

## **Title: Kiribati – Crisis Poverty and Social Impact Analysis (PSIA)**

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This is a summary of the report on the estimation of basic needs poverty lines and the incidence and characteristics of poverty in Kiribati funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

### **Context**

The impacts of the global economic and financial crisis are affecting Kiribati in diverse ways through multiple transmission channels:

- The cost of fuel imports all but doubled between 2007 and 2008 putting a severe strain on the government's budget to provide additional subsidies to the domestic shipping operations, power generator and increased the operating costs of local fishing businesses adding to the price of fish in the market;
- The sharp rises in the prices of key basic food items in the diets of poor households (notably rice flour and sugar) during 2008, and which have remained high since, has been especially hard on the poorest and most vulnerable in the urban centre of Tarawa;
- The decline in world trade and the lay-up of a number of merchant shipping vessels has reduced the number of Kiribati seafarers and has consequently led to a decline in remittances, which have also been adversely affected by the depreciation of the US\$ against the Australian dollar, the national currency of Kiribati;
- The termination of cruise vessel visits to Tabueran Island has completely removed the source of income and livelihood from the people of this very remote island in the Line Island group;
- The reduction in employment on-board cruise and foreign fishing vessels is further reducing employment prospects for I-Kiribati.

### **PSIA Exercise**

The social impact of the economic crisis is difficult to assess because there are no benchmark poverty estimates for the country. This paper provides estimates of National Food and Basic Needs Poverty Lines for Kiribati based on an analysis of the household data from the 2006 Household Income and Expenditure Survey (HIES). For the purpose of the analysis the country has been divided in three regions; South Tarawa (the urban centre), the Rest of the Gilbert Islands (the rural areas) and the Line and Phoenix Islands, remote islands some 2000 miles east of the capital Tarawa. National and regional level poverty lines have been estimated and the incidence of poverty has been measured providing the basis for estimating the relative poverty and hardship experienced by the poorest households across the three regions. From these, incidence levels, depth and severity of poverty have been measured. Estimates have also been made of Gini coefficients on levels of inequality in expenditure by households. An analysis of the poorest 30% (bottom three deciles) of households has also been conducted looking at characteristics such as their socio-economic status, demographics and level of household access to basic services. Together with the poverty indicators these provide a good indication of which households are the most disadvantaged in Kiribati, what common characteristics they might share and why they might be in this situation. Such information will be useful for government to define targeted policies and interventions to assist in alleviating their poverty and hardship, as a point of departure to learn about the impact of the crisis in the country.

This report is the first detailed quantitative analysis of poverty and hardship in Kiribati. It therefore provides a benchmark against which progress in reducing poverty can be measured for the future. It provides the Kiribati government and its development partners with new insights into the human development status of the country and should assist in the development of policies and projects aimed at raising the level of well-being of the people and the particular impact of the global crisis in the country.

### **Conclusions and Recommendations**

Around one-in-five households and almost one-in-four of the population of Kiribati live below the national minimum cost of living or basic needs poverty line, with those on South Tarawa being slightly more likely to experience poverty than those living in the rural areas where subsistence production underpins daily life. Further female-headed households had a slightly greater chance of being in poverty and more than one-third of all children lived in households below the poverty line. Households living below the basic needs poverty line struggle to pay bills, especially those related to education and health, and to purchase adequate and suitably nutritious food. They might need to borrow regularly from informal loan providers ("loan-sharks") who charge very high interest rates for small unsecured loans to meet family commitments and community obligations. They are thus frequently, and occasionally constantly, in debt.

Many of the poor, especially those on South Tarawa, live in low-quality housing without proper access to water, sanitation and other basic services. The drift of population from the outer-islands to the urban centre of South Tarawa, especially amongst young men and women, leads to higher levels of unemployment and growing numbers of people living in poor quality housing conditions. Poor housing conditions lead to poor health, poor employment prospects, and poor education attainment. It is also leading to higher dependency ratios in the rural areas and a weakening in the traditional social structure.

In the short run a major fiscal stimulus package along the lines of those being implemented in larger countries is not possible within the framework of the current fiscal situation. Labor-intensive small-works projects would be more appropriate in putting income into the hands of households most affected by the economic situation. Such projects could be mobilized quickly by island councils in village communities and would not require the provision of much in the way of heavy equipment or costly imports. A determined program of public enterprise restructuring would also yield significant cost savings and create opportunities for new private sector investment. These projects would require support from development partners.

In the medium term the government needs to commit to renew economic and public sector reform and to improving governance standards and service delivery. In the specific context of Kiribati, there is need to promote rural enterprise activities, especially in the agriculture and fisheries/aquaculture sectors, to create income generating opportunities as well as meeting local social development and infrastructure priorities - current high prices of imported food and fuel give many opportunities for domestic agriculture to provide import substitutes for the rice and cereal products that feature prominently in the diets of those in urban Tarawa. In the social area small-scale hardship alleviation projects for improving water supplies, health services, sanitation and similar community based projects need to be priorities. The quality of basic service delivery needs to be improved, through better training of teachers, better staffing of schools and clinics, better maintenance of health and education facilities and infrastructure and improving the availability of essential teaching materials and medical supplies.

The potential for a continuing weakening in the fiscal situation in the face of high fuel prices and rising personnel costs in particular is a serious challenge and needs careful monitoring to ensure that fiscal discipline is maintained. Renewed economic growth needs to be generated in the domestic economy through an appropriate investment enabling environment and improving governance standards. The long-term impacts of climate change on the fragile atoll environments are also of considerable concern to the government and these impacts are exacerbating the economic and social problems of the country.