



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

The Millennium Challenge Corporation intends to provide funding in an amount not to exceed \$29,100,000 under a Millennium Challenge Threshold Program Grant Agreement with the Republic of Kiribati.

This notification is being sent on August 16, 2023.

Obligation of funds may be incurred on or after 15 days from the date of this notification.

An attached summary describes the project and other key elements of the planned Threshold Program. If you or your staff would like to arrange a meeting to discuss the proposed Threshold Program, please contact Brian Forni at ForniBJ@mcc.gov.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

August 16, 2023

PROGRAM: Kiribati Threshold Program
APPROPRIATIONS CATEGORY: Fiscal Years 2022 and 2023 Program Funds
OBLIGATION AMOUNT: \$29.1 million

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2022; section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2023; and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this notification is to advise you that the Millennium Challenge Corporation (“MCC”) intends to sign an agreement with the Republic of Kiribati obligating up to \$29,100,000 of fiscal year 2022 and 2023 funds for a program of assistance under section 616 of the Act (the “Threshold Program”).

The proposed threshold program with Kiribati is designed to support policy and institutional reforms to address the disproportionately low participation of Kiribati people in the international labor economy, an area identified as a critical constraint to economic growth and poverty reduction.

SUPPLEMENTAL INFORMATION

Overview of MCC Kiribati Threshold Program

MCC's Board of Directors has approved a four-year, \$29.1 million threshold program with the Republic of Kiribati (the "Kiribati Threshold Program") to assist the Government of Kiribati in addressing their biggest constraint to economic growth: 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. The Kiribati Threshold Program 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 fiscal year 2023, 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 unemployment and sufficient donor engagement in the two other areas. 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 in the international labor economy include social pressure on women inhibiting workforce participation; gender segregation in workforce training; and employer bias for hiring males in certain occupations.

The Kiribati Threshold Program implementation period is expected to last four years, beginning upon the date of signature of the threshold program grant agreement.

Table 1 presents an approximate budget for the proposed Kiribati Threshold Program based on initial due diligence and appraisal.

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

Table 1: Kiribati Threshold Program Budget

MCC Funding	Total MCC Funding
1. Project Activities	
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
Sub-total	\$25,912,000
2. Monitoring and Evaluation	
2.1 Monitoring and Evaluation	\$1,432,000
Sub-total	\$1,432,000
3. Program Administration and Oversight	
3.1 Program Administration and Oversight	\$1,756,000
Sub-total	\$1,756,000
Total Program Budget	\$29,100,000

Project Summary

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

The project activities are:

- Ministry of Employment and Human Resource (MEHR) Capability Building Activity:** This activity 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 four specific outcomes: improved administrative capability of MEHR, increased markets and sectors with I-Kiribati workers, enhanced ability of under-represented groups to access employment, and strengthened link between skills acquisition and employability.
- Worker Protection and Family Resilience Activity:** This activity will provide support to 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, this activity will provide three types of specialized study opportunities for Kiribati high school students: (1) an intensive 3-week English camp in Fiji, (2) an intensive 4-week English camp in the United States, and (3) 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.