



OCTOBER 2019

PACIFIC FINANCE SECTOR BRIEFS

ADB PACIFIC LIAISON AND COORDINATION OFFICE

▲ Traditional dance presentation in Tarawa, Kiribati.

KIRIBATI

Kiribati is a small Pacific island country reliant on foreign aid, revenue from its trust fund, remittances, and fishing license fees. Its economy is vulnerable to external shocks, particularly those related to climate change. The country's export and production bases are narrow and limited to copra, seaweed, and fisheries. Given its high import dependence, Kiribati's economy is vulnerable to swings in commodity prices. Tourism accounts for less than 2% of gross domestic product, due to the country's remoteness and poor infrastructure.

FINANCE SECTOR OVERVIEW

Kiribati's finance sector is limited in its size and scope of operations. It has just one commercial bank, ANZ Kiribati, which is a joint venture between ANZ Banking Group and the Government of Kiribati. There are two public financial institutions: the Development Bank of Kiribati and the Kiribati Provident Fund. These are complemented by the state-owned Kiribati Insurance Corporation and a few credit unions that are very small in size and whose operations are largely limited to their members. Private sector credit is expanding in Kiribati, aided by the two public financial institutions. The International Monetary Fund (IMF) reported in 2016 that ANZ Kiribati largely served the public sector and the large private sector customers, while the Development Bank of Kiribati and the Kiribati Provident Fund provided most of the personal and small business loans.

Availability of financial data remains a key issue. The IMF last updated Kiribati's financial access indicators in 2013. In that year, Kiribati had 3 bank branches and 10 ATMs. There were 13,732 depositors, and 16,299 deposit accounts with commercial banks. Commercial banks also had 1,962 borrowers on 1,999 loan accounts. Lack of regular reporting and system-wide data greatly hinders finance sector analysis to inform targeted interventions. The IMF (2018) noted that improving finance sector statistics, and the institutional capacity for their timely reporting, should be considered a priority.

KIRIBATI AT A GLANCE

Population

113,100 (2017)^a

GDP (current \$)

\$200 million (2018)^b

GDP per capita

\$1,752 (2018)^b

GNI per capita

\$2,780 (2017)^a

GDP = gross domestic product,
GNI = gross national income.

^a Source: Asian Development Bank.
2018. *Key Indicators for Asia and
the Pacific*. Manila.

^b Source: Asian Development Bank.

Financial deepening is crucial in promoting growth and employment in Kiribati and needs to be implemented in a sustainable way. Although private sector credit is expanding, access to credit remains constrained by problems with obtaining collateral and its recovery in the event of default. The IMF (2016, 2018) suggests that comprehensive supervisory and regulatory framework reforms—providing the legal powers for the authorization and supervision of banks via a complete suite of prudential standards—are needed. These reforms, along with improved financial education, land access procedures, dispute resolution mechanisms, and loan recovery processes would facilitate increased private sector access to credit.

The IMF (2018) also recommends enhancing the long-term sustainability of Kiribati’s public financial institutions by strengthening their ability to monitor risks and addressing long-standing weaknesses in their balance sheets.

REFERENCES

- International Monetary Fund. 2016. Kiribati: 2016 Article IV consultation. *IMF Country Report*. No. 16/292. Washington, DC.
- . 2019. Kiribati: 2018 Article IV consultation. *IMF Country Report*. No. 19/26. Washington, DC.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

This **Finance Sector Brief** was prepared by ADB’s Pacific Department.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of ADB or its Board of Governors or the governments they represent.

Asian Development Bank
Pacific Liaison and Coordination Office
Level 20, 45 Clarence St, Sydney, 2000, Australia
+61 2 8270 9429

<https://www.adb.org/publications/pacific-finance-sector-kiribati>

Corrigenda to ADB publications may be found at
<http://www.adb.org/publications/corrigenda>

In this publication, “\$” refers to US dollars.
All photos are from ADB.



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2019 ADB. The CC license does not apply to non-ADB copyright materials in this publication.

Publication Stock No. BRF190382-2

DOI: <http://dx.doi.org/10.22617/BRF190382-2>