

Note on the treatment of fishing licenses in the national accounts of Kiribati

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Introduction

The Expert Group Meeting (EGM) on the preparation of the triennial review of the list of Least Developed Countries (LDCs), New York, 29-30 January 2015, consulted with Kiribati representatives and reviewed the vulnerability profile of Kiribati prepared by the United Nations Conference on Trade and Development (UNCTAD) to determine the possible graduation of Kiribati from the LDC list.

The EGM noted that proceeds from fish licensing fees contribute 20 - 30 per cent to Kiribati's gross national income (GNI) and that the UNCTAD report asserts that these fees should not be included in Kiribati's GNI. Consequently, the EGM requested the United Nations Statistics Division to clarify how these fishing licensing fees (FLF) should be recorded in the national accounts in accordance with the relevant international standards and practices. Moreover, in case the current recording would deviate from current standards and practices, to also provide an assessment of the impact of such deviations on gross domestic product (GDP) and GNI of Kiribati.

International statistical standards

The way that FLFs are recorded in the national accounts¹ (and the balance of payments)² has an impact on the level of GNI. The recording of FLFs is dependent on the residency of the fishing fleets and the purpose of the payment.

In the case of Kiribati the FLFs are payments received from foreign fishing fleets for the right to fish in the Kiribati exclusive economic zone (EEZ) for a period less than one year. Moreover, the foreign fishing fleets do not establish a base of operations in Kiribati and are consequently treated as non-residents. Being non-residents units, they do not contribute to the GDP of Kiribati³. These FLFs are therefore, payments from non-residents to the government of Kiribati.

The fish in the Kiribati EEZ is considered in the national accounts to be a natural resource. Payments for permits to extract natural resources for less than one year are recorded in the national accounts as resource leases or rent, which in turn are classified as property income⁴.

Because the FLFs are payments from non-residents (foreign fishing fleets) to the government of Kiribati, the FLFs are recorded in the national accounts as property income (rent) received from the rest of the world. Property income (rent) received from the rest of the world is added to GDP to derive GNI.

Conclusion

The recording of the proceeds of the FLFs in the Kiribati national accounts and balance of payments is in accordance with the relevant international statistical standards and practices.

¹ 2008 SNA <http://unstats.un.org/unsd/nationalaccount/sna2008.asp>

² BPM6 <http://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

³ See 2008 SNA paragraph 4.10 to 4.14 and BPM6 paragraphs 4.30, 4.31, 4.38 and 4.136

⁴ See 2008 SNA paragraphs 7.154 and 17.335