



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to notify you that the Millennium Challenge Corporation plans to negotiate a Millennium Challenge Threshold Program with the Government of Kiribati.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Kiribati, please contact Brian Forni at ForniBJ@mcc.gov.

This notification is being sent to the Congress on May 12, 2023 and negotiations with Kiribati may be started on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have included supplemental information regarding the planned threshold program.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION

May 12, 2023

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2023 (P.L. 117-328), Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103), and section 610(a)(2)(B)(ii) of the Millennium Challenge Act of 2003, as amended, this notification is (1) to advise you that the Millennium Challenge Corporation (MCC) intends to start negotiations with the Government of Kiribati for a Millennium Challenge Threshold Program and (2) to initiate Congressional consultation before the start of negotiations.

The following identifies the objectives and mechanisms to be used for the negotiations of this threshold program.

There are limited domestic employment opportunities in Kiribati, and many Kiribati people are either unemployed or underemployed. As a result, there has historically been a need for people from Kiribati to work overseas, typically on a seasonal or periodic basis, in countries such as Australia and New Zealand and other regional economic centers. At the same time, Kiribati has experienced a chronic mismatch between the work readiness skills and standards of its workers and the expectations of employers abroad, resulting in Kiribati workers being less competitive and hence underrepresented in international markets. The Kiribati Threshold Program therefore aims to address the binding constraint of disproportionately low participation of Kiribati people in the international labor economy by facilitating decent and inclusive employment opportunities for Kiribati workers.¹ Specifically, MCC will provide ‘facilitated governance reform’ support to the Ministry of Employment and Human Resource (MEHR) to enhance its ability to promote decent and inclusive employment for the people of Kiribati; will work with MEHR to address worker protection risks and related family resilience for I-Kiribati working overseas; and will provide experiential growth opportunities for Kiribati high school students to improve fundamental employment-related skills.

¹ The International Labor Organization (ILO) defines decent work as “productive work for women and men in conditions of freedom, equity, security and human dignity”. In general, work is considered as decent when:

- it pays a fair income
- it guarantees a secure form of employment and safe working conditions
- it ensures equal opportunities and treatment for all
- it includes social protection for the workers and their families
- it offers prospects for personal development and encourages social integration

workers are free to express their concerns and to organize

SUPPLEMENTAL INFORMATION PROPOSED KIRIBATI THRESHOLD PROGRAM

Overview

The proposed Kiribati Threshold Program seeks to assist the Government of Kiribati in addressing the constraint to economic growth of disproportionately low participation of Kiribati workers in the international labor economy. Due to Kiribati's limited domestic labor market, Kiribati workers are eager to secure skills and experience required to find decent work in the region and in Kiribati. MCC will assist the Government of Kiribati in creating more safe, accessible, and decent employment options for its people.

Background and Context

MCC's Board of Directors selected Kiribati to develop a threshold program in December 2020. Kiribati consistently passes the MCC scorecard with strong overall performance and continually demonstrates the highest scores of any MCC partner country on both Democratic Rights hard hurdle indicators. In FY23, it passes 13 of 20 indicators, including the Control of Corruption hard hurdle in the 87th percentile.

Kiribati comprises 32 low-lying atolls as well as the raised island of Banaba. Apart from Banaba, the atolls belong to three groups of islands—the Gilbert, Phoenix, and Line Islands—which are spread over 3.5 million km² of the Pacific Ocean. The atoll of Tarawa in the Gilbert Islands, which lies about halfway between Hawaii and Australia, is the capital. Half of Kiribati's population lives in South Tarawa, which is overcrowded, adversely impacting the fragile atoll ecosystem. Most of the remaining population also lives in the Gilbert Islands.

MCC identified three binding constraints to economic growth in Kiribati: (1) disproportionately low participation of Kiribati workers in the international labor economy; (2) insufficient fiscal capacity and public financial management to meet climate-resilient development needs; and (3) vulnerability to degradation of critical coastal natural capital, exacerbated by population pressures and climate change. MCC presented these constraints to the Government of Kiribati, which identified the first constraint as most appropriate for a threshold program with MCC, due to the significant and costly challenges associated with domestic employment and sufficient donor engagement in the two other areas. Domestic and regional employment is an area of economic opportunity for Kiribati and is in line with the Government of Kiribati's development priorities.

Kiribati's unique geography, remoteness, lack of scale, and vulnerability to external shocks present considerable challenges when trying to grow the economy and reduce poverty. Internal and external remoteness as well as weakness in the business climate has kept the private sector small, and most Kiribati workers who work in the formal sector are employed by the government or state-owned enterprises. Kiribati's geography has led to a divergence in economic development between South Tarawa, where a cash economy prevails and the population depends on formal employment, and the outer islands, where much of the population is involved in a subsistence economy centered around fishing and crop cultivation. Youth under 25 years old

comprise more than half of the population, and they face challenges in the labor market, with over 50 per cent of youth neither employed nor participating in education or training in 2019. Demand for training and skills improvement opportunities for youth far outstrips the number of available opportunities.

Threshold Program Overview and Budget

MCC engaged in a root cause analysis to determine the dynamics underpinning the binding constraint of disproportionately low participation of Kiribati workers in the international labor economy. The analysis found numerous root causes including a severely limited domestic labor market; inadequate work readiness skills, including English language skills; limited Government of Kiribati capacity to facilitate and manage decent international employment; and competition from workers in other Pacific Island countries. Other root causes that specifically impact women's participation include social pressure on women inhibiting workforce participation; gender segregation in workforce training; and employer bias for hiring males in certain occupations.

The threshold program implementation period will last four years and is expected to begin upon the date of signature of the threshold program grant agreement.

Table 1 presents an approximate budget for the proposed threshold program based on initial due diligence and appraisal.

Below is a summary describing the components of the proposed threshold program with the Government of Kiribati. The budget and expected impacts are preliminary based on initial due diligence and project appraisal and are subject to change following threshold program negotiations. The anticipated budget for the Kiribati Threshold Program is up to \$29,100,000.

Table 1: Kiribati Threshold Program Budget (million in US\$)

MCC Funding	Total MCC Funding
1. The Aspire Project	
1.1 MEHR Capability Building Activity	\$3,212,000
1.2 Worker Protection and Family Resilience Activity	\$6,100,000
1.3 Youth Skills Camps and Scholarship Activity	\$16,600,000
Subtotal	\$25,912,000
2. Monitoring and Evaluation	\$1,432,000
3. Program Administration and Oversight	\$1,756,000
MCC Funding	\$29,100,000

Proposed Projects

The project and activities to be negotiated are:

The objective of the Aspire Project is to facilitate decent and inclusive employment for Kiribati workers.

- Ministry of Employment and Human Resource (MEHR) Capability Building Activity:** Activity 1 will provide support to MEHR to enhance its ability to promote decent and inclusive employment for the people of Kiribati. MEHR plays a central informational and transaction role in the Kiribati workplace, connecting Kiribati workers with domestic and regional employers. Despite this critical role and the presence of a small capable team to execute this work, Kiribati continues to have a serious unemployment problem. Utilizing an agile, highly participatory facilitated governance reform approach, this activity will strengthen MEHR capacity to promote the achievement of three specific outcomes: improved administrative capability of MEHR, enhanced ability of under-represented groups to access employment, and strengthened link between skills acquisition and employability.
- Worker Protection and Family Resilience Activity:** Activity 2 will work with MEHR to address worker protection risks related to the employment of I-Kiribati working overseas by promoting workers' rights before, during, and after workers participate in international labor mobility schemes. The activity will promote the rights and well-being of Kiribati workers through activities such as providing a resource support center for overseas workers. In addition, the activity will provide pre-departure and re-integration support so that workers and their families are prepared to manage the challenges and opportunities associated with regional employment.

- **Youth Skills Camps and Scholarship Activity:** A lack of work-readiness skills such as problem solving and communication in English is a key impediment to Kiribati workers securing decent employment opportunities. To address these challenges, Activity 3 will provide three types of specialized study opportunities for Kiribati high school students: (1) an intensive 3-week English camps in Fiji/Kiribati, (2) an intensive 4-week English camps in the United States, and (3) a year-long scholarships at a high school in the United States. By participating in these programs, Kiribati students can receive language immersion and a cultural experience that will build work readiness skills. Leveraging the experience of the U.S. Department of State’s Bureau of Educational and Cultural Affairs (ECA), MCC is working closely with an experienced and trusted ECA partner organization to design and implement the Youth Skills Camps and Scholarships Activity.