Kiribati's economic freedom score is 45.2, making its economy the 172nd freest in the 2020 Index. Its overall score has decreased by 2.1 points due to a plunge in the trade freedom score. Kiribati is ranked 41st among 42 countries in the Asia-Pacific region, and its overall score is well below the regional and world averages.

The economy of Kiribati generally has been considered repressed since its Index grading began in 2009. GDP growth over the past five years has been healthy, however, driven in part by budget support from mining revenues and foreign aid.

A shortage of skilled workers, weak infrastructure, and remoteness from international markets constrain greater development and economic freedom in Kiribati. The public sector dominates economic activity through ongoing infrastructure projects and inefficient state-owned enterprises. Economic growth is further undermined by regulations that hinder private-sector development. The financial sector remains underdeveloped, leaving much of the population without formal access to banking services.

**ECONOMIC FREEDOM SCORE**

KIRIBATI

KIRIBATI's economic freedom score is 45.2, making its economy the 172nd freest in the 2020 Index. Its overall score has decreased by 2.1 points due to a plunge in the trade freedom score. Kiribati is ranked 41st among 42 countries in the Asia-Pacific region, and its overall score is well below the regional and world averages.

The economy of Kiribati generally has been considered repressed since its Index grading began in 2009. GDP growth over the past five years has been healthy, however, driven in part by budget support from mining revenues and foreign aid.

A shortage of skilled workers, weak infrastructure, and remoteness from international markets constrain greater development and economic freedom in Kiribati. The public sector dominates economic activity through ongoing infrastructure projects and inefficient state-owned enterprises. Economic growth is further undermined by regulations that hinder private-sector development. The financial sector remains underdeveloped, leaving much of the population without formal access to banking services.

**ECONOMIC FREEDOM STATUS: REPRESSED**

**REGIONAL RANK:**

**WORLD RANK:**

**HISTORICAL INDEX SCORE CHANGE (SINCE 2009):** -0.5

**RECENT FREEDOM TREND**

**POPULATION:**

0.1 million

**GDP (PPP):**

$0.2 billion

2.3% growth in 2018

5-year compound annual growth 3.5%

$2,086 per capita

**UNEMPLOYMENT:**

30.6% (2010 estimate)

**INFLATION (CPI):**

1.9%

**FDI INFLOW:**

$0.6 million

**PUBLIC DEBT:**

21.9% of GDP

**BACKGROUND:** Comprised of 33 scattered coral atolls, Kiribati has few natural resources and is one of the least-developed Pacific Island countries. Kiribati gained independence from the United Kingdom in 1979, and its government functions democratically. Taneti Maamau of the Tobwaan Kiribati Party was elected president in 2016 after 12 years of rule by Anote Tong of the Boutokaan Te Koaua. Economic activity once centered on the mining of phosphates, but those deposits have been exhausted. A $500 million fund created with mining revenues continues to provide significant budget support. Kiribati relies on foreign assistance, emigrants’ remittances, fishing, coconut exports, and tourism. Crippling algae in the corals are a serious threat to the fishing industry.

**QUICK FACTS**

**BACKGROUND:** Comprised of 33 scattered coral atolls, Kiribati has few natural resources and is one of the least-developed Pacific Island countries. Kiribati gained independence from the United Kingdom in 1979, and its government functions democratically. Taneti Maamau of the Tobwaan Kiribati Party was elected president in 2016 after 12 years of rule by Anote Tong of the Boutokaan Te Koaua. Economic activity once centered on the mining of phosphates, but those deposits have been exhausted. A $500 million fund created with mining revenues continues to provide significant budget support. Kiribati relies on foreign assistance, emigrants’ remittances, fishing, coconut exports, and tourism. Crippling algae in the corals are a serious threat to the fishing industry.

2018 data unless otherwise noted. Data compiled as of September 2019
12 Economic Freedoms | Kiribati

**Rule of Law**

| Freedom               | Score | Change
|-----------------------|-------|--------
| Property Rights      | 47.5  | (+3.4) |
| Judicial Effectiveness| 34.2  | (-0.1) |
| Government Integrity | 24.3  | (-10.8)|

Property rights are weak. The judicial system, modeled on English common law, provides adequate due process rights, but the rule of law remains uneven across the country. Contracts are weakly enforced, and courts are relatively inexperienced in commercial litigation. Official corruption, nepotism, and other abuses of privilege are serious problems. Government oversight institutions charged with implementing anticorruption measures are inadequately resourced and ineffective.

**Government Size**

| Freedom               | Score | Change
|-----------------------|-------|--------
| Tax Burden            | 72.4  | (-0.6) |
| Government Spending   | 0.0   | (No change) |
| Fiscal Health         | 99.0  | (+0.4) |

The top individual income and corporate tax rates are 35 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 17.5 percent of total domestic income. Government spending has amounted to 125.7 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 21.9 percent of GDP.

**Regulatory Efficiency**

| Freedom               | Score | Change
|-----------------------|-------|--------
| Business Freedom      | 40.6  | (-1.3) |
| Labor Freedom         | 62.9  | (+12.2) |
| Monetary Freedom      | 82.2  | (+1.1) |

Weaknesses in governance, regulations, and access to credit exacerbate the geographical hurdles that businesses face. Fishing earnings have recently been at record highs but are volatile. The labor market lacks dynamism. Although monetary instability is mitigated by Kiribati’s use of the Australian dollar, the government funds price-distorting subsidies for some agricultural products.

**Open Markets**

| Freedom               | Score | Change
|-----------------------|-------|--------
| Trade Freedom         | 23.8  | (-29.4) |
| Investment Freedom    | 25.0  | (No change) |
| Financial Freedom     | 30.0  | (No change) |

The total value of exports and imports of goods and services equals 105.2 percent of GDP. The average applied tariff rate is 28.1 percent, and import and export licensing add to the cost of trade. A modern investment framework is not in place. High credit costs and constrained access to financing severely impede entrepreneurial activity and development of the private sector.