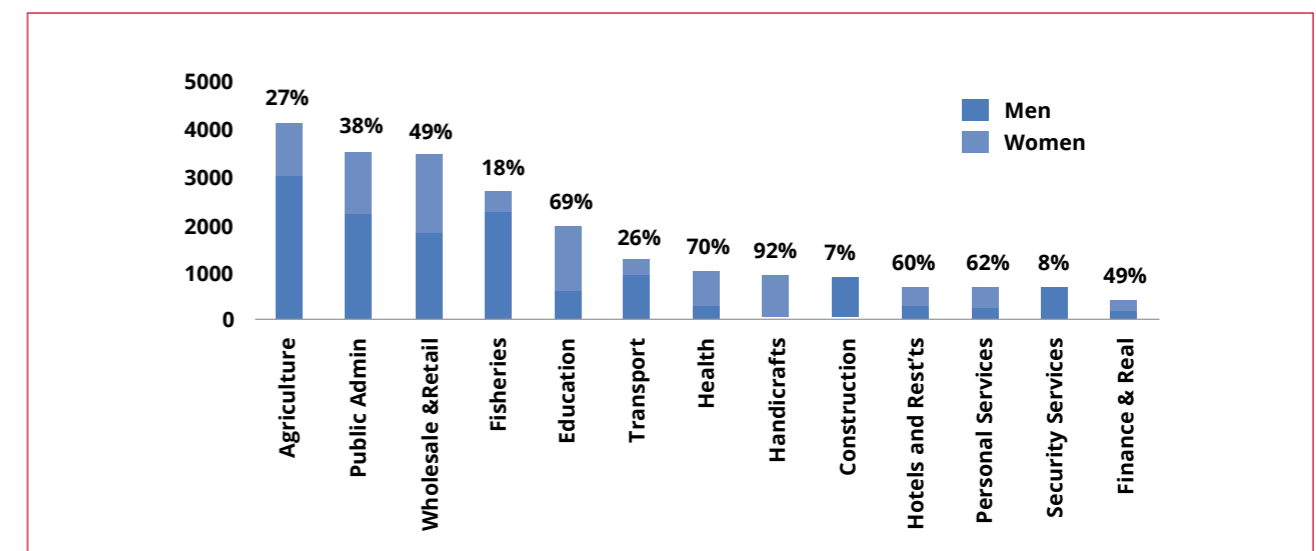
Figure 3.2.2: Unemployment: work-seekers as percentage of labour force



Source: Population Census 2015

A comparison of the quality of employment – in terms of types of jobs – that women participate in, present a complex picture as indicated in Figure 3.2.3. Although women are more likely to be engaged in lower-value jobs such as handicraft production, there are fewer women engaged in other lower-value areas such as copra cutting. At the same time, sectors such as distribution (retail and wholesale) and finance are more gender-balanced. Government is an important employer of women, and women are much more likely than men to be employed in the education and health sectors. In addition to formal sectors of employment, women are also more likely to be involved in informal and unrecorded work.

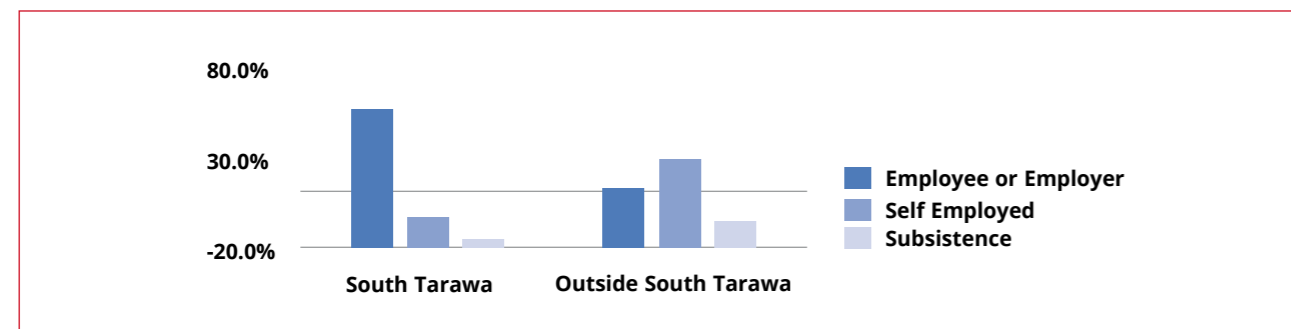
Figure 3.2.3: Total Employment by Sector and Gender, selected sectors (with gender ratio by sector in percent)



Source: Population Census 2015

Levels of youth unemployment do not seem to be significantly different from that of older workers, but again the quality of jobs may be lower for those aged 15-24. With respect to women and youth employment, the challenge for Government is to ensure that these groups are provided with the skills needed to gain meaningful employment, and to provide continued opportunities for them to use those skills which extend to labour mobility schemes.

Figure 3.2.4: Employment Type: South Tarawa and other Areas



Source: National Statistics Office

In terms of outer island development, formal economic activity is presently concentrated heavily on South Tarawa (3.2.4). Census data shows that although levels of unemployment may be higher in Tarawa (which may be due to high levels of settlement there with more people seeking employment) the structure of employment is very different for those with jobs. In Tarawa, more than three quarters of workers classify themselves as 'employees' while outside South Tarawa only one-third fall into this category, with half classifying themselves as 'self-employed' and 15 per cent as 'subsistence'. This reflects the difference in economic opportunities available between South Tarawa and elsewhere, and the fact that activities are more likely to be informal on the outer islands.

There is a need to improve the economic situation of women given their direct contribution to the economy and the additional benefits that come from empowering women within communities and households. There is also a need to provide opportunities to Kiribati's youth in order to develop their long-term skills and future pathways to successful employment. The key challenge is to develop economic activities on the outer islands, including the Line and Phoenix group. In response to these issues, the Government is in the process of adopting key policies on gender and youth through the Ministry of Youth, Women, Sports and Social Affairs (MWYSSA). Government also adopted the Line and Phoenix Islands Development Strategy (LPIDS) in 2015. The aforementioned strategies will be complemented by specific programmes targeting these populations, and also aligned to priority sectors which the Government has envisaged in its 20 year vision development plan.

Policy Measures

In order to enhance the development of inclusive trade, the Government will:

- Ensure the adopted Gender Policy provides economic and trade opportunities for women and people with disabilities;
- Implement women's economic empowerment programmes in sectors where Kiribati has a comparative advantage in line with the Government's 20 year vision;
- Ensure the National Youth Strategy provides economic and trade opportunities for youth;
- Implement youth economic empowerment programmes in sectors where Kiribati has a comparative advantage in line with the Government's 20 year vision;
- Implement the Line and Phoenix Island Integrated Development Strategy 2016-36 objectives, focusing on trade and private sector development; and
- Formulate and implement outer island and private sector development strategies related to the Gilbert Islands Group.

3.3 Trade and Environmental Sustainability

Trade needs to generate growth that contributes to sustainable development, and efforts to increase trade need to go hand-in-hand with strong environmental policies. The linkages between trade and the environment occur in a number of dimensions, from Kiribati's international relations, to on-the-ground efforts to manage resources sustainably for future generations. The Phoenix Islands Protected Area (PIPA) in Kiribati is an important example of how trade depends on strong environmental policies that ensure conservation and protection of biodiversity.

Internationally, Kiribati is at the forefront of global efforts to reduce climate change and its impacts on the planet and is party to a number of regional and global conventions or multilateral environment agreements (MEAs). With respect to infrastructure, investments in renewable energy will reduce the need for the costly importation of fossil fuels, and 'early adoption' of new technology is one of the most effective areas for efforts on import substitution. Managing urban development is a big challenge for Kiribati and requires investment in sanitation and waste management facilities.

At the sector level, Kiribati's economy depends heavily on environmental conservation. For instance, the country's fisheries resource depends entirely on the preservation of species stock both at the national and regional levels. The agriculture sector requires careful conservation of scarce land and water resources, while tourism depends heavily on the preservation of Kiribati's unique natural assets and overall environmental waste management. The Government has put in place the Kiribati Integrated Environment Policy (KIEP) that was launched in August 2013 and focuses on building capacity to respond and adapt to climate change, island biodiversity conservation and management, waste management and pollution control, resource management and environmental governance. The range of legislative instruments, strategies and policies available to Kiribati to pursue these goals are outlined within the policy. These include a Kiribati Joint Implementation Plan on Climate Change and Disaster Risk Management (KJIP) that was released in August 2014 and is currently under review. The overall Government policy is to ensure consistency between the trade policy and Kiribati's policy objectives on environmental sustainability.

Policy Measures

In order to ensure consistency between the trade policy and Kiribati's policy objectives on environmental sustainability, the Government will:

- Continue to implement new Trade Policy-related measures including an environment licensing system to support waste management and pollution control;
- Adopt and effectively implement the draft waste management strategy and oil spill response plan;
- Promote and support the use of sustainable renewable energy sources and energy efficiency;
- Establish a legislative and institutional framework to improve urban planning and design leading to more vibrant local economic development;
- Catalyse private sector movement towards a green economy, including small scale businesses;
- Build the capacity to facilitate the notification and reporting requirements under existing waste and chemical-related conventions and MEAs;
- Ensure compliance with international conventions on trade in certain goods, e.g. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Support provisions in trade agreements that encourage consistency between trade and sound environmental practices;
- Undertake Environmental Impact Assessments for trade-related, investment or development projects in line with international best practices; and
- Build greater technical capacity and awareness around the linkages between trade and the environment.



4. Trade Policy Instruments

4.1 Restrictions on Imports

Import restrictions and prohibitions are implemented only on grounds of health, safety or security. The Customs Act restricts the import of:

- Absolute or ethyl alcohol;
- Earth, soil, loam, sand, mud, dust, clay, ashes, and similar substances from any source other than soil unless they are imported from Hawaii, Fiji, Solomon Islands or Australia

The following items are prohibited from import:

- Counterfeit coins
- Food unfit for human consumption
- Indecent or obscene goods
- Prohibited animals
- Matches containing white or yellow phosphorous
- Goods manufactured outside of Kiribati bearing the name or trademark of anyone in Kiribati, unless the goods indicate the country of origin
- Prepared opium or opium pipes
- Goods bearing the emblem of Kiribati
- Fictitious postage stamps
- Dangerous knives
- Imitation firearms
- Gambling machines
- Any goods illegal under Kiribati law

4.2 Import Duties and Duty Exemptions

Following a decision taken by Government to reform the tax system in 2014 to replace import duties with VAT and excise taxes, all tariff rates have been reduced to zero. The current policy is to maintain the recently adopted zero tariff policy, which places Kiribati among the most open economies in the world.

In the event that tariffs are reinstated at some point in the future, duty exemptions will be applied in an efficient, non-discriminatory and preferably non-discretionary way.

4.3 Fees and Permits for Import and Export

Licences and fees apply to importers of goods into Kiribati. The Ministry of Commerce, Industry and Cooperatives (MCIC) currently does not charge any fees for import or export licenses, nor does it charge any fees for inspection.

The Ministry of Environment, Land and Agricultural Development (MELAD) requires traders who import goods into Kiribati to apply for a license by using an import permit application form. From the completed applications, those products which are allowed to enter will be granted an import permit, and the importer will be updated on any rejected consignments. MELAD charges AUD\$5 inspection fee per container for empty containers only. No fees are imposed on the inspection of goods. The Ministry of Health and Medical Services (MHMS) does not charge fees for its services.

Island and Town Councils impose licence fees on importers of goods under the Local Government Act 1984 (amended 2006). The importers pay these fees for each town that they operate in.

For exports, Kiribati Customs Enforcement Agency (KCEA) issues certificates of origin for the export of coconut oil and fish products. The Ministry of Fisheries and Marine Resources Development (MFMRD) issues a license for the exportation of live fish as well as CITES certificates as a way to help protect endangered species. Fees are currently based on species.

Policy Measures

- Government will apply international best practice on the publication of all procedures and fees connected with import and export; and
- Develop an import –Export handbook to guide exporters and importers.

4.4 Restrictions and Taxes on Exports

Kiribati does not apply export restrictions, except for items which are illegal under Kiribati law, and there are no export taxes. Exported goods require the usual documentation and clearances such as certificates of origin and Sanitary and Phyto-sanitary Measures (SPS) certificates.

4.5 Other Trade Policy Instruments: Anti-dumping, Countervailing Measures and Safeguards

Kiribati does not apply anti-dumping or countervailing measures. Kiribati does not apply safeguards, although it retains the right to increase tariffs where a surge in imports threatens a domestic industry. In the event that these are required, they will be imposed in line with international best practice and the country's obligations under regional trade agreements.

4.6 Key Trade-Related Legislation

Given the cross-cutting nature of trade, a large body of legislation has the potential to affect it, both negatively and positively. Table 4.1 provides an outline of most of the significant trade-related legislation which currently exists in Kiribati.

Table 4.1 Key Trade-related Legislation

Legislation	Brief Explanation
Foreign Investment Act 1985	Establishes the Foreign Investment Commission whose function is to assess foreign investment applications, approving investment value of up to AUD\$ 250,000 and submitting the rest to Cabinet. Members of the commission are mostly permanent secretaries drawn from key technical ministries in charge of investment- related matters
Protected Industries Ordinance 1997	This legislation is meant to protect industries in Kiribati which the government feels are critical for the country and therefore requires protection. The Cabinet and the President are empowered to declare any business, including foreign investment by any foreign enterprise or company, to be a protected industry. – Tthe Commission is not allowed to do this.
Native Lands Ordinance 1977	This provides for the legal basis on for land ownership, leasees, sub-leases, neighbours and land purchasers.
Employment and Industrial Relations Code Act 2015, Occupational Health and Safety Act 2015	These provides the legal basis for employment in Kiribati – employers' obligations and employees' working conditions – with which all businesses operating in Kiribati must adhere to the under the Decent Employment requirements.

Consumer Protection Act 2001 and Regulation 2004	Provides for consumer rights in purchasing goods and services. Empowers the Minister to prescribe by regulation, product safety or quality standards for any specified kind of goods and prohibits the supply or trade in goods in relation to which there is an approved standard.
Insurance Act 1981	Provides for the setting up of an Insurance company in Kiribati.
Import Levy (Special Fund) Ordinance 1977	Provides aA scheme for collecting levies or charges on all imports in order to pay for the freight to the outer islands, to ensuring that imported goods sold on in the outer islands have the same price as the imported goods sold on South Tarawa.
Fisheries Act 2010 with amendments 2014, Fish Export Regulation 2012	Provides for the management and development of fisheries in Kiribati, including the control of foreign fishing vessels. The Minister of FMRD is responsible for making appointments under this Act, which requires the formulation of management plans for each species of fisheries resource. Amended in 2014, inter alia to create the Kiribati Seafood Verification Agency (also called the Competent Authority) to the legislation verifies the import and export of seafood and requires the certification of exports with certain requirements.
Kiribati Ports Authority Act 1999	Establishes and regulates the KPA.
Shipping Act 1990	<i>Inter alia</i> provides for the appointment of a licensing officer for vessels.
Customs Act 2005	Provides for the management and control of goods entering the country. It The Act includes the a provision for setting customs duties.
Quarantine and Importation of Animals Ordinances 1977 and Biosecurity Act 2011	Provide detailed requirements for the import and export of plants animals and their products, as well as domestic surveillance and control measures as well as the sanctions and mechanisms for enforcement.
Co-operative Societies Ordinance 1977	Specifies the membership criteria, the management of the funds, and the auditing of the societies. The Registrar of Cooperatives is in charge of the societies and is appointed by the Minister of Commerce , Industry and Cooperatives.
Weights and Measures Act 1984	Provides for the appointment of inspectors, outlines their powers, defines what weights and measures are to be used and outlines penalties in the any case of violation of these rules.
Food Safety Act (2006) and Food Regulation and Standards (2014)	Puts in place the basic requirements and prohibitions as well as the powers and functions for the official control of food.
Copyright Ordinance 1980	Provides for the protection of property and patent rights. Fines for infringing copyrights are also detailed.
Petroleum Act (1977), Public Utilities Ordinance (1977) and amendments 2010	Regulates the importation, storage and sale of petroleum and its products.
Price Control Ordinance	Establishes mechanisms to impose price controls on goods

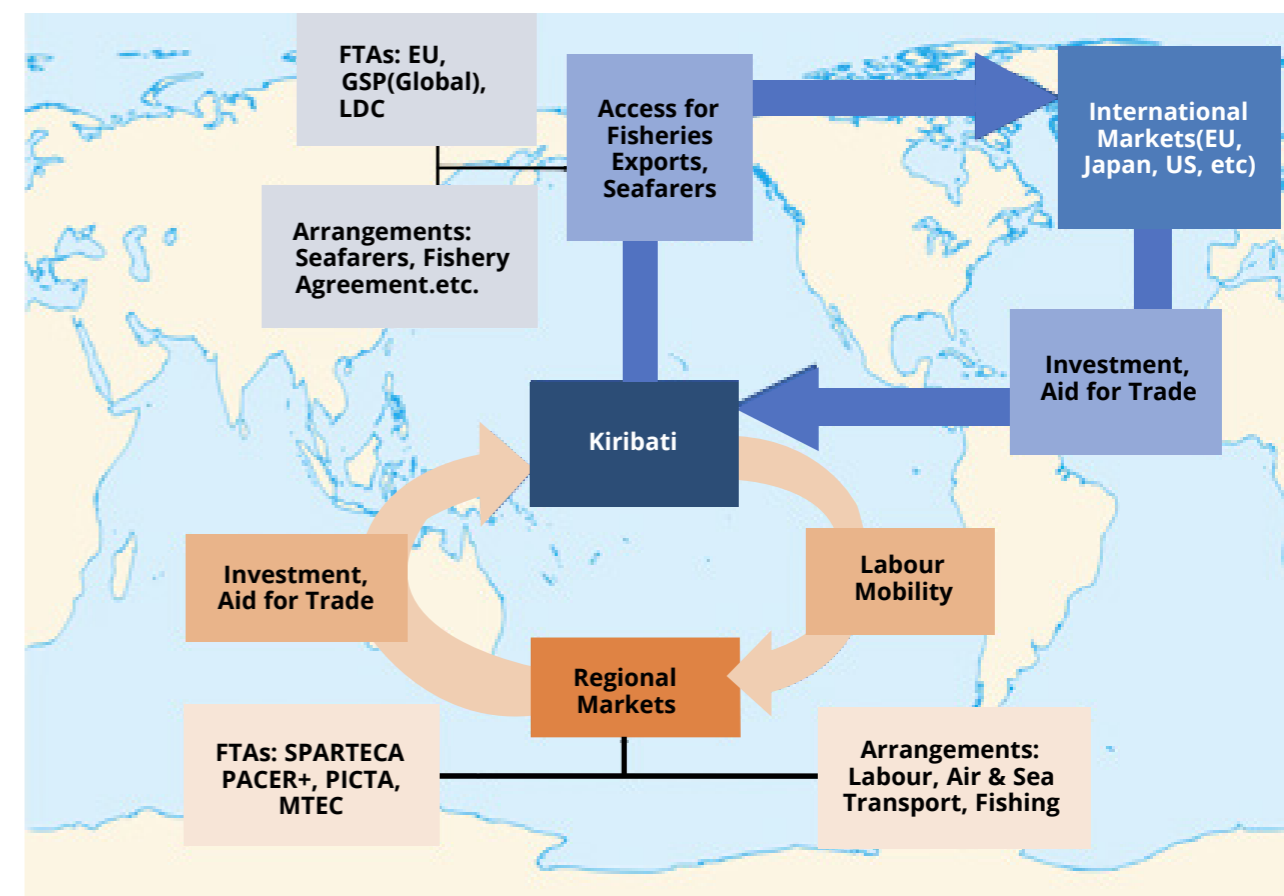


5. Securing Kiribati's Place in the Global Economy

Kiribati is a small island economy trading in an increasingly integrated global marketplace of more than 7.3 billion people. While this provides great opportunities for Kiribati to export goods, services and labour, Kiribati faces significant challenges in participating in global trade. Kiribati contains some of the most isolated locations on the planet and is physically very distant from major consumer markets in Asia, the Americas and Europe. As a small economy, Kiribati also has limited power to influence global markets and supply chains.

Improving Kiribati's position in the global economy will mean adopting a proactive approach to building strategic partnerships in trade and commerce. This means engaging in pro-development trade agreements and other commercial arrangements that secure maximum benefits for I-Kiribati in terms of market access for its main exports – in goods, services and labour – and much-needed investment to the economy. At the same time, Kiribati will need to minimise potential costs, incorporating safeguards against losses in Government revenue (where risks have reduced considerably following recent tax reforms) or in maintaining 'policy space' to pursue key development objectives.

Figure 5.1 Kiribati's Broad Objectives from Trade-related Partnerships and Agreements



5.1 Overall Objectives for Kiribati's Trade Engagement with the World

5.1.1 Expanding Market Access for Kiribati-made Goods

Securing long-term market access for exports is a general goal of any trade policy and is usually the subject of complicated negotiations within multilateral or regional Free Trade Agreements (FTA). It is important to note that market access depends not just on tariffs but extends to Sanitary and Phytosanitary (SPS), i.e. quarantine requirements and other barriers which are now equally, if not more, important in the case of many goods.

As a developing country, Kiribati's exports also enjoy preferential duty-free access within regional and international markets. Some of these benefits depend on the fact that Kiribati is classified by the UN as a Least Developed Country (LDC). The impact of Kiribati's potential graduation from LDC status as early as 2021, and the subsequent loss of these preferences, needs to be carefully assessed against the level of actual or potential future exports, and alternative arrangements available to Kiribati.

The most important issue for Kiribati with respect to trade in goods is market access for fisheries products (most notably fresh tuna loins) that are processed onshore in Kiribati and sent overseas as Kiribati products. For these, there are a complicated set of factors that govern access for Kiribati tuna products in international markets and affect whether they are more or less competitive than other potential suppliers. These factors include overall global supply and demand dynamics (which determine global price), the level of tariff advantage (or 'preference') that Kiribati has over other exporters, the 'rules of origin' that apply to fish exports, and Kiribati's ability to meet requirements in each market in terms of SPS, IUU fishing and other industry-imposed standards.

In terms of the 'costs' of expanding market access, the main cost for seeking greater market access is the requirement under free trade agreements for Kiribati to liberalise imports by lowering tariff rates. However, this is no longer a key factor for Kiribati given that tariffs have already been reduced to zero with the introduction of VAT in 2014.

5.1.2 Expanding Market Access for I-Kiribati Workers

A key objective for Kiribati's engagement with the rest of the world is to ensure increased access for I-Kiribati workers overseas. This objective is supported by the KV20 which seeks to increase the number of overseas workers. The current Kiribati Development Plan (KDP) 2016-2019, directly addresses issues around market access for I-Kiribati workers in overseas markets, with a target of five new markets by the end of the KDP period.

5.1.3. Looking Beyond FTAs to Other Commercial Arrangements

Some of Kiribati's most important strategic partnerships at the international level have come not through traditional free trade agreements, but instead through strategic commercial arrangements in a range of areas. These include long-term commercial relationships for seafarers with German companies and more recent success in securing greater economic benefits from managing regional fishing licences. Other examples of arrangements that have a strong overlap with national trade objectives include the Recognised Seasonal Employer (RSE) labour mobility scheme with New Zealand, and regional shipping through the Micronesia Shipping Commission .

5.2 Preferential Free Trade Arrangements and Negotiations Currently Involving Kiribati

As a developing country, Kiribati benefits from several preferential arrangements that give its exports Duty Free and Quota Free (DFQF) access to major developed country markets including the EU, Australia, New Zealand, the United States and Japan. Together with other Pacific Island Countries (PICs), Kiribati is also currently involved in the negotiation of a number of trade agreements that have the potential to strengthen and deepen its economic relationship with key partners and assist with integration into the global economy. These include the Economic Partnership Agreement (EPA) between PICs and the European Union (EU), the Pacific Agreement on Closer Economic Relations (PACER) Plus between PICs and Australia and New Zealand.

Table 5.1: Summary of Kiribati's Market Access Arrangements with the World

Market		Arrangement	Coverage	Implications for Kiribati
Developed Countries (EU, US, Japan)	Current	Generalised System of Preferences (GSP)	Non-reciprocal with benefits focused on trade in goods	Coverage under some schemes may change if Kiribati graduates from LDC status.
Global	Kiribati is not a WTO member	World Trade Organization (WTO)	All aspects of trade: sets basic trade law, forum for resolving disputes	Benefit of participating in global trade rule-making, although accession is a long process currently beyond Kiribati capacity
European Union	Under negotiation	Economic Partnership Agreement (EPA)	Various potential scenarios including interim or comprehensive EPA	Potential significant benefits for improved access for fish exports to the EU. Costs in terms of potential loss of policy space.
Australia and New Zealand	Current	SPARTECA	Goods, non-reciprocal	Few implications as benefits are limited. Kiribati will continue to benefit from SPARTECA until PACER-Plus enters into force
	Signed by Kiribati	PACER-Plus	Goods, services, investment trade-related issues	Potential benefits in market access, labour mobility, services, investment and Aid for Trade
Pacific Island Countries	Current	PICTA Trade in Goods	Goods	Few costs and benefits at this point
	Under negotiation	PICTA Trade in Services and Regional Labour Mobility	Trade in Services and Regional Labour Mobility	Potentially important benefits on increasing access to Pacific labour markets. Potential cost of allowing selective access for PIC workers into Kiribati.

5.2.1 Generalised System of Preferences (GSP)

As a developing country, Kiribati is eligible to benefit from the special schemes of leading trading nations, including the European Union, United States and Japan. Preferences are granted to developing countries on a 'generalised, non-discriminatory and non-reciprocal' basis and as such the system is known in WTO law as the Generalised System of Preferences (GSP). Kiribati has access to such GSP schemes even though it is not a member of the WTO (see below). In some cases, Kiribati receives additional preferences by virtue of its status as an LDC. For example, the duty-free access offered by the EU may be important for fisheries products. Most Kiribati exports take place under various GSP schemes. For example, recently Kiribati has been able to export fish to the United States, EU and Japan under their respective GSP systems.

5.2.2 World Trade Organization (WTO) and Basic International Trade Rules

Most trade rules incorporated into agreements to which Kiribati is a party or which it is currently negotiating are based on WTO Principles. Established in 1995, the WTO is the primary global organisation responsible for dealing with international trade rules, including providing a forum for negotiating new rules and settling trade disputes.

To date, there are 164 WTO Members, including Australia, New Zealand and six of the largest PICs. While Kiribati is not a member of the WTO, it needs to comply with many of the basic international trade rules established at the WTO. The main advantages to being a member of the WTO include having a voice on issues that could affect Kiribati trade (such as new WTO rules on fisheries subsidies), and having access to the Dispute Settlement Mechanism. At the same time, to become a WTO member, it is necessary for an applicant to go through an often lengthy, resource-intensive process. In some cases, that process could take more than a decade.

5.2.3 Trade with the European Union

Kiribati's access to the EU market was traditionally maintained alongside the African, Caribbean and Pacific (ACP) countries under various non-reciprocal preferential arrangements. However, the expiry of those provisions has meant that the EU and ACP States have been required to negotiate a new set of reciprocal regional trade agreements, known as Economic Partnership Agreements (EPA), which aim to maintain duty-free access while offering additional benefits that enhance trade integration.

a) Economic Partnership Agreements

Kiribati has been participating actively in negotiations towards a Pacific-EU EPA since 2005. Two Pacific ACP states (PACP) have signed 'interim EPAs' (PNG and Fiji) primarily in order to maintain market access for their key exports. However, negotiations towards a final outcome have been challenging due to a number of contentious issues, including EU demands for PACPs to change their fisheries conservation and management measures, 'global sourcing' rules of origin for fisheries products, export taxes, the most-favoured nation clause and development cooperation assistance.

Given that negotiating EPAs appear at this point unlikely to end in a 'comprehensive EPA' covering all aspects of trade, the current policy issue is whether Kiribati should sign an interim EPA covering goods only. It is important to note that Kiribati will continue to benefit from the EU's separate GSP-related 'Everything But Arms' (EBA) arrangement for LDCs even if it does not sign an interim EPA. This provides Kiribati exports with Duty Free and Quota Free access to the entire EU market on a non-reciprocal basis. Access to the arrangement will continue as long as Kiribati remains an LDC. Should Kiribati graduate to middle-income status, there may be a possibility to negotiate a transitional extension of EBA preferences, but only for a limited period before Kiribati's exports are subjected to potential tariffs under the EU's standard GSP scheme. In this case, acceding to the interim EPA may be the best way to secure continued preferential market access for chilled tuna to the EU, if this remains an important policy goal at that point.

5.2.4 Trade with Australia and New Zealand

a) South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)

SPARTECA has provided Duty Free and Quota Free access for exports originating in PICs into the Australia and New Zealand markets on a non-reciprocal basis since 1981. However, it is generally acknowledged that few PICs have been able to benefit from the Agreement due to a lack of PIC export sectors and the stringent 'rules of origin'. The preferential access that PICs enjoyed under SPARTECA has also been eroded by the impact of trade liberalisation by Australia and New Zealand. Kiribati is a party to SPARTECA and the Agreement will remain in force until such a time as another agreement (such as PACER Plus) comes into force.

b) Pacific Agreement on Closer Economic Relations (PACER) Plus

PACER Plus is a comprehensive trade cooperation agreement between Australia and New Zealand and the FICs, which include traditional liberalisation commitments covering trade in both goods and services, alongside newer element such as investment and capacity building.

Negotiations that took place over several years concluded in April 2017, and Kiribati signed the agreement in June 2017 alongside Australia and New Zealand and ten other PICs. Given the significance of Australia and New Zealand as trading partners, the Government of Kiribati places great importance on PACER Plus, and will implement policy measures to fast track the ratification of the agreement and facilitate the maximisation of development benefits related to PACER Plus.

5.2.5 Trade within the Pacific Islands

a) Pacific Island Countries Trade Agreement (PICTA) Trade in Goods

PICTA came into force in 2003 and provides for the gradual liberalisation of trade in goods among PICs, with PIC developing countries such as Fiji required to phase out their tariffs by 2015 and PIC Small Island States (SIS) and LDCs such as Kiribati by 2017. PICTA was initially intended to serve as a stepping stone for PICs to participate in the global economy and the establishment of a single regional market. Most PICs are party to PICTA. Kiribati ratified the Agreement in 2003, and has announced its readiness to trade under PICTA in 2017. Government will implement the necessary measures to strengthen the capacity of the private sector to take full advantage of market access opportunities offered by PICTA.

b) PICTA Trade in Services

A Protocol to PICTA on Trade in Services was agreed in 2012. The objectives of the Protocol include, in particular, promoting growth and development in the PICs and the reduction of poverty by, inter alia: (a) providing a framework for the progressive liberalisation of trade in services among the Parties and strengthening the capacity of the Parties to regulate trade; and furthering economic integration in the Pacific region with a view to the eventual creation of a single regional market.

Kiribati was one of ten PICs to sign the Protocol in 2012 but has not yet ratified it. To date, four countries have ratified the Protocol – Samoa, Nauru, Republic of Marshall Islands and Tuvalu. Six ratifications are required for the Protocol to come into force. An essential part of the Protocol comprises the schedules of trade in services liberalisation commitments of each Party which set out the service sectors each PIC Party is willing to open to other PIC Parties, and under what conditions.

Government recognises the opportunity afforded by the Protocol to strengthen the economy and develop its trading capacity through expanding and deepening the local services sector as well as, over time, taking advantage of opportunities in other Protocol Parties for Kiribati's own service providers. Government will implement policy measures to facilitate the ratification of PICTA trade in Services. Assistance will be sought where necessary for the preparation of required regulations to give effect to Kiribati's Protocol commitments.

c) PICTA – Temporary Movement of Natural Persons (TMNP)

Regional negotiations among PICs, including Kiribati, are continuing on a TMNP scheme, the objective of which would be to draw from labour surpluses in individual PICs to meet national skill shortages and stimulate skills development throughout the region. As part of the negotiation process, labour market studies are to be prepared to assist individual PICs determine their negotiating positions.

A TMNP scheme has the potential of generating significant benefits in terms of opening new labour market opportunities for I-Kiribati within the region, although it needs to be assessed against other developments including PACER Plus and bilateral arrangements with specific FICs. The Government will analyse potential gains for Kiribati in enhancing labour mobility, given the PACER Plus agreement and the ongoing bilateral arrangements with Fiji and the Cook Islands among others.

d) Micronesian Trade and Economic Community (MTEC)

The Micronesian Trade and Economic Community (MTEC) is a sub-regional initiative focused on trade, economic cooperation and integration among the Micronesian countries. While Kiribati is geographically and culturally considered a Micronesian country, it is not currently a member of MTEC.

In recent years, the MTEC has evolved from an MOU-based cooperation and coordination arrangement signed in 2008, to a more formal Treaty arrangement signed in September 2014. The key provision of the MTEC Treaty was to establish a timeframe (of four phases of up to five years each), leading firstly to the creation of an economic union between the Member States:

- Phase 1: Setting the rules, institutions, and infrastructure for preferential trade and investment;
- Phase 2: Moving towards free trade and investment;
- Phase 3: Harmonising trade and investment policies towards a customs union;
- Phase 4: Realising a common market leading to an economic union

The treaty also established a permanent Secretariat with its headquarters in Pohnpei in FSM. While the MTEC timeframe is ambitious, integration is made easier by the fact that the three current members are all Freely Associated States with the US, and share a common currency (the US dollar). While the arrangement could help improve connectivity between members, the economic benefits of integration may be limited, given the similar economic structures, the common challenges of isolation, and the limited scope to increase economic scale significantly among the group. In the recent past, Kiribati indicated their interest to become a member of MTEC.

Government will support and watch developments in MTEC closely for any opportunities it may present to increase trade and cooperation, while at the same time considering the context of its growing connectivity and economic ties with larger regional economies such as Fiji. In this context, Government will undertake a feasibility study on the potential benefit of MTEC in addressing its development needs, especially in the area of Trade in Services and Labour mobility.

Policy Measures

In the area of trade negotiations and agreements, the Government will implement policy measures outlined in table 5.2 below.

Table 5.2 Policy Measures on Trade Negotiations and Agreements

WTO	<ul style="list-style-type: none"> • Keep the possibility of seeking WTO membership under review while, for the immediate future at least, focusing attention on capacity-building and taking advantage of opportunities accorded by regional and other trade agreements to which Kiribati is a party or currently negotiating. • Keep abreast of relevant WTO developments through the Pacific Office set up in Geneva through the Pacific Islands Forum Secretariat (PIFS) as a mechanism to influence WTO negotiations on issues of concern such as fisheries subsidies. • Participate in WTO-organised capacity-building activities where possible.
EPA	<ul style="list-style-type: none"> • Continue to explore the best market access options to the EU market that provide sustainable and cost effective markets for its products. • Consider accession to IEPA based on a cost benefit analysis, taking into account existing market access and the implications of potential LDC graduation
PACER Plus	<ul style="list-style-type: none"> • Implement policy measures to fast track the ratification of PACER Plus agreement • Implement Policy Measures to facilitate the maximisation of development benefits related to PACER Plus
PICTA Trade in Goods	<ul style="list-style-type: none"> • Implement measures to assist the private sector to take full advantage of PICTA Trade in goods.
PICTA Trade in Services	<ul style="list-style-type: none"> • Facilitate the ratification of PICTA Trade in Services (TIS) • Build the capacity of the private sector to fully take advantage of PICTA TIS.
PICTA TMNP	<ul style="list-style-type: none"> • Analyse potential gains for Kiribati for TMNP, given developments in PACER Plus vis-à-vis developing bilateral arrangements with specific FICs to enhance labour mobility.
MTEC and SIS Policy	<ul style="list-style-type: none"> • Undertake feasibility study on the potential benefits of MTEC in addressing Kiribati's development needs, especially in areas of Trade in Services and Labour mobility. • Implement measures to facilitate free movement of persons among the SIS
Future trade Agreements	<ul style="list-style-type: none"> • Analyse potential export destinations with the view of ensuring cost effective market access opportunities. • Undertake cost benefit analysis for all envisaged FTAs or trade agreements to ensure that overall potential gains be the basis for participating in any potential trade agreement.



6. Breaking Down Barriers to Private Sector Development in Kiribati

6.1 Overview of the Current State of the Private Sector in Kiribati

A prosperous and wealthy Kiribati requires a vibrant, dynamic and efficient private sector. The Government, through the KV20, recognises the essential role of the private sector as the engine of economic growth. The KV20 seeks to develop an inclusive private sector through various policies. At present, the private sector is relatively underdeveloped in Kiribati compared with other countries, although it has seen some growth in recent years. A prominent feature is that the private sector activity is unevenly distributed across the country, with almost 80 per cent of businesses registered in South Tarawa, and a further 10 per cent in Kiritimati (Figure 6.1). Businesses in Kiribati are almost all SMEs. While there are approximately 2,000 businesses in the country, only two employ more than 200 people.

Figure 6.1: Number of Registered Businesses per Island

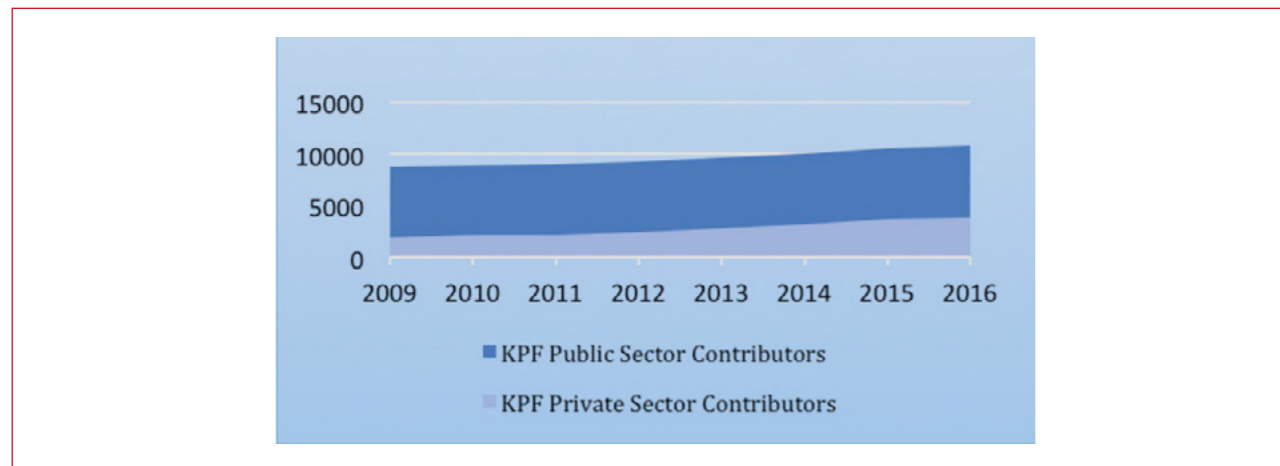


Source: MCIC Business Registry, 2017

Nevertheless, private formal sector employment has increased recently at a rate of over 12 per cent per year since 2010. As a result, the share of private sector employees in the workforce has grown from 24 per cent in 2010, to 35 per cent in 2017. However, the growth is far below the average in most countries, and means that almost two-thirds of jobs in the formal economy are still public sector positions.

At the same time, formal sector employment as measured by Kiribati Provident Fund (KPF) contributors most likely underestimates overall engagement significantly in the private sector, due to the high level of informal sector activity in the country (Figure 6.1.1). There are more workers in the informal sector than in the formal economy. The 2015 Population Census suggests that approximately 60 per cent of Kiribati's working population of around 25,000 are not KPF contributors. They work in occupations from copra-cutting to fishermen, to market stall workers and predominantly-female handicraft workers.

Figure 6.1.1: Formal Sector Employment, 2009-2016



Source: National Statistics Office

Developing the private sector is closely linked to reforms and the overall business environment in Kiribati. SMEs need an environment in which Government involvement is limited to addressing market failures and fulfilling public policy goals. Where regulations are required, businesses rely on predictable, fair and cost-efficient processes and procedures being in place in order to make the correct investment decisions. In this context, there is a need to implement measures to ensure that the voice of the private sector is fully represented in decision-making. A private sector consultative mechanism for public-private dialogue therefore needs to be strengthened.

Policy Measure

In order to enhance policy coherence and the voice of the private sector, the Government will:

- Strengthen the implementation of the existing public-private partnership dialogue between the Kiribati Chamber of Commerce and Industry (KCCI) and MCIC to enhance policy coherence and feedback from the private sector on possible regulatory constraints.

6.2 Creating the Space for the Private Sector through Reforming State Owned Enterprises

A key overall issue for private sector development in Kiribati is the relationship between the Government's role in the economy through State Owned Enterprises (SOEs) and issues around competition. The Government has adopted a policy of transferring less strategic SOEs to private ownership, while at the same time improving the efficiency of the remaining ones through SOE reforms. Such reforms have been spearheaded by the SOE National Monitoring and Advisory Unit (SOEMAU) under the MFED. Kiribati is now considered to be a leading reformer in the Pacific on SOEs, as a result of such reforms. Some of the key policy challenges affecting the private sector in relation to the management of SOEs are the universal VAT Exemptions of SOEs. The VAT exemptions are said to be giving undue advantage to SOEs in some sectors, where the private sector has substantive interest.

While the Government policy is to maintain some SOEs, there is a need to assess and implement Policy measures that create a level playing field among SOEs to the extent that the public policy objectives are sustained. There is also a need to strengthen the performance of SOEs by having them operate on a more commercial footing.

Policy Measures

In order to strengthen the performance of SOEs, the Government will:

- Ensure State Owned Enterprises are on a more commercial footing through review and effective implementation of the SOE Act 2013; and
- Review the VAT exemption policy to ensure a level playing field, while at the same time balancing the public policy objective for strategic SOEs in order to enhance a level playing field, especially in those sectors where the private sector can also play a significant role.

6.3 Company Law and Business Registration Reform

Businesses are the lifeblood of a dynamic private sector-led economy. In particular, SMEs are acknowledged worldwide as a driving force for economic growth because of their innovative and entrepreneurial nature. By taking steps to encourage the registration of existing private businesses, and the creation of new ones, Government can spur investment, create new jobs, and increase tax revenues. Moving businesses from the 'informal' to the 'formal' sector will also make it easier to put in place the right regulatory regimes for businesses in different areas, for example requiring certain operating standards, from proper account-keeping, to safety standards and the possession of insurance.

For businesses themselves, there are numerous advantages and benefits that come with registering, including access to the formal banking system and institutions such as courts, the ability to sign contracts with other parties (and therefore bid for supply contracts awarded by Government or other businesses) and the ability to import and export. Both owners of businesses and their employees will benefit, for example, from membership in the Kiribati Provident Fund.

The Kiribati Doing Business Report 2017 shows that starting a business is slow, costly and administratively cumbersome in Kiribati. A diagnostic analysis of the company and business registration undertaken in 2014 recommended the need to implement measures to improve the business registration system.

Government has commenced the review of Company Law and the business registration system with technical support from the ADB Private Sector Development Initiative (PSDI). Government will continue to implement policy measures to strengthen the business registration process with the view of improving the ease of doing business in Kiribati.

Policy Measures

In order to improve the business registration system, the Government will:

- Review Companies Ordinance 1979 and the Registration of Business Names Act 1988;
- Consider the implementation of an online business registration system, bearing in mind the level of ICT development;
- Establish a single window business registration system; and
- Develop an e-commerce policy and e-transaction legislative framework to support e-filing based on e-commerce evidence.

6.4 Cooperative Development

Cooperative development can be a good vehicle through which the community can generate income and improve livelihood. Strengthening the performance of cooperatives can support the Government in achieving development aspirations as envisaged in the KV20. Cooperatives can provide a good platform through which the community can exploit the opportunities in the productive sectors like Fisheries, Tourism and Coconut.

The vision of the Government is to use cooperatives as instruments for promoting private sector activity and sustainable development, especially by enhancing their capacity to add value to products in the priority sectors where Kiribati has comparative advantage.

While there is significant potential in using cooperatives as a vehicle for sustainable development, the performance of the sector is constrained by poor governance, attributed to outdated cooperative-related legislative framework. In addition, 160 out of 200 cooperatives are copra agents, while 22 are primarily concerned with cargo and handling, with only a few in the key productive sectors like fisheries and service-related industries. Another key challenge is the lack of a National Cooperative Policy to act as a holistic framework to guide Government towards more sustainable development of the cooperative sector.

Policy Measures

In order to strengthen the development of cooperatives, the Government will:

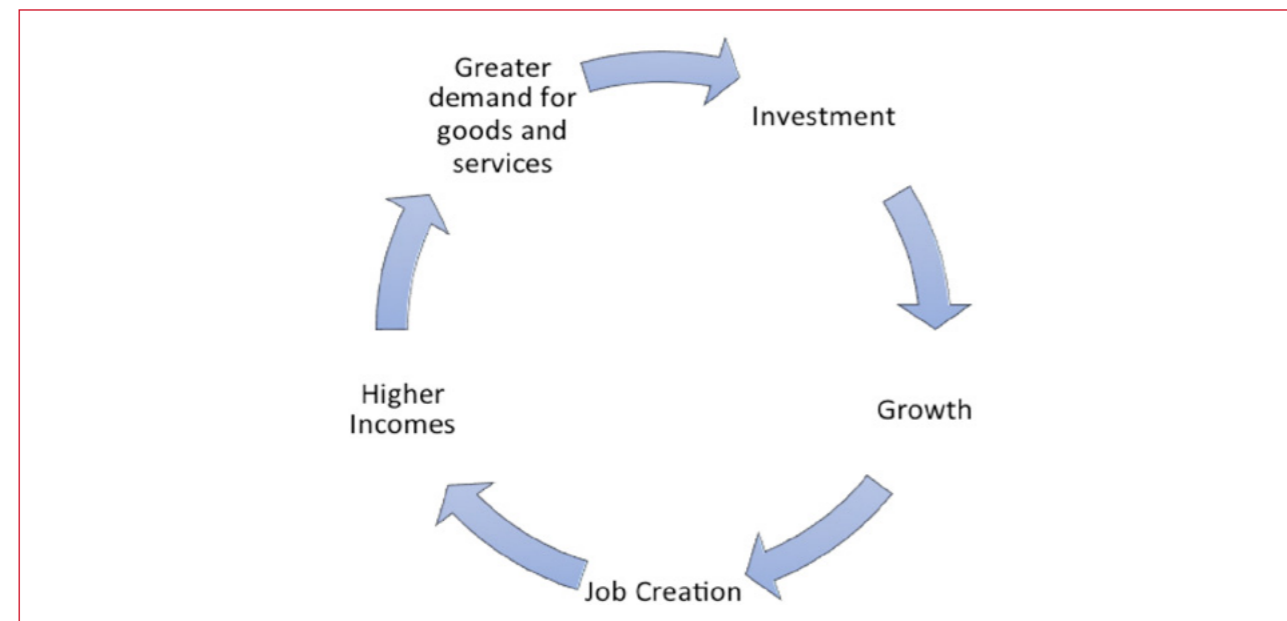
- Formulate a National Cooperative Policy that supports value addition and prudent management of the sector;
- Review and effectively enforce cooperative-related legislations to enhance effective governance of the sector;
- Implement financial literacy programmes which allow cooperatives to be transparent and prudent thus ensuring sustainability;
- Promote the establishment of cooperative in key productive sectors like fisheries, agriculture and other service-oriented sector industries; and
- Implement awareness programmes to encourage cooperatives to take advantage of various Government incentives to increase their capacity in value addition.

6.5 Investment by I-Kiribati at Home

Investment is the central building block of growth and prosperity, both for businesses and for Kiribati as a whole. At a global level, rates of investment are closely linked to rates of economic growth and development. Kiribati has experienced a low level of domestic investment over the years. Low levels of private investment and entrepreneurship are attributed to the high cost of finance and limited access to credit, particularly for low-income earners and those without formal sector salaries. Problems in accessing finance have a negative impact on business start-ups.

Domestic investors face specific types of constraints. Firstly, they require opportunities to invest, which in turn require growing markets and a predictable economic environment. Secondly, domestic investors are limited in their ability to invest. They lack access to credit at a conducive rate of interest that would make investment attractive. Finally, entrepreneurs also lack skills and know-how to grow their businesses, including how they can branch out into new products and services as indicated in Figure 6.5.

Figure 6.5 Investment-Growth Cycle



The Government's overall policy is to encourage private investment through increasing opportunities and abilities to invest.

Policy Measures

In order to foster domestic investment, the Government will:

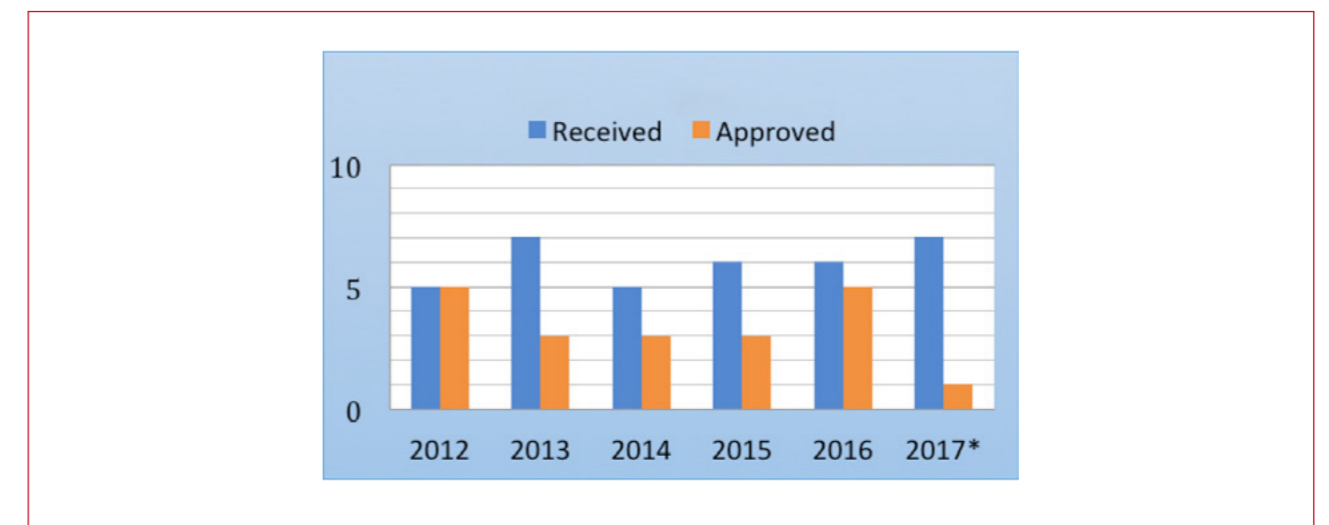
- Design and implement financial inclusion programmes in line with best practice from other Pacific Island Countries;
- Enact financial sector legislation and establish an oversight institutional framework, considering Kiribati's commitments under regional trade agreements;
- Review SME policy and regulatory framework towards the development of business services; Harmonise, develop and implement a specific financing scheme for SMEs in order to improve access to finance; and
- Implement business awareness programmes on the benefits of registering businesses to facilitate graduation from informal to formal sectors, thereby widening the tax and revenue base as well as the coverage of enterprises.

6.6 Encouraging Inward Investment to Kiribati – A Simpler, Quicker System

Foreign Direct Investment (FDI) is an essential pillar in increasing private sector development and fostering economic growth. FDI can provide a source of much-needed capital to the country, which in turn finances the construction of physical facilities or the purchase of goods and services. FDI can also introduce essential skills and knowledge that cannot be found locally, such as specialist technical knowledge of particular industries or processes. Foreign investors can also bring a deep understanding of their own home markets as well as connections to international value chains. FDI can lead to increased availability of new or cheaper goods and services that increases choice among consumers. Increased competition can create dynamic efficiencies to provide better services (for example in telecoms). Foreign investment generates employment for I-Kiribati, and the two largest private sector employers in Kiribati are both foreign investments, i.e. Kiribati Fish Limited and ATHKL.

Nevertheless, attracting foreign investment has been extremely challenging for Kiribati. Over the last few years, only 5 to 6 applications are received on average each year. The total number of foreign investments applications received between 2012 and 2016 was 29. Closer analysis of the available data also depicts that not all approved foreign enterprises are eventually established. For instance, out of the average total applications received every year, only one or two foreign investments are actually established and commence operation

Figure 6.6 FDI Applications



Source: MCIC, *2017 Figures Jan-July

As a result, only 21 foreign companies are currently operating in Kiribati. In terms of ownership, seven of the foreign companies operate under a joint venture arrangement (either with Government or a private I-Kiribati partner) while fourteen companies are 100 per cent foreign owned. Foreign investment in Kiribati is regulated under the Foreign Investment Act 1985 (and subsequent amendments). The Act establishes a Foreign Investment Commission (FIC) made up of ten senior Government officials to assess foreign investment applications and related activities such as post-establishment monitoring of foreign companies. When appraising and evaluating the foreign investment applications (for investments of up to AUD\$250,000) the Secretariat to the FIC relies on criteria set out in the Foreign Investment Act. The Government's policy is to support the establishment of long-term, sustainable and bona fide foreign investment that is in line with its development objectives as envisaged in the KV20.

In order to improve the inflow of FDI, the Government intends to develop a broad Investment Policy Framework to harmonise policies and regulations relating to foreign investment, including those relating to land and those regulating business activities, for example at the individual sector level, or at the local level. The Foreign Investment Act 1985 will also be reviewed to ensure that it builds investor confidence and is in line with international best practices and international obligations.

Policy Measures

In order to attract Foreign Direct Investment, the Government will:

- Formulate and implement investment policy framework in line with KV20;
- Review the Foreign Investment Act in line with the Investment Policy Framework;
- Strengthen investment coordination mechanisms across relevant Government ministries and departments at national level, and the private sector as well as regional institutions to identify and develop investment plan in line with KV20;
- Increase funding and capacity within the Government to enhance investment promotion;
- Implement investment promotion programmes through overseas missions, regional investment promotion agencies and other online promotion initiatives

6.7 At the Border – Facilitating Trade

The trade cost incurred by local exporting companies reduces their profitability and the amount they can in turn pay local producers. The trade costs incurred by importers are ultimately borne by the consumer at the store. While Kiribati abolished import duties and adopted the VAT system, costs relating to the shipment and clearing of goods are still considered high barriers to international trade.

The lead Government agency involved in the clearance process is the Kiribati Customs Administration and Enforcement (KCAE), which is a division under the Ministry of Justice (MOJ). Other agencies that are primarily involved in the clearance process are the Quarantine division within the Agriculture and Livestock Division (ALD) of the Ministry of Environment, Lands and Agriculture Development (MELAD), the Ministry of Health and Medical Services (MHMS), the Ministry of Fisheries and Marine Resource Development (MFMRD), Kiribati Seafood Verification Authority, which is involved in the export clearance process for fisheries products, Environment Conservation Division (ECD) of the Ministry of Environment, Lands and Agriculture Development (MELAD), Kiribati Ports Authority (KPA) and the Ministry of Commerce, Industry and Cooperatives (MCIC).

While KCAE is regarded as the key organisation involved with facilitation of trade, the respective individual agencies have their own regulatory environment where all individual border agencies have their own systems and processes to enforce their regulatory requirements. Kiribati does not have a single window system for trade clearance and trade facilitation. Lack of a single window system continues to be an impediment to trade as it creates unnecessary red tape and duplication of processes.



Container Yard, Kiribati Ports Authority

The key challenges are related to inefficiencies in trade facilitation due to a lack of integrated and inefficient trade clearance processes, procedures and systems which inevitably increase the country's trade costs. Kiribati is party to regional FTAs like PACER Plus and PICTA, and so it needs to make domestic policy adjustments in order to effectively implement its obligations under Customs procedures related to those agreements. While Kiribati is not a member of the WTO Trade Facilitation Agreement (TFA), its policy objective is to align its customs procedures with the WTO TFA.

Overall, Government policy is to implement measures aimed at reducing the complexity and cost of the trade transaction process, streamlining trade procedures in order to reduce the risk and transaction cost and enhancing the efficiency, transparency and predictability of international trade as measured in time and money.

Policy Measures

In order to achieve the above objectives, the Government will:

- Develop a mechanism to ensure that all authorities and agencies involved in border and other import and export control points cooperate and coordinate in order to facilitate trade;
- Implement customs procedures that are aligned to the Trade Facilitation Agreement (TFA);
- Adopt a trade facilitation system required by importing countries (i.e. TRACES System); and
- Implement policy measures to support the effective implementation of the country's obligations related to customs procedures in regional trade agreements.

6.8 International and Domestic Shipping – Consistent, Reliable and Cost-effective Shipping

Regular, reliable and cost-efficient shipping is essential for small island countries such as Kiribati, due to their dependence on it and to facilitate exports in sectors where Kiribati has a comparative advantage.



Traditional Canoe Servicing the Lagoon in Buota

6.8.1 International Shipping

Kiribati has been a member of the Central Pacific Shipping Commission (CPSC) alongside the Republic of Marshall Islands, Nauru and Tuvalu since January 2014. The CPSC regulates the provision of shipping services based on a 'controlled competition' model, with the intent to improve the reliability, affordability and sustainability of shipping services. The Commission's primary goal is to ensure central Pacific Islanders are able to access basic food items and other essential commodities to support their livelihoods and economic activities in a timely and affordable manner, while providing an enabling environment for international shipping lines to succeed.

Although the CPSC has been in operation for only three years, it has led to an increase in the number of calls by ships into Kiribati, and in the consistency and reliability of the service. As a result, onward connectivity has increased to international destinations, and facilitated intra-regional trade, contributing to a notable improvement in trade performance. While the evidence with respect to reduced freight costs is more mixed, Government will continue to monitor freight costs to ensure that the CPSC arrangement delivers competitive international freight rates.

6.8.2 Domestic Shipping

There are two international seaports in Kiribati, Betio and Kiritimati. Betio Port was first expanded between 1998 and 2000 with the provision of a reclaimed land area as a container yard. Betio Port was further developed between 2012 and 2014, through Japan's ODA to accommodate berthing of international medium-sized container ships. KPA's container yard at Betio is currently running out of space as the volume of imports has increased to AUD\$14 Million. On the other hand, the port in Kiritimati is only good for use by small fishing boats due to sedimentation and coral regrowth within the channel connecting London Port to the open sea.

The seaports on the outer islands exist only in the form of narrow channels cut through the reef-flat, with docks in only a select few islands, but mostly without proper facilities and equipment. As a result, shipping operations are inefficient, cumbersome and unsafe. In worst cases, vessels offload passengers and cargoes miles out at sea onto small outboard motor boats which then have to traverse the expansive reef flats to the shore. This operation is restricted to high tide, contributing to prolonged shipping turnaround times. In bad weather and rough seas, this kind of operation is extremely risky and cases of injury, death and cargo loss have been experienced.

Domestic sea transport is largely dominated by the private sector though their presence is only prominent in lucrative sectors. Kiribati National Shipping Line (KNSL), a Government-owned shipping company, focuses on providing shipping services to those routes not considered to be lucrative by private sector shipping services.

Connectivity and accessibility to the outer islands from the capital (South Tarawa) is challenging due to inadequate infrastructure (wharves, ramps, piers and ports) and boat channels and passages. Other challenges to the domestic shipping industry include a lack of published or advertised service schedules. Information problems mean that the boats do not coordinate their

activities in order to bring back agricultural produce, while many of the outer islands are inadequately served, leading to cargo shortages from time to time. Strengthening the National Shipping Council (NSC) could help improve coordination in the shipping industry.

The key challenge facing the Government is the need to improve connectivity and accessibility of shipping services in order to facilitate international and inter-island trade.

Policy Measures

In order to improve connectivity and accessibility of shipping services, the Government will:

- Continue the implementation of the CPSC agreement with the view of improving shipping services in the region while assessing their long-term sustainability and impact on freight;
- Develop a legislative framework to reinforce the implementation of shipping schedules;

- Adopt the Private Public Partnership (PPP) framework in developing the domestic shipping industry as recommended in the NMTP;
- Implement policy measures including slipway, dry dock and other port facilities on the outer Islands that would support the operation of bigger vessels servicing the outer islands;
- Implement measures to improve the shipping connectivity to the islets on the outer islands; and
- Implement measures to improve transparency and efficiency in the implementation of the freight levy with a view to meeting the overall intended policy objective.

6.9 Air Services – Improving the Frequency, Reliability and Affordability of International and Domestic Freight and Travel

Air transportation plays a crucial economic and social role in Kiribati's development. The future growth of fisheries exports and the development of the tourism sector depend entirely on the availability of reliable and affordable air freight and passenger services. Air transportation is essential in improving the participation of the I-Kiribati in various Labour Mobility Schemes. Connectivity of the shipping services is also essential for the integration of the population living in the Gilbert Group and also providing a connection between the other widely-dispersed islands in the country.



Air Kiribati domestic aircraft, Tabiteuea North

Air transportation is also an important means for improving the availability of fresh produce within Kiribati, whether these are sourced from overseas, or to assist in the development of domestic markets for produce brought from the outer islands to population centres. Government services depend on air connections between the capital and outer islands, while better connections would also boost the ability of private business to expand operations across the country. Finally, having national air transport infrastructure that meets minimum standards is also essential during any relief effort response to a major emergency or natural disaster.

There are two international airports in Kiribati (Bonriki and Kiritimati) and 19 domestic airports among the outer islands. Air Kiribati Limited (AKL) is the only airline servicing the domestic market in Kiribati. The Airline is 100% Government owned. It has a fleet of four aircraft – one twin otter and three Y-12's. Fleet capacity is insufficient to meet the current domestic demand for air services. This situation is compounded by the poor condition of runways and the lack of reliability of jet A-1 supply, both which cause occasional flight disruptions. There is one private company providing air services, but it does not play a prominent role in domestic air travel.

There are three available routes for international travel through Honiara, Nauru and Nadi which are operated by single operators (Solomon Air, Nauru Airlines & Fiji Airways). Government recognises that the passenger and freight capacity in air services are limited, unreliable and expensive. In order to improve transport connectivity through air transport, the Government intends to purchase Dash-8 aircraft to complement the existing domestic air services and pave the way for international services. The Government will also explore options to increase the capacity for international services and negotiate air service agreements with other countries to promote competitive air services and to widen international access in support of trade and labour mobility and eco-tourism as envisaged in the KV20.

Policy Measures

In order to improve air transport connectivity, the Government will:

- Increase freight and air passenger capacity through strategic air service agreements with neighbouring countries and airlines on the basis of efficiency and sustainability of air services;
- Improve the capacity of domestic flights, including options for increasing the capacity of Air Kiribati; and
- Develop a storage warehouse facility at the airport to facilitate trade through Air Freight Services.

6.10. ICT, E-Commerce and Trade

The use of information and communication technology (ICTs) in commercial activities serves to enhance trade and investment facilitation by simplifying, harmonising and normalising processes in an effort to reduce delays, bottlenecks and costs. As a result, e-commerce methods can serve to enhance trade as it can result in efficiency improvements, greater transparency and accountability and the reduction of costs associated with human interface requirements and human errors. The ability to electronically track and log transactions can also serve to minimise corruption, which can result from interaction between and among import/export stakeholders. While ICT presents a good opportunity for facilitating e-commerce, the low percentage of internet penetration and lack of a policy and regulatory framework to support the development of e-commerce is a major challenge. Other challenges include limited awareness among stakeholders on the linkages between ICT and trade. The Government's broader development policy is to improve internet and mobile connectivity on the outer islands in order to realise key development outcomes, which are related to the digital economy and specifically trade and e-commerce.

Policy Measures

- Promote the use of e-commerce by the business community, taking into consideration their low level of awareness, low level of access and usage of ICT;
- Implement measures to improve the internet and connectivity on the outer islands; and
- Develop and effectively implement an e-commerce policy and regulatory framework.

6.11 Competition and Consumer Protection

The Price Ordinance was enacted in 1981 as a regulatory mechanism to control the prices of essential commodities. The overall policy intention of the Kiribati system is to ensure an adequate level of competition in the wholesale and retail markets for goods that are deemed 'essential needs' for daily living, while also responding to the reality that achieving sufficient levels of competition is difficult given Kiribati's circumstances of having many separate and isolated small island economies. Generally, the Government policy is to review and maintain price controls for essential commodities, while strengthening the monitoring aspects of the price controls.

On a broader level, many developing countries have now moved towards putting in place stronger competition laws as the key policy instrument to prevent firms from abusing their monopoly or dominant position. While enacting a competition law may be an option, this would require an increase in technical capacity to respond to complaints and undertake investigations. In this context, the Government will undertake a cost-benefit analysis, based on a broad-ranging market assessment to understand the concerns that would justify a competition law.

Beyond competition issues, the Government will also strengthen the consumer protection framework by undertaking a review of the Consumer Protection Act 2001 and carry out specific awareness programmes.

Policy Measures

In order to strengthen competition and the consumer regime, the Government will:

- Review price control regimes with a view to ensuring consistency with trade policy objectives while meeting intended public policy objectives;
- Implement policy measures to strengthen the implementation and monitoring of the Price Order;
- Consider the adoption of a comprehensive competition policy framework;
- Review and strengthen consumer protection enforcement legislative framework in line with the National Quality Policy (2017-2023); and
- Implement consumer protection and awareness programmes for effective implementation of the legislation.

6.12 Standards and Quality Infrastructure System

As traditional tariff barriers have decreased around the world in recent decades, standards (including quarantine, food safety and technical product standards) have emerged as some of the most important barriers to trade in today's trading environment. Any company with high ambitions needs to adopt and comply with relevant international standards. The Government plays a key role in setting, promoting and enforcing standards for goods and services across the economy, given the need for regulation and public infrastructure. In a context of globalised trade, the setting up and operation of an effective and credible Quality Infrastructure System (QIS) is therefore not a choice but a necessity for Kiribati to participate fully in regional and international trade.

While complying with international product standards can be costly, it can bring substantial rewards in international markets, most notably for Kiribati fish exports. Standards are also important for services including tourism, the food industry, light manufacturing and firm management. Better construction standards would improve the safety of infrastructure and buildings in Kiribati, and a culture of applying international standards also creates benefits for construction workers if they seek overseas employment in line with KV20. Technical standards also play an important role in mining, should Kiribati develop a seabed mineral industry. Finally, strong standards can play a key role in protecting domestic consumers.

The Government adopted a comprehensive NQP in 2017-2023. The goal of the policy is to realise an effective national QIS capable of raising the quality of products and services, thus boosting the country's export-led growth while providing for better well-being among I-Kiribati. The NQP outlines a number of specific policy measures. In general, the Government policy is to establish and strengthen a national quality infrastructure system for more reliable trading of goods and services, especially for priority sectors like fisheries and tourism.

Policy Measures

In order to strengthen the national quality infrastructure, the Government will implement policy measures with a view to strengthening infrastructure in the following aspects as recommended in the National Quality Policy (2017-2023):

- Standards and Quality Promotion;
- Regulatory Framework; ;
- Testing Laboratories;
- Certification;
- Accreditation
- Metrology;
- Fisheries and Aquaculture;
- Food Safety;
- Agriculture and Environment;
- Tourism and Culture; and
- Education and Human Development

6.13 Intellectual Property

Intellectual property (IP) is an increasingly important area of trade policy. At the global level, there is growing recognition that a significant share of the economic value created within particular supply chains comes not just from manufacturing goods and producing services, but from their initial design as well as branding and marketing initiatives. Rights over the ownership of intellectual property which include works of art such as music and cinema, and traditional knowledge is increasingly subject to international rules to ensure that the owners of those rights are protected and rewarded for their work.

The Government recognises the need to establish and strengthen the intellectual property regime that creates economic value by protecting and rewarding owners of IP rights. Strengthening the national IP regime is expected to support the development objectives of the KV20, which seeks to attract investment and develop cultural capital. The Government adopted a National Intellectual Property Strategy (NIPS) in February 2017 to strengthen the intellectual property regime. The vision of the strategy is to achieve a modern, well-balanced IP system which enhances inclusive sustainable and economic development and supports the country's traditions and culture. The specific objectives of the strategy include:

- Ensure that the existing legacy IP legislation is replaced and that new legislation reflects the national policy objectives of Kiribati;
- Investigate and decide whether new areas of IP policy and legislation should be implemented to ensure that the whole IP approach in Kiribati reflects and supports its economic, social and cultural context; and
- Identify and address the capacity and capability issues related to implementing a national IP system in Kiribati to ensure that the potential economic, social and cultural value of the national IP policy is supported and realised.

Policy Measures

In order to achieve the objectives of the IP strategy, the Government will implement policy measures with a view to strengthening the national IP regime in the following aspects, as recommended in the National Intellectual Property Strategy (2017-2023);

Copyright	Geographical indications
Trademarks	Traditional knowledge and cultural expressions
Patents	Capacity building of IP-related institutions

6.14 Land

Land is a vital factor of production in the economy. The total land area is 811 km², of which 37 per cent is under customary land ownership and the remaining is state land, including all islands in the Line and Phoenix Group. The country's population is heavily concentrated in the urban areas of South Tarawa, where 51 per cent of the population lives. The performance of key growth sectors of the economy and the attachment of the communities to land all affect access and utilisation of land in Kiribati.

A large proportion of land in South Tarawa is leased by Government for a term of 99 years under the Native Lands Ordinance. A general land use plan for designated areas is determined by the Central Land Planning Board (CLPB) established under the Land Planning Ordinance. Land tenure in state lands such as Kiritimati, Tabuaeran and Teraina is governed by the State Lands Act, 2001, which combines land tenure with planning requirements for the sustainable use of land resources.

Secure access to land can contribute to social and economic development and guarantees tenure which builds more confidence for investors, be they small or large. While improving land use is critical towards sustainable development, land scarcity, contesting of land ownership titles, and policy requirements in subleasing Government-

leased lands from 100% landowners are major obstacles to private sector development in urban areas and, to a less extent, to the expansion of public services.

Weak monitoring, enforcement and political governance challenges related to land ownership contribute to non-compliance of the general land use plan. Land scarcity, especially to support investment in South Tarawa, implies that there is a need for substantive investment in land reclamation. Lack of a national land policy and weak administration of the relevant legislative framework has significantly contributed to poor land use, especially for commercial purposes, thus affecting the establishment of foreign and domestic investment.

Policy Measures

In order to increase land use and planning for commercial investment, the Government will:

- Review a general land use plan for Government owned land;
- Undertake additional investment to increase land area for commercial purposes through land reclamation; and
- Streamline procedures to standardise landowners' consent for obtaining land for public use and private sector development.



7. Linkages to Key Productive Sector Policies and Supply Capacity

7.1 Agriculture

The agricultural sector faces significant challenges in Kiribati but plays an important role in sustaining livelihoods, most notably on the outer islands. Agriculture supports communities in two main ways. It provides income, supported by the traditional exports of copra and coconut products and secondly through widely-practised, small-scale production at the household level. Household level production also makes important contributions to food security, nutrition, well-being and healthy lifestyles. Looking forward, growth in this sector will be important in supporting the development of other sectors, notably tourism through sectorial value chain linkages.

Figure 7.1: Trends in Exports of Coconut Products (AUD '000')



Source: National Statistics Office

Agricultural exports have traditionally been limited to copra, coconut oil and coconut products. The coconut industry is subject to its own set of institutional and marketing arrangements that have been recently reformed. Exports of coconut products however, have fluctuated in recent years (Figure 7.1). A major influence on production has been heavy support from the Government through a copra subsidy scheme. The objective of the subsidy scheme is to maintain copra production, and to support the outer islands through ensuring employment and create a cash-based monetised economy in order to reduce rural urban drift and ensure equitable distribution of Kiribati's income and wealth in order to support the KV20 Vision.

While agricultural production is less productive due to limited land availability, poor soils and fragile water resources, there is room to improve production for crops and livestock in some selected outer islands. Possible crops may include coconuts, breadfruit, pawpaw, banana, pumpkin, giant swamp taro, pandanus and sweet potato. There is also potential in developing livestock through piggery and poultry.

To date, commercialisation has been limited to a number of Government and donor-led initiatives and programs operating on a small scale that have provided local markets with eggs, vegetables and other small farm products. Most of the agricultural development programmes funded by FAO, IFAD and SPC have on-going projects on some targeted outer islands. The Taiwan Technical Mission (TTM) in particular, at times work together with European

Governments such as Germany, Netherlands, and Italy to fund programs mainly based on South Tarawa. There is a need to extend or replicate similar programmes on the outer islands with the potential of increasing agricultural production.

While there is a need to support the development of the agricultural sector to improve domestic value chain linkages, there is no overarching agricultural policy to guide the development of the sector. As a result, responsibilities for different areas are shared between a number of different entities including between MCIC and industry participants for copra, the Agriculture and Livestock Division (ALD) of MELAD for agricultural production issues, and MCIC for domestic and International marketing.

Efforts to stimulate the development of the coconut sector are constrained by a lack of integrated strategic framework to ensure sustainability in the production and supply capacity, product development, and marketing. Lack of a policy framework has contributed to poor coordination across Government ministries and private sector players. In this context, the Government intends to develop a coconut development strategy to provide a comprehensive and long-term response to addressing the critical factors that would impact the development of the coconut sector, with a view to ensuring significant impact at the community level.

Currently MELAD, with the assistance of FAO, has developed a draft Food and Nutrition Security Policy. This draft Policy is awaiting Cabinet approval. The policy's objective is to ensure food security through the accessibility, safety and good nutrition for I-Kiribati people. Overall, the Government recognises the need to implement a long-term policy in order to improve the supply chain and marketing of agricultural products from the outer islands to South Tarawa. Specific tools and policy measures to achieve such an objective would include improving the shipping links and the use of the Government's domestic freight subsidies, improving market information as well as current initiatives to develop open integrated markets for local produce from the outer islands near Betio wharf.

Policy Measures

In order to improve the performance of Trade, Agriculture and Value chain linkages, the Government will:

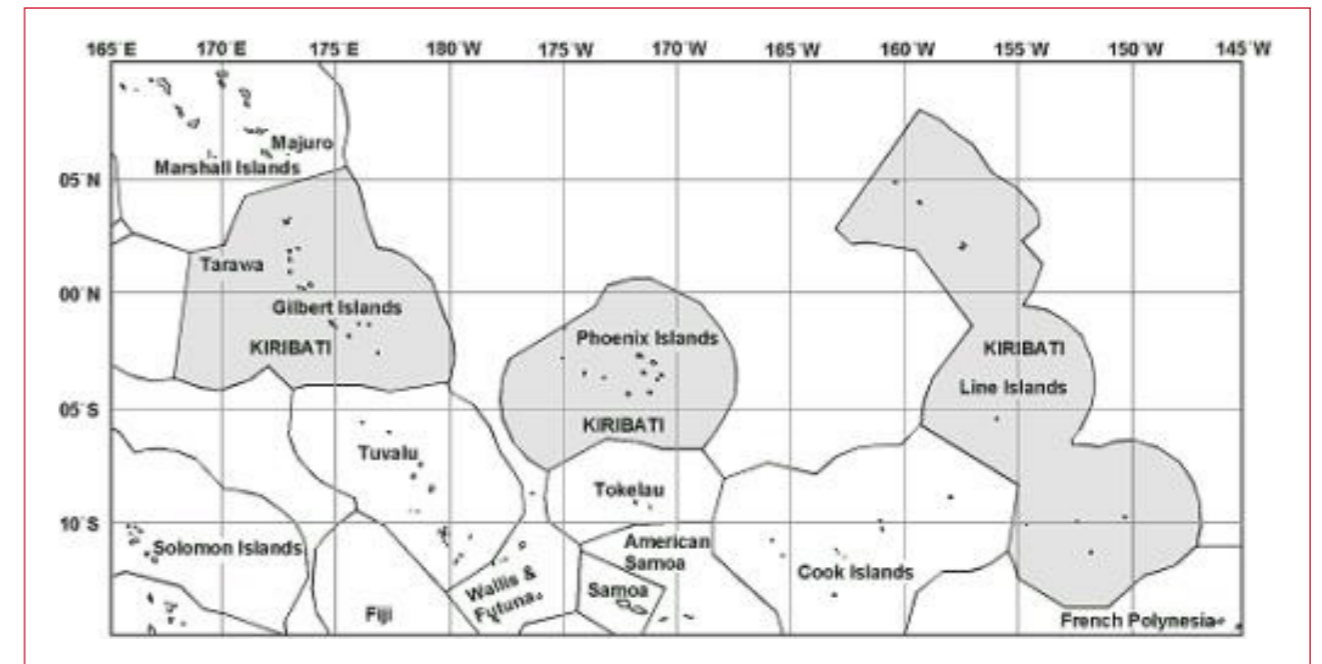
- Develop and effectively implement the Coconut Sector Development Strategy (CSDS);
- Develop an agricultural policy which emphasises increasing supply capacity, agribusiness and commercial production;
- Promote agribusiness and commercialisation of agriculture, including production of local fruits, livestock and vegetables and address transportation and logistics, marketing, etc; and
- Review technical cooperation agreements on agriculture with development partners to ensure a greater focus on outer islands with potential for agricultural production.

7.2 Fisheries

Taking into account the revenue generated by fishing licenses, recently commenced direct exports of Kiribati-processed tuna, production aimed for the domestic market and subsistence fishing, the fisheries sector represents by far the most important economic and trade sector for Kiribati. At approximately 3.5million sqkm², Kiribati's Exclusive Economic Zone (EEZ) is among the largest in the world.

Offshore fisheries are primarily undertaken by industrial-scale vessels. Revenue derived from resource rentals to Distant Water Fishing Nations (DWFN) provides a significant proportion of Government revenue. Since 2014, fishing rights have been managed at the regional level under the Vessel Day Scheme (VDS), which has significantly increased the revenues from fishing licenses received by Kiribati. Nevertheless, the migratory nature of tuna means that revenues are also prone to large fluctuations, while the VDS system itself is still in its early days of operation.

Figure 7.2 Kiribati's Exclusive Economic Zone



Another key development in recent years has been a commercial joint venture by the Government of Kiribati, Golden Ocean Fish of Fiji and Shanghai Deep Sea Fishing of China to establish the Kiribati Fish Limited (KFL) in 2012. KFL processes high-value fresh and frozen tuna (alongside swordfish and snapper) for export, with a fleet of twenty longliners, supporting around 300 workers directly as well as many more local fishermen suppliers through domestic value chain linkages. KFL started exporting in 2013 and has established export markets in Japan, the US and New Zealand.



Seafood Verification Authority inspecting the fish quality

Despite the obvious benefits to the local economy, current levels of fish exports of around eighty tonnes per month are still low in comparison with the revenue generated by fishing licences. KFL's capacity to increase exports is currently constrained by a number of supply chain-related factors, including limited airfreight capacity and lack of facilities at the airport to facilitate exports. Expanding into the lucrative EU market will also depend on a number of market access-related factors including meeting SPS requirements and IUU regulations, maintaining the regime for preferential tariff access, and rules of origin (see section 5).

Domestic inshore fisheries include coastal and nearshore (reef and lagoon) fisheries and play a very significant role in providing food security, welfare, livelihood diversification and revenue generating options throughout Kiribati. This is especially important for Kiribati, whose land mass is only 800 km², thereby limiting agricultural production and livelihood options. The most active commercial and artisanal coastal fisheries are based in South Tarawa as there is a significant market based there, although there is also smaller-scale commercial trade on Kiritimati (Christmas Island), where exports of tuna to Hawai'i are possible via air freight and where investment under the KFL joint venture is eventually looking to extend its operations.



Traditional fishing in lagoon

Aquaculture of seaweed, milkfish and bêche-de-mer (sea cucumber) are also included in inshore fisheries, while aquatic fish and shells have promising niche export potential. Game fishing, which is currently the main attraction for tourists to Kiritimati, is closely linked to tourism development. The importance of inshore fisheries in providing food security in the form of fresh sources of protein and its value in import substitution is highly significant. Beyond fisheries, solar salt from Kiritimati has potential as another marine resource for export.

In addition to developing fisheries products, there is also potential for Kiribati to expand into greater provision of services both for fishing vessels and leisure craft. Kiribati's favourable location in the Central Pacific region, together with the fact that it lies outside the cyclone belt, make it ideal for the development of a transshipment hub. A transshipment hub will require developing the capacity of the jetty to be able to resupply, service and repair fishing and other vessels in the sub-region, including purse seiners, long-liners, small fishing vessels, ferries, inter-island transportation and pleasure vessels such as cruise ships and yachts.

Policy Measures

In order to maximise returns from fisheries and marine resources, the Government will:

- Implement the National Fisheries Policy (2013-2025) with an emphasis on ensuring food security and safety, sustainable livelihoods, long-term conservation and strengthening governance in the sector;
- Implement non-discriminatory investment policy incentives to attract investors in the fisheries sector and marine resources like solar salt;
- Develop airport facilities to support fish exports;
- Invest in fishing vessels in order to meet the SPS regulations in export markets like the EU;
- Work with outer islands in promoting investment in integrated catching and processing and facilitating exports of value-added fisheries products;
- Implement policy measures to support the development of aquaculture; and
- Implement policy measures to support the establishment of a transshipment hub in Betio and Kiritimati.

7.3 Tourism

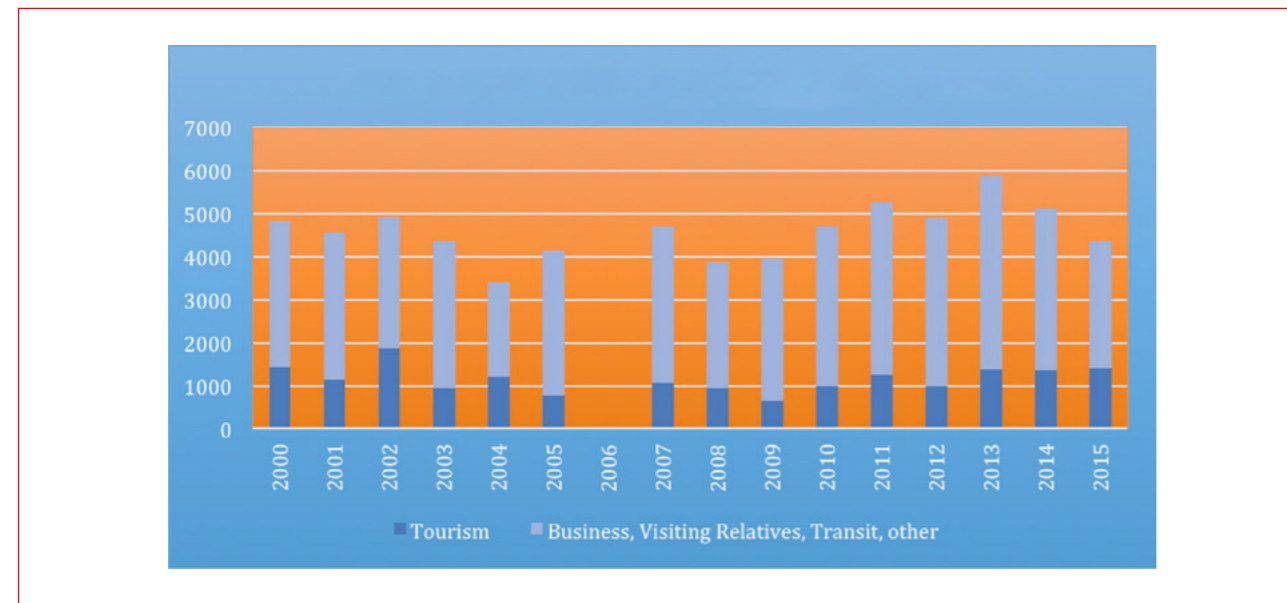
Tourism has significant growth potential in Kiribati and has been identified by Government as having the potential to provide employment and income generation, as well as supporting the retention of cultural traditions and the sustainable management of the nation's environmental assets. In particular, the potential for developing Kiritimati (Christmas Island) as the country's primary tourist destination highlights the chance to spread economic development and wealth beyond Tarawa. Over time, the development of tourism across the country can bring broader benefits as a source of dynamic economic growth. A healthy tourism sector can spur increased transport linkages, bring down costs of goods by enlarging the market, and similarly enable growth of other sectors such as fisheries and agriculture to service the tourism industry.



Tabontekeke ECO-Resort

Figure 7.3 shows that out of a recent total of around 5,000 visitor arrivals, around 1,400 were for tourism purposes. Statistics from the Kiribati National Tourism Office (KNTO) suggest that there is a significant difference in the profile of visitors who arrive on Tarawa and those who arrive on Kiritimati. Around 75 per cent of arrivals on Kiritimati are tourists (with a significant proportion of those from the US) who travel mainly for bone fishing, bird watching and surfing.

Figure 7.3. Visitor Arrivals to Kiribati by Purpose, 2000-15



Source: Kiribati National Tourism Office

Other potential niche markets like the Phoenix Island Protected Area (PIPA) and other outer islands remain under-exploited. The I-Kiribati are known to be culturally and ethnically homogeneous with a shared genetic history, cultural traditions, values, historical experience and language. Traditional knowledge and cultural skills are a rich resource for Kiribati. Culture is implicit in the Kiribati community, although its intrinsic value tends to be overlooked. While each island has its own cultural traditions and experience, economic value through cultural tourism remains unexploited.

Marketing Kiribati to inform tourists on potential attractions and facilities also remains a key constraint to tourism development. Tourism promotion-related websites remain under-developed and information is outdated. A lack of dive operators also creates a major gap in the array of tourism products available.

While there are potential opportunities for developing tourism in line with KV20, there is no formal overarching tourism policy or legislative framework to guide the development of the sector. The KNTO, which is located within MICTTD, has responsibilities which include managing large portfolio of project-based infrastructure investments and resultant recurrent expenditures (such as maintenance), as well as policy and regulatory functions in the areas of infrastructure, communications, and transport.



Freshwater lake, Teraina (Washington Island)

In addition, tourism development requires specialist knowledge of tourism value chains, coordinating the implementation of a range of different policies, and working with different stakeholders to support the development of Kiribati's market internationally, as well as individual tourism businesses at the local level. In this context, there is a need to review where KNTO sits within the Government set-up for effective value chain linkages and implementation of tourism policies.

Policy Measures

In order to develop sustainable tourism, the Government will:

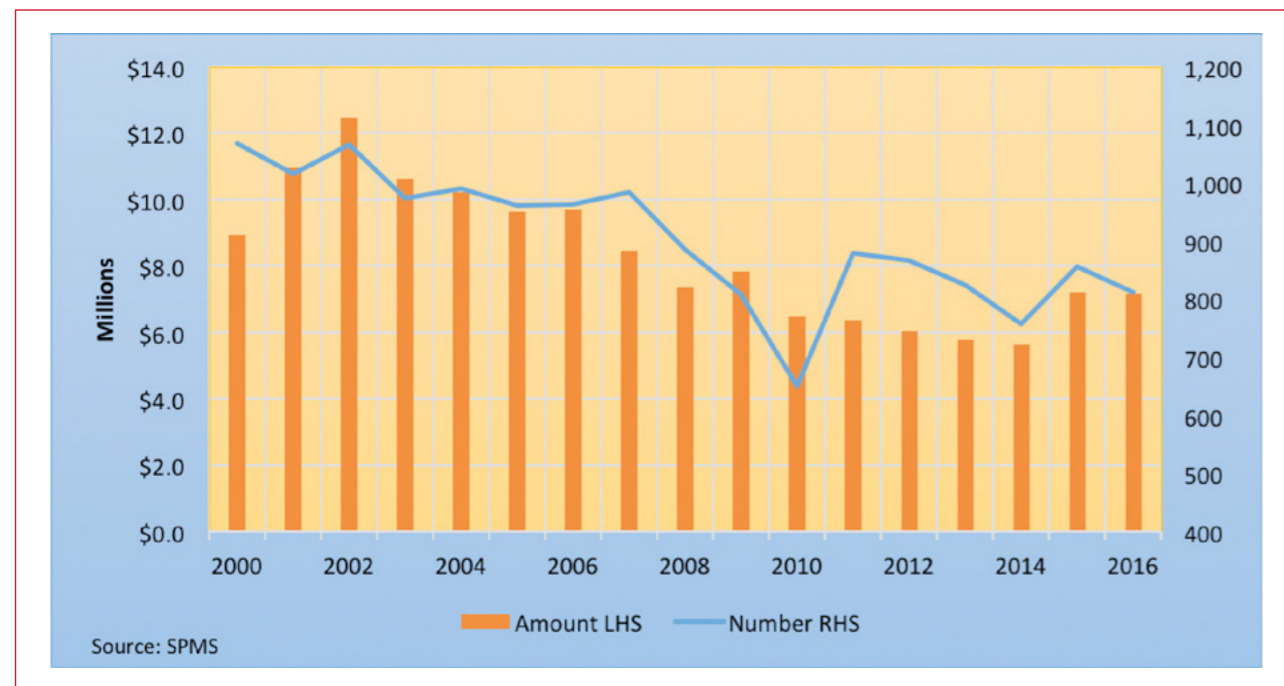
- Increase awareness of Kiribati and the yield for tourism products;
- Implement measures to support the development of cultural tourism on the outer Islands;
- Support investment in high yield tourism products;
- Build tourism and hospitality human resource capacity within Kiribati;
- Improve infrastructure connectivity and accessibility to support tourism;
- Improve access to utility and social infrastructure to support tourism development;
- Implement investment policy incentives to enhance business development in the tourism sector; and
- Review where KNTO sits within the Government set-up to ensure it can most effectively coordinate and implement tourism policies, and compete for sufficient resources from Government.

7.4 Labour Mobility

Kiribati has a long history of labour migration. Historically, a large number of I-Kiribati have been employed as seafarers. Kiribati's Marine Training Centre (MTC) is a world-class marine training institution with many graduates employed in deck and engineering positions by the German shipping line South Pacific Marine Services (SPMS). In

2010, 12.8 per cent of households received remittances from seafarers and 18.3 per cent received other remittances. In recent years, the number of seafarers has declined due to the downturn in the world economy, a shift towards larger ships and increased competition from Asian seamen (Figure 7.4). Beyond shipping lines, I-Kiribati seamen have also built a strong regional reputation as crew in the marine and fisheries sector under access agreements which contain I-Kiribati crewing requirements, as well as through being engaged as stewards and as observers under the Forum Fisheries Agency's regional fisheries monitoring scheme.

Figure 7.4 Seamen's Remittances, 2000 to 2016



A significant development in recent years has been access for I-Kiribati to seasonal work under New Zealand's Recognised Seasonal Employer (RSE), and more recently, Australia's Seasonal Worker Programme (SWP). Kiribati however, faces competition from larger PICs with better resourced Departments of Labour, better end-to-end processes and cheaper air linkages. Around 120-180 I-Kiribati have participated in the RSE each year, compared with 1,200 Samoans, 1,500 Tongans and over 3,000 ni-Vanuatu. Opportunities for I-Kiribati may increase if the RSE scheme is extended into the fisheries sector, which is currently being piloted.

One important recent initiative is a five-year pilot Pacific Microstates-Northern Australia Worker Pilot Program to provide up to 250 citizens (around 50 per year) from Kiribati, Nauru and Tuvalu access to a two-year work visa (with the option of applying for an additional third year) to work in less-skilled jobs in Northern Australia.³

Another initiative by the Australian Government was the establishment of the Australia-Pacific Technical College (APTC), offering scholarships to upgrade skills and gain internationally recognised qualifications. Around thirty I-Kiribati students each year have graduated from APTC with qualifications in areas including children's services, youth work, aged care, disability, hospitality, tourism, hairdressing, automotive, electrical, carpentry, painting and tiling. However, most APTC graduates from Kiribati are unemployed due to limited opportunities for decent employment in the country and difficulty in accessing decent employment opportunities overseas. One challenge faced by I-Kiribati in competing in Australia and New Zealand labour markets is the comparatively low level of English language proficiency. There are linkages here to broader education policy, including ensuring full compliance with Kiribati's existing policies for English to be used as the language of instruction from early grades.

³ www.dfat.gov.au/geo/kiribati/development-assistance-in-kiribati.aspx (accessed 3 June 2017)

Finally, permanent migration flows to New Zealand have grown recently, as a result of the Pacific Access Category (PAC) Scheme introduced in 2002, which allows up to 75 I-Kiribati to go to New Zealand every year for permanent settlement, provided they are able to secure a job within six months of arrival.

Beyond market access, Government recognises the key role an education policy plays over the long term in improving 'supply capacity', and the potential of I-Kiribati to access decent employment opportunities at home and overseas. The Government, through the KV20, will implement measures to increase access to decent employment opportunities. The KV20 vision is to support effective implementation of the National Labour Migration Policy in order to increase the number of overseas workers and create new labour markets. Government will also implement policy measures aimed at improving levels of English proficiency at all levels.

Policy Measures

In order to increase decent overseas employment opportunities, the Government will:

- Implement the National Labour Migration Policy, which emphasises the promotion of decent employment opportunities for domestic and overseas markets, including enhancing quality and adequate labour supply through training institutes;
- Implement an education policy with emphasis on improving English literacy at all levels; and
- Strengthen the overall governance system in the recruitment of overseas workers.

7.5 Deep Seabed Mineral Resources

Given that Kiribati has an Exclusive Economic Zone of 3.5million km², the potential returns from mining of unexploited resources within the deep seabed has been the subject of increasing speculation over the years. The seabed mineral sector could be an important pillar for realising Kiribati's vision for exploiting its resources as a Large Ocean State. The interest in Deep Seabed Mineral (DSM) resources revolves around three highly sought-after types of mineral deposits, ranging from polymetallic nodules, polymetallic sulphides and cobalt rich crusts.

Historical surveys in PICs have been conducted for seabed mineral resources, confirming the presence of manganese nodules, seafloor massive sulphite⁴, and cobalt rich crust (with such deposits in turn containing elements including nickel, copper and titanium). Sitting several kilometres below sea level, such resources were previously inaccessible, but in recent years a combination of high demand and recent advances in mining technology have meant that seabed deposits are already becoming an attractive and feasible proposition, with mining set to expand significantly within the next few years.

Current activity is focused in three areas:

- Putting in place the legislative and regulatory framework;
- Survey and exploratory work on mineral resources within the Kiribati EEZ; and
- Securing Kiribati's rights under the United Nations Convention on The Law of the Sea (UNCLOS) to an area beyond national jurisdiction located in the Clarion Clipperton Fracture Zone (CCFZ), situated in international waters, is also known as 'The Area', with work now underway to initiate exploration.

⁴ It has not yet been confirmed that seafloor massive sulphite has been found in Kiribati waters

While there is potential to develop the seabed mining (SBM) industry, various challenges to the development of the sector in Kiribati include:

- Proper administration of the emerging industry and maintaining a transparent approach while balancing access to data and information with protecting the rights of investors;
- Sustainable environmental management;
- Minimisation of social impacts;
- Offering internationally competitive investment and fiscal conditions to attract investors, while safeguarding SBM revenues for the nation;
- Sound revenue management practices and other social measures, that will benefit current and future generations;
- Maintaining a sound regulatory framework in the EEZ and CCFZ; and
- Maximising benefits of Kiribati SBM resources.

Government recognises the potential contribution of seabed minerals towards the generation of revenue and sustainable development. To support the development of the sector, a comprehensive Seabed Minerals Policy has been developed. The Government has also enacted the Seabed Minerals Act for effective management of the sector. The key objectives of the policy include:

- To strengthen regulatory and institutional frameworks to ensure that the DSM activities undertaken under Kiribati's effective control comply with relevant international conventions and standards;
- It has not yet been confirmed that seafloor massive sulphite has been found in Kiribati waters
- To provide a conducive investment climate, fiscal regime and regulatory framework that encourages responsible investment in the country for the development of DSM activities in Kiribati without compromising the existing frameworks;
- To maximise trade and economic benefits through sustainable DSM activities that will generate additional economic opportunities for Kiribati by way of creating employment and income for the people of Kiribati;
- To ensure equitable sharing of benefits from DSM activities, including fair, equitable and effective distribution of benefits from royalties and taxes, employment, training and skills development, maximum local content and technology, and knowledge transfer; and
- To protect Kiribati's coastal and marine environment and other legitimate sea user (including customary and subsistence use, commercial fisheries, coastal and marine tourism as well as maritime transport and communications) from the potential impacts of DSM activities.

Policy Measures

In order to achieve the above objectives, the Government will:

- Implement the Seabed Minerals Policy and legislative framework with the view of maximising revenue from the sector; and
- Explore and exploit its stake in the Clarion Clipperton Fracture Zone while maximising opportunities for capacity building and access to benefit sharing from the Area.

7.6 Strengthening Domestic Supply Chains

Domestic trade can make a significant contribution to sustainable economic development. An efficient functioning domestic market with the active participation of women, men, the disabled and youth is essential for the welfare of the population, as it would provide employment and income for I-Kiribati. A competitive marketing system will ensure efficient production and supply of domestic produce, especially from the outer islands where domestic trade is still fragmented.



Kiribati handicrafts

While the Government has implemented tangible initiatives to stimulate the evolution of the private sector through the implementation of initiatives like the freight levy subsidy, linking producers to markets remains a major constraint to the development of the supply chain. The constraint to the domestic supply chain is however, attributed to limited inter-island connectivity, poor marketing infrastructure where producers can store and sell their goods, inadequate skills amongst private sector groups on supply chain management and a general lack of awareness amongst producers on the opportunities available within the domestic market for programmes put in place by Government to assist them. There is also a lack of awareness on how to make use of new technologies such as ICTs to facilitate domestic trade by improving buyers and sellers connectivity along the supply chain.

Policy Measures

In order to strengthen the participation of producers in the domestic supply chain, the Government will:

- Establish an open integrated market for local produce to enhance domestic trade;
- Support investment in fruit processing and storage facilities like fish centres or ice making machines to reduce post-harvest losses;
- Strengthen the capacity of business associations, cooperatives and their networks on production, supply chain management and marketing to enhance producer market linkages;
- Implement awareness programmes to encourage producers to take advantage of existing Government-established incentives to promote domestic trade; and
- Implement policy measures to improve inter-island transport and ICT connectivity.



8. Implementation, Institutions and Aid for Trade

8.1 Timeframe for Implementation

This Trade Policy Framework (TPF) will be implemented over a ten year period from December 2017 to December 2027. The policy will have a mid-term review in 2022 to monitor progress and make possible adjustments in the strategies to ensure the set objectives and goals are achieved during the implementation period.

The TPF will be implemented in line with the KV20, national development plans, as well as other Government initiatives and programmes. The Government will also ensure that programmes supported by development partners are well aligned with the TPF to ensure coherence with the objectives and overall vision.



KV20 Development Partners Forum, Tarawa

8.2 Implementation of the Trade Policy Framework at the Broad Level

Implementation of the trade-related policies highlighted in the TPF will first and foremost take place within the context of the respective policy statements and directions of the various Ministries and Divisions involved, and the wide range of strategies, action plans and work plans that they oversee.

Long-term policy is outlined in various policy documents. This TPF is linked to these key policy documents where they exist, as well as highlighted where a formalised Government policy does not exist. The key medium-term tools are the four-year Ministerial and Divisional Work Plans, which are budgeted according to Kiribati's normal Ministerial budget processes, with established lines of accountability and monitoring.

In addition, for an increasing number of cross-cutting issues that involve several ministries, work plans are complemented by dedicated Government strategies or action plans where a lead agency coordinates closely with other agencies to advance a broad, cross-cutting policy agenda. One example of this is the National Labour Mobility Policy (led by MEHR, but involving numerous others). Private sector development and trade facilitation are clear areas where a cross-cutting approach is required. For trade issues, a number of such strategy documents already exist, including the Diagnostic Trade Integration Study (DTIS) Action Plan, the Enhanced Integrated Framework (EIF) work plan, the National Quality Policy (NQP) and the National Intellectual Property Strategy (NIPS).

The key to an effective trade policy is to ensure that trade concerns are properly mainstreamed within all the work of relevant Ministries and Agencies across Government and bilateral aid discussions. The trade mainstreaming efforts will ensure greater policy coherence across the Government and whole of Government approach. Mainstreaming can be achieved in three main ways:

- Mainstream trade into broader development strategies and sector plans;
- Active participation by MCIC and other trade stakeholders in relevant working groups on trade-relevant issues, to ensure that sector policies are aligned to broad trade policy goals outlined in the TPF. Active communication is another way to ensure the mainstreaming of the trade policy across the Government and with the broader public; and
- A coherent effort on the implementation of TPF recommendations, with a monitoring tool in the form of a TPF Implementation Matrix and a specific trade policy coordination mechanism in the form of the National Trade Advisory Committee (see next sections).

8.3 TPF Implementation Matrix

Implementation of individual TPF recommendations will depend in large part on the actions of responsible Ministries and Agencies. However, a coherent approach to trade will require a centralised and coordinated effort towards its implementation. As such, a detailed Implementation Matrix has been developed to accompany the TPF, presenting all of its recommendations in a single document and as such facilitating the coordination and monitoring of all of Kiribati's trade-related policy goals in one place.

The TPF Implementation Matrix (Annex 1) contains the following information:

- Policy area and measurement;
- A timeframe (where short-term means within three years, medium-term means within six years and long-term means beyond six years and up to 10 years);
- Performance indicators;
- The lead agency; and
- Potential source of funding.

In order to ensure that the trade policy is coherent and consistent with other policies, the responsibility of the TPF implementation will rest with the Government line Ministries with the mandate where each policy falls, and the monitoring of progress and consistency with the TPF will be the responsibility of the National Trade Advisory Committee (NTAC) in collaboration with the MCIC. In this way, the TPF avoids creating duplication of work while ensuring coherence of the policy framework. The underlying principle is to mainstream trade policy objectives across Kiribati's policies.

8.4 Institutional Framework for Coordinating and Monitoring Implementation

Kiribati has already established a National Trade Advisory Committee (NTAC) to play a coordinating role across Government for trade-related policies. The core members of the NTAC are drawn from key line Ministries and trade-related Organisations. The main roles of the NTAC include:

- Ensure policy coherence in the various trade arrangements, both at multilateral and regional levels as well as domestic trade issues;
- Assist in mainstreaming trade into national development goals and ensuring proper implementation of trade policy objectives within the relevant ministries and bodies;
- Provide strategic policy advice to the Government in relation to capacity-building needs and appropriate institutional framework to handle the country's regional integration agenda;
- Review and endorse the overall development-oriented trade negotiation strategy and national positions;
- Facilitate the formulation and implementation of the country's Trade Policy Framework, Trade Development and Export Strategies;
- Identify and commission trade-related sector studies;

- Coordinate and review the implementation of resulting trade agreements;
- Review the implementation of different agreements to which the country is a party, monitoring and evaluating the impact of the results of the agreements to the country;
- Recommend strategies towards effective exploitation of trade opportunities at national and regional level;
- Monitor and coordinate the implementation of donor-funded trade-related projects;
- Develop and recommend a national joint strategy towards mobilisation of Aid for Trade (AfT) funds;
- Recommend formation of technical sub-committees where necessary; and
- Recommend and endorse Cabinet Information and Memorandum Papers on trade matters.

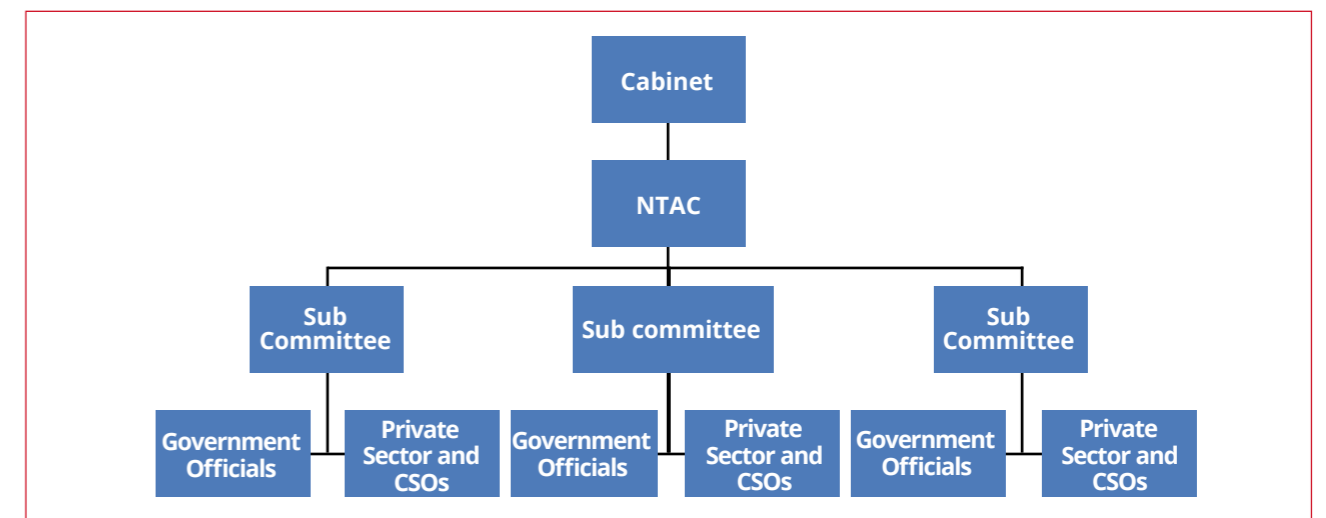
The Secretary of Commerce, Industry and Cooperatives is the Chair of the NTAC, with the Trade Promotion Division as the NTAC secretariat. The NTAC is conducted monthly. Given its existing role in the coordination and implementation of the TPF, the NTAC will regularly monitor and evaluate the policy implementation.

Beyond the main NTAC, a number of subcommittees and technical working groups already exist:

- Intellectual Property sub-committee
- Trade facilitation sub-committee
- Decent work steering committee
- Tourism sector working group
- Quality Coordination sub-committee

The TPF implementation will ensure that all subcommittees and consultative mechanisms involve all stakeholders, including all of the relevant technical ministries, the private sector and Civil Society Organisations (CSOs).

Figure 8.1 Institutional Structure for Implementation of the TPF



8.5 Resourcing TPF Implementation through Aid for Trade

In addition to Government's own budgetary resources, securing donor funding available under the Aid for Trade (AfT) initiative will provide an important additional resource for Kiribati to implement the policy goals outlined in the TPF. Aid for Trade (AfT) is a sub-classification of overseas development assistance (ODA), covering a range of trade-related donor interventions falling under four broad categories: trade policy regulations, building productive capacity, economic infrastructure and trade-related adjustment. AfT projects range from large-scale infrastructure, to assistance for trade facilitation (such as in customs and quarantine), to sectors such as agriculture, fisheries and tourism. It also covers trade policy formulation and implementation.

Table 8.1 AfT Activity by Donor (2011-15, total)

AfT Sector	Aus	Japan	New Zealand	EU Inst'ns	Reg'l Devt Banks	UN	World Bank	Other	Total
Transport & Storage	8.5	34.4	29.3	0.0	9.1	0.0	27.7	0.4	109.4
Communications	5.5	0.3	1.1	0.0	0.0	0.0	0.7	0.0	7.6
Energy	0.0	0.0	0.5	4.4	0.0	0.0	0.0	5.3	10.2
Banking & Finance	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Business & Other	0.5	0.0	0.0	0.0	0.0	0.0	2.8	0.0	3.3
Agriculture	1.6	0.2	0.0	0.0	0.0	0.0	0.0	0.1	1.8
Forestry	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Fishing	1.9	3.2	1.3	0.0	0.0	0.0	2.0	1.0	9.4
Industry	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Mineral Resources	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	1.2
Trade Policy & Reg's	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Tourism	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Total	18.9	38.4	32.3	5.6	9.1	0.2	33.2	6.8	144.4
Share	13.1%	26.6%	22.4%	3.9%	6.3%	0.1%	23.0%	4.7%	100 %

Source: OECD Creditor Reporting System, USD\$m current

Table 8.1 shows that, according to AfT Figures that have been reported and published by the OECD, around USD144m in AfT was delivered to Kiribati between 2011 and 2015. Key AfT donors included Japan, the World Bank, NZ, Australia, regional development banks including ADB and EU institutions. Allocations are influenced heavily by contributions to infrastructure development, including transport, communications and energy. Other sectors receiving support have included the fisheries sector, the business environment, agriculture and minerals. Going forward, donors are increasingly prioritising AfT in their assistance programmes, including areas beyond infrastructure. Opportunities therefore exist for Kiribati to request specific programmes to implement TPF recommendations.

A key AfT project in support of trade policy implementation has been the Enhanced Integrated Framework (EIF) for Least Developed Countries (LDCs), a multi-donor programme involving UNDP, International Trade Centre, UNCTAD, World Bank, WTO and the IMF. Kiribati has already benefited under the EIF from support under its 'Tier 1' window for support in mainstreaming trade into national development plans, strengthening trade institutions and building capacity. It is currently in the process of developing proposals to access 'Tier 2' funds to finance priority catalyst projects to overcome supply-side constraints to trade and help develop sustainable export growth.

Aside from the EIF, Kiribati has also benefited from the Commonwealth Secretariat's Hub and Spokes Programme through the deployment of the National Trade Advisor to support trade capacity building and policy implementation.

As with ODA more generally, it is important for development support to ensure country ownership and policy space. Donor support to Kiribati should be tailored in line with national priorities, and resources used efficiently in line with the internationally agreed best practice principles in the area of aid effectiveness as outlined in the Paris Declaration and Accra Agenda for Action.

Policy Measures

In order to improve the institutional arrangements and maximise Aid for Trade resources for effective implementation of the Trade Policy Framework, the Government will:

- Strengthen existing multi-stakeholder consultative mechanisms to ensure that trade concerns are properly mainstreamed by Government for good trade development outcomes;
- Explore and consider establishment of a Trade Act to support sustainability of key institutions such as NTAC, etc;
- Enhance the capacity of relevant stakeholders on the development of technical AfT proposals;
- Strengthen collaboration and partnerships with international organisations and development partners to maximise the benefits of AfT opportunities; and
- Mainstream Aid for Trade in the Bilateral donor partnership arrangements and in the Development partner's forums and dialogues.



Annex 1: Trade Policy Framework Implementation Plan

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
Trade and Macroeconomic Stability						
Macroeconomic Framework	Continuously maintain and update the management of the Revenue Equalisation Reserve Fund (RERF) through regular monitoring of RERF assets performance and efficient utilisation of RERF assets;	Medium-term	Improved Value of RERF	MFED statistics	MFED	GOK
	Increase government revenue by maintaining and improving existing plans to expand the revenue base	Short-term	% Increase in Revenue	MFED statistics	MFED	GOK
	Improve database collection and recording by strengthening the National Statistics Office (NSO) input and collection.	Medium-term	Improved National Statistics Office Indicators	MFED statistics	MFED	GOK
Trade, Health and Public Policy Objective						
Trade and Health	Ensure the Trade Policy is consistent with public health objectives and country's obligations in regional trade agreements relating to Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade.	Medium-term	National NCD Multi sectoral strategic plan endorsed by Cabinet	MHMS statistics, publications	MHMS	WHO, UNDP, GOK
	Adopt and effectively implement the National NCDs Multi-Sectoral Strategic Plan	Medium-term	Number of policy actions implemented	MHMS statistics, publications	MHMS	WHO, EU, DFAT, MFAT
		Long-term	Reduction in cases of NCDs	MHMS statistics, publications	MHMS	WHO, EU, DFAT, MFAT
	Adopt regulatory measures to ensure public health objectives, while ensuring such measures are in line with country's obligations in regional trade agreements		Number and type of policy measures adopted	MHMS statistics, publications	MHMS, OAG	GOK
	Adopt and effectively implement the draft National Food and Nutrition Security Policy	Medium-term	Food and Nutrition Security Policy endorsed by Cabinet	MELAD periodic reports	MELAD, MHMS	FAO

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
Fostering inclusive Trade						
Gender and Trade	Ensure the adopted Gender Policy provides economic and trade opportunities for women and people with disabilities	Medium-term	Economic empowerment for women and people with disabilities mainstreamed in the Gender Policy	Gender Policy	MWYSA	GOK, UNDP, UNICEF, UNWOMEN
	Implement women's economic empowerment programmes in sectors where Kiribati has comparative advantage in line with the government's 20 year vision plan	Medium-term	% of women in business	MFED statistics	MWYSA	GOK, UNDP
Youth and Trade	Ensure the National Youth Strategy provides economic and trade opportunities for the youth	Medium-term	Youth economic empowerment programme mainstreamed in the Youth Policy	MFED statistics	MWYSA	GOK,UNDP
	Implement Youth economic empowerment programmes in the sectors where Kiribati has comparative advantage in line with the government's 20 year vision	Medium-term	% of Youth in Business	MFED statistics	MWYSA,MCIC	GOK,UNDP,ILO
Trade and Outer Island Development	Implement the Line and Phoenix Island Integrated Development Strategy 2016-2036 objectives focusing on trade and private sector development	Medium-term	Increase in number of businesses registered in the Line and Phoenix Islands	MCIC reports	MLIPD	GOK,EU,DFAT,MFAT, ADB,WORLD BANK
	Formulate and Implement outer Islands trade and private sector development strategies related to the Gilbert Islands Group	Medium-term	Increase in number of businesses registered in the Gilbert Islands	MCIC reports	MIA	GOK,UNDP
Trade and Sustainable Environment						
Trade and Environment	Continue to implement new Trade Policy-related measures including an environment licensing system to support waste management and pollution control	Medium-term	Number of new trade policy measures established to support waste management	MCIC records	MCIC	GOK
		Medium-term	Number of environmental licences issued	MELAD records	MELAD	GOK

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Adopt and effectively implement the draft Waste Management Strategy and oil spill response plan	Short-term	cabinet endorses the waste management strategy and oil spill response plan	MELAD annual report	MARINE Division	GEF
		Medium-term	Number policy measures implemented	MELAD annual report	MELAD	GOK
	Promote and support the use of sustainable renewable energy sources and energy efficient	Medium-term	Increase in share of grid connected to renewable energy	MISE reports	MISE	GEF
	Catalyse private sector movement towards green economy including small scale business	Medium-term	Increase in % of businesses incorporating climate change and disaster risks in their strategic and business plan	MISE reports	MISE, KCCI, MCIC	GEF
		Medium-term	Increase in number of businesses, including fisheries and tourism sectors, adopting green initiatives	MISE, MFMRD, MICTTD reports	MFMRD, MICTTD	GEF
	Establish a legislative and institutional framework to improve urban planning and design leading to more vibrant local economic development	Medium-term	Number of Bylaws, National Urban Policy Developed, Number of LED Projects implemented;	MIA annual reports	MIA	NZ, ROC(TAIWAN), GOK, UNDP
	Build capacity to facilitate the notification and reporting requirements under existing waste and chemical-related conventions	Medium-term	Compliance reports	MELAD annual reports	MELAD, KCAE	MFAT, DFAT, EU
	Ensure compliance with international conventions on trade in certain goods e.g. convention on International Trade in Endangered Species of Wild Fauna and Flora(CITES)	Medium-term	Cabinet endorses accession to CITES	MFMRD records	MCIC, MELAD	MFAT, DFAT, EU
	Support provisions in trade agreements that encourage consistency between trade and sound environmental practices	Ongoing	Trade agreements signed are consistent with sound environmental practices	MCIC records	MCIC	GOK

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Undertake Environmental Impact Assessments for trade-related or development projects in line with international best practices	Medium-term	Environmental Assessment Reports	MELAD annual report	MELAD	GOK
	Build greater technical awareness around linkages between trade and environment	Medium-term	Number of Trainings undertaken	MCIC reports	MCIC	GOK
Fees and Permits for Import and Export						
	Develop an import-Export handbook to guide exporters and Importers	Medium Term	Import-Export Handbook Developed	MCIC Website	MCIC	GOK,PT &I
	Apply international best practice on the publication of all procedures and fees connected with import and export	Medium-term	Publications uploaded on Website	Website link	MCIC, MOJ	GOK
Securing Place in the Global Economy						
WTO Membership	Keep possibility of seeking WTO membership under review while focusing attention for the immediate future at least on capacity building and taking advantage of opportunities accorded by regional and other trade agreements to which Kiribati is a party or currently negotiating	Medium-term	Number of New Regional Trade Agreements signed and ratified	MCIC annual report	MCIC	GOK
	Keep abreast of relevant WTO developments through the Pacific Office in Geneva through the Pacific Islands Forum Secretariat (PIFS) as a mechanism to influence WTO negotiations on issues of concern such as fisheries subsidies	Medium-term	Number of Trade Negotiation position papers through PIFS office in Geneva	MCIC annual report	MCIC	WTO, PIFS
	Participate in WTO-Organised capacity building activities where possible	Medium-term	Number of WTO-organised activities attended by Kiribati	MCIC annual report	MCIC	WTO, PIFS
			Number of WTO e-learning courses undertaken by Kiribati officials	MCIC annual report	MCIC	WTO

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
EPA	Continue to explore the best market access options to the EU Market that provide sustainable and cost-effective markets for its products	Medium-term	Sustained increase in exports to EU	MFED statistics	MCIC/MFAI	EU, GOK
	Consider accession to IEPA, based on a cost benefit analysis, taking into account existing market access, and the implications of potential LDC graduation	Medium-term	Recommendations of the Cost Benefit Analysis implemented	MCIC annual report	MCIC/MFAI	GOK, EU
	Implement policy measures to fast-track the ratification of PACER Plus agreement	Short-term	Kiribati ratifies PACER Plus	MCIC annual report/Instrument of Accession	MCIC, MFAI	DFAT, MFAT
	Implement policy measures to facilitate the maximisation of development benefits related to PACER Plus	Medium-term	Increase in exports to PACER Plus parties	MFED statistics	MCIC	DFAT, MFAT
	Implement Policy measures to assist the private sector to take full advantage of PICTA Trade in Goods	Medium-term	Increase in Exports to PICTA parties	MFED statistics	MCIC	PIFS
PICTA Trade in Services	Facilitate the ratification of PICTA Trade in Services.	Medium-term	Kiribati Ratifies PICTA Trade in Services	MCIC annual report/Instrument of Ratification	MCIC, MFAI	PIFS
	Build the capacity of the private sector to take full advantage of PICTA Trade in Services	Medium-term	Trade in Services initiatives implemented	MCIC Annual Report	MCIC	PIFS
PICTA TMNP	Analyse potential gains for Kiribati for TMNP, given developments in PACER Plus vis-à-vis developing bilateral arrangements with specific FICs to enhance labour mobility	Medium-term	Recommendations of the Analysis implemented/MOU Signed	MCIC Annual Report	MCIC/MFAI	GOK,DFAT
	Implement measures to facilitate free movement of persons among the SIS	Medium-term	MOU Signed	MLHRD	MLHRD, MFAI, MCIC	GOK,DFAT
MTEC	Undertake feasibility on the potential benefit of MTEC in addressing Kiribati's development needs, especially in areas of Trade in Services and labour mobility	Medium-term	Recommendations of the feasibility considered/implemented/MOU signed	MCIC annual report	MCIC/MFAI	GOK

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Analyse potential export destinations with the view of ensuring cost-effective market access opportunities	Medium-term	Sustainable and cost effective market access identified	MCIC reports	MCIC	GOK
Future Trade Agreements	Undertake cost benefit analysis for all envisaged FTAs or trade agreements to ensure that overall potential gains are the basis for participating in any potential trade agreement	Medium-term	New trade agreements informed by outcome of cost benefit analysis.	MCIC annual report	MCIC	GOK
Strengthening Private Sector Engagement						
Policy Coherence and Private Sector Voice	Strengthen implementation of existing Public/Private Partnership Dialogue between the Kiribati Chamber of Commerce and Industry and MCIC to foster policy coherence and feed-back from private sector on possible regulatory constraints	Ongoing	Number of PP Dialogues/ Number of agreed decisions/actions	KCCI website, MCIC annual report	MCCI, KCCI	GOK
			Number of position papers submitted by KCCI	Dialogue outcomes	KCCI	KCCI
			Cabinet endorses new regulations	Government Gazette	MCIC	GOK
Strengthening the Performance of SOEs						
Raise efficiency of State owned enterprises	Ensure State Owned Enterprises are on a more commercial footing through review and effective implementation of the SOE Act.	Medium-term	Profitability of SOEs	SOE annual reports	MFED	GOK
	Review VAT exemption policy to ensure a level playing field, while balancing public policy objectives for strategic SOEs to enhance level playing field, especially in sectors where the private sector can also play a significant role	Medium-term	New VAT Policy on SOEs	MFED reports	MFED	GOK

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
Improving Company Business Registration System						
Company Law and Business Registration Reform	Review Companies Ordinance 1979 and the Registration of Business Names Act 1988.	Short-term	New Business Names and Company Act enacted	MCIC reports, PACLI	OAG, MCIC	ADB, GOK
	Consider the implementation of an online business registration system, bearing in mind the development of ICTs	Short-term	Online registry established	MCIC website	MCIC	ADB, GOK
	Establish a single window business registration system	Medium-term	Single window registration system in place	MCIC reports	MCIC	ADB, GOK
	Develop an e-commerce Policy and e-transaction legislative framework to support e-filing based on e-commerce, e-evidence	Medium-term	E-Transactions Act enacted	MCIC reports	MCIC	ADB, EIF, GOK
			E-Commerce Policy endorsed by Cabinet	MCIC report	MCIC	UNCTAD
Strengthening Cooperatives Development						
Cooperative Development	Formulate a National Cooperative Policy that supports value addition and prudent management of sector	Short-term	Cooperative Policy endorsed by Cabinet	MCIC report	MCIC	GOK
	Review and effectively enforce cooperative related legislations to enhance effective governance of the sector	Short-term	New Cooperative Act enacted	MCIC report	MCIC	GOK
	Implement financial literacy programmes which allow cooperatives to be transparent and prudent thus ensuring sustainability	Medium-term	Number of financial literacy programmes implemented	MCIC report	MCIC	GOK
	Promote the establishment of cooperatives in key productive sector like fisheries and other service oriented sector industries					

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Implement awareness programmes to encourage cooperatives to take advantage of various government incentives to increase capacity to add value	Medium-term	Number of awareness programmes designed and implemented	MCIC report	MCIC	GOK
Investment by i-Kiribati at home						
Fostering Domestic Investment	Design and implement financial inclusion programmes in line with best practices from other Pacific Island States	Medium-term	Increase in number of registered businesses	MCIC reports	MCIC	ADB-PSDI, UNCDF, DFAT, MFAT
	Enact financial sector legislation and establish oversight institutional framework considering Kiribati's commitments under regional trade agreements	Medium-term	Financial Act in place	PACLI	MFED	ADB, MFAT, DFAT
	Review SMEs policy and regulatory framework towards the development of business services	Medium-term	SME Policy developed	SME Policy	MCIC, DBK, MFED	GOK, Government of India, UNDP
	Harmonise, develop and implement specific financing scheme for SMEs in order to improve access to finance	Medium-term	Improved access to credit	DBK reports, village bank reports	MCIC	ADB, India, Taiwan, DFAT
	Implement business awareness programmes on the benefits of registering businesses to facilitate graduation from informal to formal sectors, thereby widening tax and revenue base as well as coverage of enterprises	Medium-term	Increase in number of registered businesses	MCIC reports	MCIC	GOK, UNDP
Encouraging Inward Investment to Kiribati: A Simpler, Quicker System						
Attracting Foreign Direct Investment	Formulate and implement investment Policy framework in line with KV20	Short-term	Investment policy framework endorsed by Cabinet	MCIC website	MCIC	EIF, PT&I, ADB, World Bank
	Review the Foreign investment Act inline with the Investment Policy Framework	Medium-term	New investment Act enacted	MCIC website	OAG, MCIC	EIF

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Strengthen the investment Coordination mechanism across relevant government ministries, and departments at national level and the private sector as well as regional institutions to identify and develop investment plan in line with KV20	Short-term	Investment plan developed	MCIC reports	MCIC	GOK, PT&I
	Increase funding and strengthen the capacity within government to enhance investment promotion	Medium-term	Increase in number of new investment applications	MCIC reports	OAG, MCIC	GOK, PT&I, IPA, ITC, UNCTAD
	Implement Investment promotion programmes through overseas missions, regional investment promotion agencies and other online promotion initiatives	Medium-term	Increase in number of new investment applications	MCIC reports	MCIC	GOK, PT&I, IPA, ITC, UNCTAD
At the Border: Facilitating Trade						
Improving Customs Procedures	Develop a mechanism to ensure that all authorities and agencies involved in border and other import and export control points cooperate and coordinate in order to facilitate trade;	Short-term	Single window system adopted	MOJ reports	MOJ	UNCTAD, TRADECOM
	Implement Kiribati's customs procedures that are aligned to the Trade Facilitation Agreement (TFA)	Medium-term	Number of TFA related measures considered and implemented	MOJ reports	MOJ	ITC, World Bank, UNCTAD
	Implement policy measures to support the effective implementation of the country's obligations related to customs procedures in the regional trade agreements	Medium-term	Number and type of policy measures implemented	MOJ reports	MOJ	OCO, DFAT, ITC, UNCTAD
	Adopt trade facilitation systems required by importing Countries (i.e. EU TRACES System)	Medium-term	Trade facilitation system aligned to EU TRACES System	MFMRD reports	MFMRD	EU, STDF
Domestic and International Shipping						
Improved Connectivity and Accessibility of Shipping Services	Continue the implementation of the CPSC agreement with the view to improve shipping services in the region while assessing their long term sustainability and impact on freight	Ongoing	Improved number of merchant Shipping Voyages	KPA records	MICTTD	GOK, SPC

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Develop a legislative framework to reinforce the implementation of shipping schedules	Short-term	Regulatory Framework enacted	MICTTD records	MICTTD	ADB
	Adopt the PPP framework in developing the domestic shipping industry as recommended in the National Maritime Transport Policy	Medium-term	Equity in the distribution of shipping services	MICTTD records	MICTTD	GOK
	Implement Policy measures including slipway, dry docks and other port facilities on the outer Islands that would support the operation of bigger vessels servicing the outer Islands	Medium-term	Improved port facilities on the Outer Islands	MICTTD records	MICTTD	ADB, World Bank, Japan, DTAF
	Implement measures to improve the shipping connectivity to the Islets on the outer Islands	Medium-term	Improved Connectivity	MICTTD records	MICTTD	GOK
	Implement measures to improve transparency and efficiency in the implementation of the freight levy with the view of meeting the overall intended policy objective	Medium-term	Increase in the number of freight levy beneficiaries per year	MFED records	MFED	ADB, GOK
Air Transport						
Improved Connectivity and Accessibility of Air Transport Services	Increase freight and air passenger capacity through strategic Air Service Agreements with neighbouring countries and airlines on the basis of efficiency and sustainability of the air services	Medium-term	Efficiency and reliability of international air services	MICTTD records	MICTTD,AKL	GOK
	Improve the capacity of domestic flights, including options for increasing the capacity of Air Kiribati	Medium-term	Efficiency and reliability of international of domestic air services	MICTTD records	MICTTD	GOK
	Develop a storage warehouse facility at the airport to facilitate trade through Air Freight Services	Medium-term	Improved airport facilities	MICTTD records	MICTTD,AKL	GOK
ICT E-Commerce and Trade						
	Promote the use of e-Commerce by business community, taking into consideration their low level of awareness, low level of access and usage of ICTs	Medium-term	Perception Survey	MCIC reports	MCIC	GOK

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Implement measures to improve the internet and connectivity on the outer Islands	Medium-term	% of penetration	MICTTD reports	MICTTD	GOK
	Develop and effectively implement an e-Commerce policy and regulatory framework	Medium-term	E-commerce Policy endorsed by Cabinet	MCIC reports	MCIC	GOK
Competition and Consumer Protection						
Strengthening Competition Regime and Consumer Protection	Review price control regime with a view to ensuring consistency with trade policy objectives while meeting intended public policy objectives	Short-term	Number of price-controlled products inline with the Trade Policy objectives	MCIC records	MCIC	GOK
	Implement policy measures to strengthen the implementation and monitoring of Price Order	Short-term	Reduced number of consumer complaints	MCIC reports	MCIC	GOK
	Consider adoption of a comprehensive competition policy framework	Short-term	Competition assessment undertaken and report endorsed by Cabinet	MCIC website	MCIC	GOK
	Review and strengthen consumer protection enforcement legislative framework in line with the National Quality Policy (2017-2023)	Short-term	New Consumer Protection Act enacted	MCIC website	OAG	GOK
	Implement consumer protection and awareness programmes for effective implementation of legislation	Short-term	Consumer Perception Survey reports	MCIC website	MCIC	GOK
Standards and Quality Infrastructure						
	Implement policy measures to strengthen National Quality Infrastructure in the following aspects in line with recommendations in the National Quality Policy (2017-2023): Standards and Quality Promotion; Regulatory Framework; Testing Laboratories; Certification; Accreditation, Metrology, Fisheries and Aquaculture, Food Safety, Agriculture and Environment; Tourism and Culture; Education and Human Development	Medium-term	Number and type of policy measures implemented in the National Quality Policy	Sector annual reports, MFMRD, CA, MCIC website	MCIC	SPC, MFAT, DFAT, EU, SDFT, EIF, WHO

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
Intellectual Property Rights						
Strengthening National Intellectual Property Regime	Implement policy measures with view to strengthen National Intellectual Property Regime in the following aspects as recommended in the National Intellectual Property Strategy (2017-2023): Copyright; Trademarks; Industrial designs; Patents; Geographical indications; Traditional Knowledge and Cultural Expressions; Capacity Building of IP-related institutions;	Medium-term	Number and type of policy measures implemented; National ICH inventories implemented	Annual sector reports, MCIC web-site and cultural mapping reports	MCIC, MIA, MFAL, KIANGO, KCCI	WIPO, GOK, UNESCO
Improving land use and planning to support private sector development	Review general land use plan for government-owned land	Short-term	General land use plan in place	MELAD annual report	MELAD	GIZ/SPC, EU
	Undertake additional investment to increase land area for commercial purposes through land reclamation	Medium-term	Size of new reclaimed land	MELAD annual report	MELAD	MFAT
	Streamline procedures to standardise land-owners' consent for obtaining land for public use and private sector development	Short-term	Native land ordinance amended and enacted.	MELAD annual report	MELAD	GOK, DTAF, MFAT
Agriculture and Supply Capacity						
Strengthening sectoral linkages through agriculture	Develop and effectively implement the coconut sector development strategy	Medium-term	Strategy endorsed by Cabinet	MCIC report	MCIC	SPC, IBSA Facility
	Develop an Agricultural policy with emphasis on increasing supply capacity, agribusiness and commercial production	Medium-term	Strategy endorsed by Cabinet	MELAD report	MELAD	FAO, IFAD
	Promote agribusiness and commercialisation of agriculture ,including production of local fruits, livestock and vegetable and addressing transportation and logistics ,marketing etc.	Medium-term	Increase in domestic trade for local produce	MCIC statistics	MELAD	FAO, IFAD
	Review technical cooperation agreements on agriculture with development partners to ensure greater focus on outer Islands with potential for agricultural production	Medium-term	Number of new technical programmes established and implemented on outer islands	MELAD report	MELAD	Taiwan, FAO, SPC

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
Fisheries and Supply Capacity						
Maximising returns from sustainable fisheries and marine resources	Implement National Fisheries Policies (2016-2025) with an emphasis on ensuring food security , safety sustainable livelihood; long-term conservation and strengthening of governance in the sector	Medium-term	Number and type of policy measures implemented	MFMRD report	MFMRD	GOK
	Work with outer islands in promoting investment in integrated catching and processing and facilitating exports of value added fisheries products	Short-term	Increase in number of investments in the sector on the outer Islands	MFMRD, MIA, records	MFMRD	GOK, PT&I
	Implement non -discriminatory investment Policy incentives to attract investors in the fisheries sector and marine resources like solar Salt	Short Term	type of incentives implemented	MCIC Report	MCIC,MFED	GOK
	Implement policy measures to support the establishment of transshipment hub in Betio and Kiriritmati	Medium-term	Transshipment hub established	MFMRD report	MFMRD	World Bank, Japan, EIF, DFAT, MFAT, ADB
	Develop airport facilities to support fish exports	Medium-term	Improvement in airport facilities	MICTTD records	MICTTD	World Bank, Japan, EIF, DFAT, MFAT, ADB
	Invest in fishing vessels in order to meet SPS regulations for export markets like EU	Medium-term	Number of new vessels	MFMRD records	MFMRD	GOK
	Implement policy measures to support the development of aquaculture	Short-term	Number of aquaculture projects implemented	MFMRD records	MFMRD	GOK
Developing Sustainable Tourism						
Improving revenue through sustainable tourism	Increase awareness of Kiribati and the yield for tourism products	Medium-term	Number of new tourism products implemented	MICTTD records	MICTTD	PT&I
	Implement measures to support the development of the cultural tourism on the outer Islands in support of Kiribati vision for 20 years (KV20);	Medium-term	Tourism cultural projects implemented, National Cultural Plan endorsed and implemented	MICTTD records/ MIA annual reports	MICTTD/MIA	GOK

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Build tourism and hospitality human resource capacity within Kiribati	Medium-term	Number of trained graduates	MLHRD reports	MLHRD	MFAT, DFAT
	Support investment in high yield tourism products	Medium-term	New tourism project implemented	MICTTD records	MICTTD	SPTO
	Improve infrastructure connectivity and access ability to support tourism	Medium-term	Number of flight schedules to the outer Islands	MICTTD records	MICTTD	SPTO
	Improve access to utility and social infrastructure to support tourism development	Medium-term	Improved access to water and energy by industry players	MISE records	MISE	GEF
	Implement investment policy incentives to foster business development in the tourism sector	Medium-term	Type and number of policy incentives implemented	MICTTD records	MICTTD/MFAI	SPTO
	Review where KNTD sits within government set-up to ensure it can most effectively coordinate and implement tourism policies and compete for sufficient resources from government	Medium-term	Tourism institutional framework strengthened	MICTTD records	MICTTD	GOK
	Develop a Tourism legislation to regulate the sector	Medium-term	Tourism legislation enacted.	MICTTD records	OAG, MICTTD	SPTO,
Labour Mobility and Decent Employment						
	Implement National Labour Migration Policy which emphasises the promotion of decent employment opportunities for domestic and overseas employment, including enhancing quality and adequate labour supply through training institutes	Medium-term	Number of new overseas labour markets	MEHR website, sector reports	MEHR	GOK
		Medium-term	Number of New employers		MFAI/MLHRD	ILO
		Medium-term	Reduction in unemployment rate		MFMRD	DFAT
		Medium-term	Increase in number of overseas workers		PSO	MFAT

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
		Medium-term	Increased recognition of overseas qualifications		MOE, MCIC	FFA
	Strengthen the overall governance system in the recruitment of the overseas workers	Medium-term	Feedback from workers	MEHR Reports	MEHR	GOK
	Implement an Education Policy with measures that emphasises on improvement of English Literacy at all levels	Medium-term	Improved English language literacy	MOE reports	MCIC	SPC
Seabed Minerals						
	Implement Seabed Minerals Policy and legislative framework with view to maximise revenue from the sector	Medium-term	Number and type of policy measures implemented	MFMRD website, MFMRD progress report	MFMRD, MFED, MELAD, MCIC, MFAI	GOK, SPC, Commonwealth Secretariat
	Explore and exploit stake in the Clarion Clipperton Fracture Zone while maximising opportunities for capacity building and access to benefit sharing from the area	Long-term	Number of exploration trips	Exploration reports	MFMRD	GOK, ISA, PPP (Bilateral Partners)
			Exploitation phase	Exploitation reports	MFMRD	
Domestic Supply chain						
	Establish an open integrated market for local produce to enhance domestic trade	Medium-term	Open integrated market established	MCIC, reports/MIA reports	MCIC/MIA	GOK, UNDP
	Support investment in, food, fruit processing and storage facilities like fish centres or ice making machines to reduce post harvest loss	Medium-term	Number and type of storage facilities acquired	MELAD, MFMRD reports	MFMRD	UNDP, MFAT, DFAT
	Strengthen the capacity of business associations, cooperatives and their networks on production, supply chain management, and marketing to enhance producer market linkages	Medium-term	Number and type of Capacity building programmes implemented, number of producers trained, increase in domestic trade	MELAD, MFMRD, MCIC/MIA reports	MCIC reports	GOK, UNDP
	Implement awareness programmes to encourage producers to take advantage of the existing government established incentives to promote domestic trade	Medium-term	Number and type of awareness programmes implemented	Sector reports	MCIC reports	GOK, UNDP

		Time Frame Medium-Term -6 Years -Long-Term over 6 Years	Performance Indicators	Means of Verification	Lead Agency	Potential Source of Funding
	Implement Policy measures to improve inter-Island transport and ICT Connectivity	Medium-term	Improved internet connectivity; Increase in number of shipping voyages	MICTD reports	MICTTD	ADB, World Bank
TPF Implementation Institutional Framework and Aid for Trade						
	Strengthen existing multi-stakeholder consultative mechanisms to ensure trade concerns are properly mainstreamed by government for good trade development outcomes	Medium-term	Trade related sub-committee established	NTAC minutes, TOR for new sub-committees	MCIC	GOK
	Explore and consider establishment of a Trade Act to support sustainability of key institutions such as NTAC, etc.	Medium-term	Trade Act enacted	MCIC website	OAG, MCIC	GOK
	Strengthen collaboration and partnerships with international organisations and development partners to maximise benefits of AFT opportunities	Medium-term	Number of partnerships established	MCIC reports	MCIC	GOK
	Enhance capacity of relevant stakeholders on development of technical Aid for Trade proposals	Medium-term	Number of Aid for Trade project proposals developed and funded	MCIC reports	MCIC, MFED	GOK
	Mainstream Aid for Trade in bilateral donor partnership arrangements and in the development partner forums and dialogues	Medium-term	Aid for Trade mainstreamed in various bilateral development partners' arrangement frameworks and meeting outcomes	MCIC reports	MCIC/MFAI	GOK, Development Partners

