

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Nauru and Kiribati, like other small Pacific island countries, face natural constraints such as climate change, a limited land area with a small population, remoteness from world markets, a narrow economic base, and limited primary production options. Both are heavily dependent on development assistance and receive external grants. Development partner grants to the Government of Kiribati averaged more than 34% of gross domestic product during 2011–2016.<sup>1</sup> A sizable portion of Nauru’s national budget is derived from the assistance of development partners. Against this backdrop, development partner finance has played a vital role in sustaining and expanding services to the community and public infrastructure in these countries.

2. The information and communication (ICT) sectors of Kiribati and Nauru are relatively weak, although the demand for cellular phones (the primary form of internet connection) and internet services is strong and growing. Cell phone use is widespread in Nauru (Digicel provides about 17,000 cell phone connections for a population of 10,000).<sup>2</sup> In Kiribati, basic cell phone penetration is more than 34% of the population spread over eight (of the 22 inhabited) islands, including Tarawa and Kiritimati; however, only 2G is available on six of these islands. Internet access in Kiribati and Nauru is via satellite—including [The] Other Three Billion (O3B)—with limited bandwidth. Amalgamated Telecom Holdings Kiribati Ltd is the main telecom provider in Tarawa; the second mobile service licensee, Ocean Links, is currently setting up its operation; and in Nauru, services are provided by government-owned Cenpac Net Incorporated and Digicel Nauru. As the table shows, only the World Bank is active in the ICT sector in Kiribati.

#### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Information and Communication Technology</b>			
World Bank	Phase Four of the Pacific Regional Connectivity Program: Kiribati Connectivity Project	2017–2022	\$20

Source: Asian Development Bank.

### B. Institutional Arrangements and Processes for Development Coordination

3. **Kiribati.** In Kiribati, external assistance is managed through the National Economic Planning Office within the Ministry of Finance and Economic Development. Capacity constraints have limited the government’s ability to encourage the alignment of development assistance with national systems in accordance with the Paris Declaration and Accra Agenda for Action. The government has established the National Infrastructure Development Steering Committee as well as the Kiribati Fiduciary Services Unit within the Ministry of Finance and Economic Development to provide project management oversight, coordination, and fiduciary and procurement services for major infrastructure projects. This helped boost effective coordination of development partner assistance to different sectors.

<sup>1</sup> International Monetary Fund. 2016. *Kiribati: 2016 Article IV Consultation*. Staff Report. Country Report. Washington, DC.

<sup>2</sup> The Government of Nauru owns 20% of Digicel Nauru.

4. Despite the significant number of development partners and the heavy reliance on development assistance, formal coordination mechanisms in Kiribati vary in quality. Until 2010, development partners sought to coordinate their activities through an annual roundtable meeting geared toward the implementation of the Kiribati Development Plan, 2016–2019. Although the meeting provided an opportunity to assess progress in implementing the plan and to identify potential new areas for cooperation, in practice these meetings consisted largely of government presentations of its development needs. A recent shift has brought the start of biennial development partners' roundtable meetings, of which the first, held in March 2010, proved to be well organized and focused, with high-level participation by both development partners and the government.

5. As outlined in its country operations business plan, 2017–2019 for Kiribati, the Asian Development Bank (ADB) will seek opportunities to support the government's leadership of policy, programming, and implementation issues. ADB also continues to look for opportunities to undertake joint activities and build on existing cooperative relationships and complementary activities. ADB seeks to promote coordination of development assistance by regularly meeting with development partners and sharing information and analyses. A development partners' agreement to improve aid effectiveness in Kiribati that builds on the Paris Declaration has been discussed among partners and with the government, and ADB will seek opportunities to promote its development.

6. **Nauru.** The Development Planning and Policy Division and the Aid Management Unit in the Ministry of Finance were established in 2005 to centralize all development assistance received by the Government of Nauru. The division was further streamlined as the Planning and Aid Division (PAD) with the responsibility of managing the institutional arrangements for development coordination within the framework of the Development Fund Act 2011. The act requires the finance minister to table in Parliament development fund projections of income and expenditure for the financial year. The Development Fund Annual Projection is a separate budget document prepared by PAD. The presentation of financial information related to various donors and agencies has improved significantly in terms of transparency and accountability. PAD is also responsible for coordinating and supporting in-country missions and related activities.

7. Since its establishment in 2005, the head of the division post has always been expat, reflecting the capacity challenges that face the Nauru public sector. Coordination between donors is therefore critical to ensure efficient utilization of limited local resources. In November 2016, ADB established a Development Coordination Office engaging a national coordination officer to support collaboration between ADB and the government as well as other key stakeholders, including development partners. The office collaborates closely with PAD and other development partners active in the country.

### **C. Achievements and Issues**

8. **Kiribati.** With support from the World Bank, the government has been able to introduce a new telecommunication policy, completed in 2012, and new telecommunication legislation, enacted in 2013. The Ministry of Information, Communications, Transport and Tourism Development (MICTTD) will soon complete a review of the government's 2012 policy, identifying and detailing new policy initiatives for the ICT sector, including e-government options. World Bank support has also been instrumental in reforming the monopoly incumbent, Telecom Services Kiribati Ltd, through a sale of most of its assets (completed 26 May 2015), and through a competitive process, which involved licensing two new mobile operators as well as several

other internet and gateway providers. It further helped establish a sector regulator, the Communications Commission of Kiribati, and prepare a new regulatory framework that covers operator licensing, type approval, radio communication licensing, the Kiribati Radio Frequency Spectrum Plan, numbering rules (providing number portability, among others), and universal access. The ministry has recently introduced amendments to the Telecommunications Act to improve its effectiveness as well as the accountability of the regulator. Confirmation of its commitment to the Outer Islands' connectivity is a high national priority.

9. **Nauru.** In preparation for the undersea cable project, the government passed the Nauru Cable Corporation Act 2017 establishing the Nauru Cable Corporation, which will manage the submarine cable and act as a wholesaler of bandwidths. The government also established the Department of Telecommunications and Regulatory Affairs and appointed an ICT regulator.

#### **D. Summary and Recommendations**

10. It is imperative that the government also establish and convene regular ICT stakeholder meetings to consolidate and coordinate development partner activities in the sector. ADB will seek to encourage such meetings under the leadership of the governments.

11. Ensuring the sustainability of ADB infrastructure investments remains a key challenge. While ADB support in the area of asset management and fiscal management will enhance project implementation, ADB must maintain its role as key development partner and remain proactive in responding to emerging issues and challenges.