



CDP2018/PLEN/6.b

# Committee for Development Policy 20<sup>th</sup> Plenary Session

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## Vulnerability Profile of Kiribati



## Contents

## **Kiribati: graduation road map at a glance**

- March 2012:** Kiribati, for the first time, met two of the three thresholds of graduation from LDC status with substantial margins (see pages 7 and 9). The Committee for Development Policy (CDP) accordingly found Kiribati pre-eligible for graduation. This finding brought no immediate change to the country's entitlement to LDC treatment.
- March 2015:** The CDP re-examined the potential graduation case of Kiribati and the question of full eligibility for graduation from LDC status. The Committee decided not to recommend Kiribati for graduation. Instead, it deferred its decision to the next triennial review of the list of LDCs in 2018.
- March 2018:** If the CDP finds the country fully eligible for graduation, it will normally recommend graduation from LDC status in its report to the Economic and Social Council (ECOSOC). The CDP may also delay its decision to recommend graduation.
- July 2018:** ECOSOC will normally endorse the CDP's recommendation to graduate Kiribati from LDC status if such recommendation has been made. ECOSOC may also delay its action on the recommendation.
- December 2018:** The UN General Assembly, in turn, will normally endorse the recommendation to graduate Kiribati, through a resolution formally stating the UN decision to take the country out of the list of LDCs. On the day of adoption of such a resolution, Kiribati will enter the standard (normally three-year) grace period during which the coun

Kiribati was added to the United Nations list of Least Developed Countries (LDCs) in 1986, seven years after the country had gained its independence.

The 2003 review of the list of LDCs was the first occasion when the country technically exceeded two graduation lines, at 103% and 111% of the thresholds relevant to per capita income and human assets, respectively. However, the Committee for Development Policy (CDP), in its triennial review of the list in April 2003, questioned the stability of per capita income in Kiribati (with a significant decline between 1998 and 2001), while recognizing that the country was one of the "*two economically most vulnerable countries*" in the light of the Economic Vulnerability Index (EVI)<sup>1</sup>. For these reasons, the Committee decided that Kiribati "*should not be considered*"<sup>2</sup> as pre-eligible for graduation.

In 2006, the CDP had a different reading of Kiribati's situation: it observed an unchanged performance under the per capita income criterion (at 102% of the graduation threshold), and a much improved score under the Human Assets Index (at 141% of the graduation line), while recognizing the extreme vulnerability of Kiribati under the EVI. The Committee, accordingly and for the first time, considered Kiribati "*eligible for graduation*"<sup>3</sup>.

The next review of the list in 2009 was again a time of reservation on the question of Kiribati's graduation. The CDP noted that the performance under the graduation threshold relevant to the per capita income criterion had marginally deteriorated, enough to bring back the country under the graduation threshold (at 96.5% of the line). The Committee analyzed the borderline case of Kiribati with caution and concluded that the country now was meeting only one of the criteria for graduation, and accordingly was no longer eligible for graduation<sup>4</sup>.

In its 2012 review of the list of LDCs, the CDP found Kiribati "*eligible*" [for graduation] *as it met the GNI per capita and HAI criteria*". The Committee recalled that Kiribati "*had already been found eligible for graduation in 2006, but not in 2009*"<sup>5</sup>. In accordance with the graduation procedure, it stated that the potential graduation case of Kiribati would be re-examined in the next review of the list of LDCs in 2015. The 2012 observation of pre-eligibility for graduation was equivalent to a first occasion of this kind, though Kiribati had technically met two graduation thresholds twice, in 2003 and 2006.

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<sup>1</sup> The Committee noted that: (i) the country exceeded the graduation threshold only marginally with regard to the per capita income criterion (at 103% of the graduation threshold) and (ii) the country exceeded the graduation threshold only marginally with regard to the human assets index (at 111% of the graduation threshold). (CDP, 2003, p. 10)



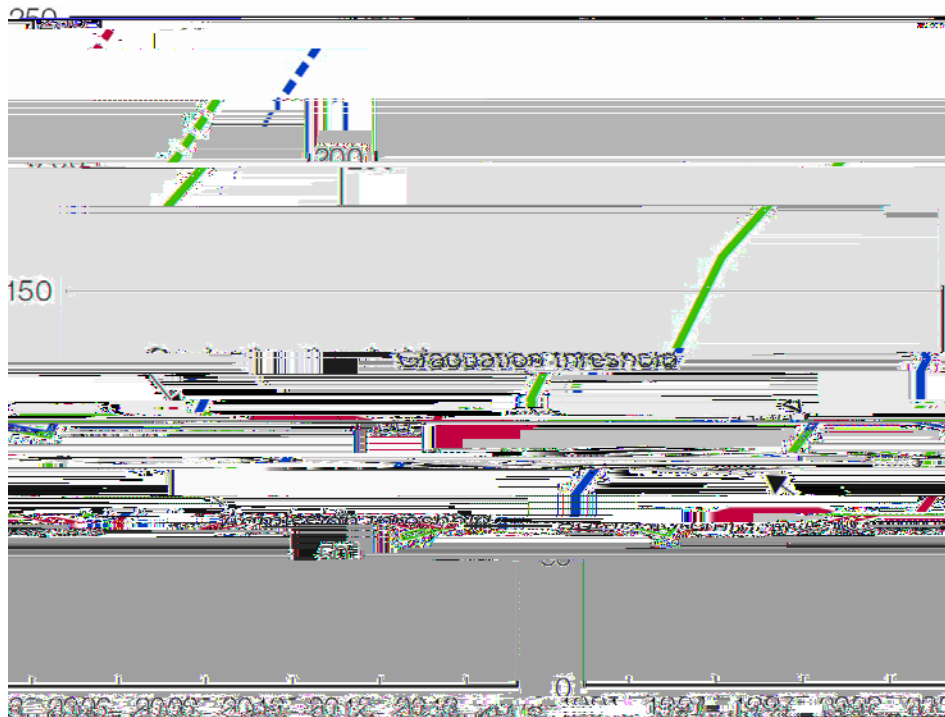
higher than GDP in Kiribati (by 55% on average between 2008 and 2016). The 2015 peak at 200% of the graduation line was explained by sustained real growth (between 5% and 6%) in 2012 and 2013, and the provisionally estimated further peak at 248% of the graduation threshold in 2018 largely reflects the high economic growth recorded in 2015 (10% real GDP growth), notably as a result of the historically high revenue derived from fishing licenses in that year, nearly equivalent to 100% of GDP.

Despite their volatility, fishing license fees (FLF) have been the leading source of revenue for the Treasury, and accordingly a vital source of livelihood for households (through the wages and salaries of civil servants, in total accounting for 28% of fishing revenue). In 2015, FLF were equivalent to six times the total amount of tax revenue in the country, and

same HIES reveals a greater depth of poverty below the basic needs poverty line in the rest of the Gilbert group than in South Tarawa<sup>10</sup>.

**Graph 1**  
**KIRIBATI: distance from the graduation threshold**  
**under the per capita income criterion**

*NB: data up to 2015 are based on actual CDP findings; the 2018 projection is provisional*



Source: UNCTAD, based on CDP data up to 2015

**Box 1**  
**The question of the treatment of fishing license fees in calculating GDP and GNI,**  
**and its implications for Kiribati**

<sup>10</sup> The Poverty Gap Index is one of the indicators recommended by the United Nations to measure the fulfilment of Millennium Development Goal 1 (Reducing extreme poverty and hunger by half).

GDP is the total value added generated by a country on its domestic economic territory, irrespective of the nationalities of income beneficiaries. "Net factor income" (the difference between GDP and GNI), if considered on the "credit" side, is the remuneration of all factors of production outside the domestic economic territory, accruing to "national" factors, i.e. persons or entities who are nationals, have been producing outside the domestic territory, but have not been permanently based abroad (less than a year). Seamen's wages are a typical example of Kiribati's factor income. Factor income in "net" terms designates what flows in (belonging to nationals) minus what flows out (income accruing in the domestic economy to non-nationals who do not reside in the country permanently).

The National Accounts of Kiribati show the components explaining the difference between GDP and GNI: net "compensation of employees", and net "property income". Net compensation of employees is small compared with net property income --the latter was seven times greater than the former in 2012. The IMF uses a different breakdown: "remittances", "investment income", and "fishing license fees".

Recognition of (net) factor income, the key to GNI calculation, implies that two necessary conditions be met:

- (i) the relevant income (remuneration of production factors) would have been generated outside the domestic economic territory (to be subsequently injected into it); and
- (ii) this income would have accrued to production factors (workers or capital owners) who at that time



A provisional estimate for 2018 (depicted through the dotted segment) places the country at 127% of the graduation line, thereby indicating stability in the country's technical eligibility for graduation.

Graph 2  
**KIRIBATI: distance from the graduation threshold**

area, behind countries of the same comparative group. Maintaining a sustained momentum of human assets development is a considerable challenge to the dispersed Kiribati nation.

***Percentage of population undernourished (component of the Human Assets Index)***

CDP estimate in 2015: 5%

The 2006 Household Income and Expenditure Survey indicated that 4.9% of the population had difficulties to meet their basic food needs. The Health Information Unit of the Ministry of Health, in August 2017, revealed rates of malnutrition (including stunting) of 4.7% in 2015 and 5.9% in 2016 among children under age five. In 2004, a WHO survey had noted that 70% of adults between 25 and 44, and 75% of adults between 45 and 64 were affected by dietary imbalances (often overweight or obese).

The number of serious cases of malnutrition (cause of morbidity) has always varied sharply in Kiribati (e.g., from 191 cases in 2004 to 318 in 2005 and 527 in 2006). The number of admitted malnutrition cases in 2013 was 61, 15 of which were recorded as "severe", while 13 related to low birth weight.

***Child (under 5) mortality rate (component of the Human Assets Index)***

CDP estimate in 2015: 58 per 1,000

The Kiribati Annual Health Bulletin 2016 indicates an under-5 mortality rate of 52.4 per 1,000 live births, and recognizes that the number of unde-5 deaths is under-reported. This estimate is based on the 2016 Kiribati Household Income Survey. Measles has been one of the leading causes of child mortality in the country, despite progress in the proportion of children immunized against that infectious disease. The same source provides a maternal mortality rate of 179.3 deaths per 100,000 live births, a figure resulting from 5 deaths in the country in 2016.

***Secondary school enrolment rate (component of the Human Assets Index)***

CDP estimate in 2012: 86.4%

2014 data from the Kiribati Ministry of Education indicate, for 2013, gross secondary school enrolment rates of 86% for junior secondary school students (Forms 1 to 3), and 44% for senior secondary school students (Forms 4 to 7). The overall (weighted) gross secondary school enrolment rate (with 7,038 junior students and 4,745 students in that year) is estimated at 69.1%. It should be noted that the gender imbalance in secondary school enrolment is largely in favour of female students, with gross enrolments rates of 94% and 53% at female junior level and female senior level, respectively, and 78% and 36% at male junior level and male senior level, respectively.

***Adult literacy rate (component of the Human Assets Index)***

CDP estimate in 2012: 92%



in the measurement of Kiribati's economic vulnerability. As in most other Pacific States, economic remoteness is a major structural

<b>Events</b>	<b>Date</b>	<b>Comments</b>
Drought	Jun 1934 to Sep 1938 ( <i>51 months</i> )	The prolonged drought caused coconut and fruit crops to be depleted (information retrieved under UNFCCC in Sep 1999) ENSO-neutral condition
Drought	Jun 1950 to Jun 1951 ( <i>12 months</i> )	Undocumented ENSO-La Niña condition
Drought	May 1956 to Feb 1958 ( <i>21 months</i> )	Resettlement of people from the Phoenix Islands had to be organized because water was seriously salinized, and drought caused fatal illnesses. ENSO-La Niña condition
Drought	Mar 63 to Jan 1964 ( <i>10 months</i> )	Undocumented
Drought	Apr 1971 to Apr 1972 ( <i>12 months</i> )	Undocumented ENSO-La Niña condition
Drought	Dec 1975 to Dec 1976 ( <i>12 months</i> )	Undocumented ENSO-La Niña condition
Tropical cyclone Gordon	1978/1979	Tropical cyclone struck the south islands severely.
Drought	Nov 1985 to Apr 1987 ( <i>17 months</i> )	Undocumented ENSO-neutral condition
Tropical cyclone Anne	1987/1988	Tropical cyclone struck the south islands severely.
Drought	Feb 1989 to Feb 1990 ( <i>12 months</i> )	Undocumented ENSO-La Niña condition
Drought	Mar 1996 to Jan 1997 ( <i>10 months</i> )	Government declared the state of emergency after ground water was affected. ENSO-La Niña condition
Drought	Mar 1998 to Mar 2001 ( <i>36 months</i> )	Government declared the state of emergency after coconut trees and breadfruit trees were dying, particularly in South Tarawa and the outer islands. When rain came, widespread diarrhoea struck Tarawa and claimed some lives. ENSO-La Niña condition
Drought	Feb 2001 to Aug 2002 ( <i>18 months</i> )	Undocumented ENSO-La Niña condition
Drought	Feb 2008 to Aug 2009 ( <i>18 months</i> )	Government declared the state of emergency, and water was transported to Banaba Island (raised coral island). ENSO-La Niña condition
Swell	9 Dec. 2008	Damage was incurred by crops, coastal installations and buildings as a result of strong winds and destructive waves. One resident was injured during a surfing event.
Extreme spring tide	29 Jan to 1 <sup>st</sup> Feb 2010	Inundation took place near shore infrastructure and crops.
Drought	Apr 2011 to Oct 2012 ( <i>18 months</i> )	A shortage of rainfall depleted the fresh water supply. ENSO-La Niña condition
Extreme spring tide and swell	28 Feb to 2 Mar 2014	Widespread damage was incurred across west0 0 8.4TJ3f526.Q313.8 23 Tc-.005 Tw3sum(a)1..1(in)ly23 T



caught the CDP's attention, for good reasons, in the five latest reviews of the list of LDCs (2003, 2006, 2009, 2012, 2015).

The quest for productive capacity-building is presently being rewarded by the promising fish export performance of Kiribati. Given the importance to the country of gaining or retaining international support in respect of supply capacities and market access (and to costly, vital public policy areas such as climate adaptation), the question of country status is likely to remain justified in Kiribati in the near future. As President Anote Tong of Kiribati remarked in a high-level panel organized by UNCTAD on 2<sup>nd</sup> September 2014 in Samoa, "*we would gladly lose LDC status if only we could count on alternative avenues for special treatment to support our efforts, particularly on special measures by virtue of our proclaimed small island developing State status...*".

## ANNEX

### **The graduation criteria and the graduation rule**

The question of graduation from LDC status was conceptualized by the United Nations in 1991, when the first major revision of the criteria for identifying LDCs took place. The methodological elements of the graduation rule were also adopted in that year, a move that has paved the way for five cases of graduati



- at least two of the three graduation thresholds must normally be met for the relevant LDC to qualify for graduation, whereas a symmetrical application of the admission rule and graduation rule would imply that, ceasing to meet one of the three criteria under which the country was once identified as an LDC would be a sufficient reason for that country to qualify for graduation (see the "income only" exception to the graduation rule in the table below);
- a recommendation to graduate a country will not be made until the relevant graduation thresholds have been met by the country in at least two consecutive reviews of the list of LDCs.

The graduation criteria which were used by the United Nations in the 2015 review of the list of LDCs are summarized in the following table.

### **Graduation criteria and indicators**

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<b>Graduation criteria used in the 2015 review of the UN list of LDCs</b>	<b>Relevant indicators</b>
<b>Per capita income criterion</b>	<b>Gross national income (GNI) per capita:</b> * based on a 3-year average (2011-2013 in the 2015 review) * graduation threshold in 2015: US \$1,242 * "income-only" graduation threshold: US \$2,484
<b>Human assets criterion</b>	<b>Human Assets Index (HAI):</b> A composite index based on the following 4 indicators: * percentage of undernourished people in the population * under-five mortality rate * gross secondary school enrolment rate * adult literacy rate
<b>Economic vulnerability criterion</b>	<b>Economic Vulnerability Index (EVI):</b> A composite index based on the following 8 indicators: * population * remoteness (average distance from major markets) * share of population living in low-lying areas * share of agriculture, forestry and fisheries in GDP * merchandise export concentration index * share of victims of natural disasters in the population * index of instability of agricultural production * index of instability of exports of goods and services
<b>Summary of the graduation rule</b>	For all three criteria, different thresholds are used for identifying cases of addition to, and cases of graduation from, the list of LDCs. A country will qualify to be added to the list if it meets the addition thresholds on all three criteria and does not have a population greater than 75 million. Qualification for addition to the list will effectively lead to LDC status only if the government of the relevant country accepts this status. A country will normally qualify for graduation from LDC status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list. However, if the per capita GNI of an LDC has risen to a level at least double the graduation threshold and is deemed sustainable, the country will normally be found pre-eligible or eligible for graduation regardless of its performance under the other two criteria.