



Australian Government

Department of Foreign Affairs and Trade

PACIFIC COVID-19 RESPONSE PACKAGE – KIRIBATI ANNEX

As announced in the October 2020 budget, Australia will provide new funding of [\\$304.7 million for a COVID-19 Response Package](#) (the Package) in the Pacific and Timor-Leste. The two-year package (FY 2020-21 and 2021-22) will be a temporary and time-bound addition to Australia's existing and ongoing \$4 billion Official Development Assistance budget.

In addition to support provided to maintain Pacific aviation, the Package has two funding windows: a Vulnerability and Economic Recovery Window; and a Fiscal Crisis Window for countries facing severe fiscal impacts. The Australian Government will provide \$3 million to Kiribati under the Vulnerability and Economic Recovery Window.

This annex outlines Australia's implementation of the Package in Kiribati. It also serves as an annex to the [Kiribati COVID-19 Development Response Plan](#) that forms part of Australia's [Partnerships for Recovery](#) development policy.

ECONOMIC, FISCAL AND SOCIAL SITUATION

The economic impact of COVID-19 in Kiribati has, to date, been less severe than in some other Pacific countries but the country's fiscal position remains vulnerable. The Asian Development Bank reported GDP growth at 0.6 per cent in 2020 but forecast GDP to contract 0.2 per cent in 2021, with the caveat that the outlook remains uncertain. For the first time since 2012, Kiribati posted a fiscal deficit in 2020, equal to 0.7 per cent of GDP. The Government of Kiribati reported that fishing licences, a key source of revenue, remained high at the end of 2020, however collections for January 2021 represented a decline of 84 per cent compared to January 2020. The 2021 IMF Article IV consultations noted that the pandemic and associated containment measures had put strains on economic activity and that risks to the outlook are substantial.

Despite only a moderate economic slowdown, there is evidence of rising poverty and hardship. Kiribati is one of the few Pacific countries to report a drop in remittances due, in part, to lower numbers of seafarers and other overseas workers. This is expected to impact I-Kiribati particularly on the outer islands, many of whom rely on

remittances for necessities. Supply chain disruptions have increased the price of commodities and there have been shortages of essential medical supplies. Extended long-distance family separations have affected social cohesion, and there is high unemployment as workers in motels, restaurants and airline agencies have been laid off. Actual unemployment figures, including gender-disaggregated data, will be available once Kiribati's 2020 census is finalised, but global and regional trends indicate that the social and economic repercussions of loss of employment as a result of COVID-19 will be significant, particularly for women and children and other vulnerable groups.

The Revenue Equalisation Reserve Fund provides a fiscal buffer for Kiribati during COVID-19, which it has drawn on to respond to COVID-19.

ACTIVITIES

Activities to be funded through the Package are as follows:

Vulnerability and Economic Recovery Window: \$3 million in 2020-21 to be provided as general budget support with Australia contributing as part of a multi-donor Economic Reform Taskforce. Australia's funding will be linked to a new social protection program, the Unemployment Benefit Scheme, announced by the Government of Kiribati in 2020. The funding is in addition to \$1 million from Australia's bilateral program in Kiribati which was also provided as budget support in 2020-21.

Fiscal Crisis Window: Kiribati is not currently under consideration for FCW funding.

POLICY AND PROGRAM ALIGNMENT

The Package funding will support the economic recovery and stability objectives of the Kiribati COVID-19 Development Response Plan, which highlights social protection and budget support as a focus for Australian funding.

Members of the Economic Reform Taskforce through which the funds will be distributed include Kiribati, Australia, New Zealand, the World Bank, the European Union and the Asian Development Bank.

Funding will be closely linked with Australia's regional Partnerships for Social Protection program that will support the development of effective and efficient social protection systems across the Pacific, including in Kiribati.

GENDER EQUALITY AND WOMEN'S EMPOWERMENT

Australia's investments under the Package will target women, girls and other vulnerable groups. Kiribati's proposed Unemployment Benefit Scheme extends to the informal sector and will provide significant benefits for women and people with disabilities. Supporting the effective design of the social protection system will contribute to protecting women and girls, the elderly, and people with disabilities from the effects of the crisis.

Evidence demonstrates that social protection systems, when designed well, can contribute to reduced poverty and enhanced health and education outcomes, including for women and girls (for example, by enabling families to continue to support girls to complete their schooling).

PROGRAM AND PERFORMANCE MANAGEMENT

The progress of each investment under the Package will be tracked through country-specific monitoring and evaluation frameworks. Monitoring will be undertaken by DFAT with delivery partners and reported through DFAT's regular reporting processes.

Results under the Kiribati Response Package will contribute to reporting against indicators including the following:

From the Kiribati COVID-19 Development Response Plan Performance Framework:

- Evidence Australia has supported Kiribati with policy and technical advice on stimulus measures and longer-term economic recovery.
- Australian budget support as a percentage of GoK supplementary budget expenditure in response to COVID-19.

From the Pacific COVID-19 Response Package Design Framework:

- Number of households, and the people within households reached with new or improved social protection programs, including remote communities
- Number (and nature) of instances of improved economic growth policies and/or measures
- Fiscal and economic reforms adopted by partner governments that support inclusive growth and resilience
- Proportion of ODA and OOF managed with effective donor coordination and planning and/or integrated donor financing.