



Asian Development Bank & Marshall Islands

FACT SHEET

Table 1. Marshall Islands: Development Indicators

Non-MDG	
Population in millions	0.05 (2008)
Annual population growth rate (%)	0.9 (2006–2008)
Adult literacy rate (%)	97 (1999)
Percent of population in urban areas	70.7 (2007)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	...
Under-5 mortality rate per 1,000 live births	54 (2007)
Percent of population using an improved drinking water source	88 (2000)

... = data not available. MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.
SPC. 2009. Pacific Regional Information System.
UNSD. 2009. World Development Indicators Online.

President Litokwa Tomeing was elected in late 2007, and the Government has endorsed a “People First” agenda with priorities continuing to lie in public sector reform, health, and education. The President’s inaugural speech recognized the need to urgently address poor performance of the health and education sectors, and difficulties with transportation, as well as support for private sector development as the basis for job creation. The need for better public finance management was also highlighted.

In July 2008, the Marshall Islands declared a state of economic emergency in response to increased fuel and food prices. The Government had virtually no reserves to cope with the 2008 commodity price increases and was not able to adjust to unforeseen effects of the current global financial turmoil. Inflation is estimated to have reached 17.5% in 2008, the highest among the 14 Pacific developing member countries, up from 3.1% in 2007. While gross domestic product (GDP) growth of 1.3% was achieved in 2007, the economy is estimated to have remained weak at 1.5% in 2008. The Marshall Islands’ debt-to-GDP ratio remained high at 65% of GDP and its debt service as a share of the General Fund Revenues amounted to 32%.

The Marshall Islands receives considerable bilateral grant assistance from Japan; Taipei, China; and the United States (US), averaging \$70 million annually, or 45% of GDP and 70% of fiscal revenues. In October 2004, the governments of the United States and Marshall Islands signed a 20-year agreement known as the Compact of Free Association. Under this Agreement, the Government of the Marshall Islands receives annual grant payments and access to federal support programs. In return, the US Government retains certain rights to support the foreign affairs and defense interests of the Marshall Islands. The United States is the Marshall Islands’ main development partner, and assistance from the Asian Development Bank (ADB), in comparison, is relatively modest.

Relationship with ADB

The Republic of the Marshall Islands joined ADB in 1990. Since then, ADB has approved 12 loans for \$78.13 million and 46 technical assistance (TA) grants for \$18.76 million.

ADB loans have supported development of the education, fisheries, health, water, and transport sectors, and assisted public sector reform and structural adjustment. One loan assisted typhoon emergency rehabilitation. The TA program has also covered a wide range of sectors and issues, including support for ADB loans, capacity building in development banking, tourism management, environmental protection, and economic policy formulation. The program has also helped privatize state-owned enterprises, develop the private sector, and reform the civil service. Since 2002, ADB’s program for the Marshall Islands has been increasingly delivered through TA grants rather than through lending.

In October 2008, the Country Operations Business Plan (COBP) for 2009–2011 was approved by the ADB Board of Directors. The document can be found at www.adb.org/Documents/CPSs/RMI/2008/COBP-RMI-2009-2011.pdf.

Impact of Assistance

No loans or TA were approved in 2007–2008. Nevertheless, ongoing TA projects, approved prior to 2007, continue the strategic focus of improving the performance and productivity of both the public and private sectors, particularly through support to policy formulation. Regional TA in the Pacific has also provided support to the Marshall Islands. These TA projects have helped improve the effectiveness of other development assistance made available to the Marshall Islands.

ADB's TA to the fisheries sector in the late 1990s helped the Government reformulate its investment and development policy after earlier policies failed to yield anticipated results. A reassessment of the status of the sector and policy options helped the government agency develop commercial fisheries by enhancing the licensing regime and producing a more favorable environment for investment and growth.

A program loan and associated TA, approved in 2001, established the country's trust fund that, with continuing financing under the renewed Compact assistance from the United States, should help secure the country's public finances.

In 2003, TA was made available to prepare a possible project for youth-at-risk and led the Government to support a significant shift in its policy toward this group. The Government is now providing grants to outsource provision of welfare and vocational training to civil society organizations with a track record of success in helping youths.

In 2005, the Pacific Islands Forum gave regionalism a boost by approving the Pacific Plan for Strengthening Regional Cooperation. ADB supports programs under the Plan, which emphasizes development of regional public goods and services. Collective management of increased aviation safety and security requirements under the ADB-financed Pacific Aviation Safety Office is a good example of this potential.

In 2007, an ADB TA improved the environment for private sector development, among others, by assisting the Government establish a Land Registration Authority. As of October 2008, the volume of registrations and recording stands at 1,105, compared with less than 250 at the start of the TA.

Future Directions

With no lending proposed in the next 3 years, ADB's new COBP 2009–2011 provides an indicative annual nonlending TA support program of about \$500,000. The nonlending pipeline has been designed to improve

Table 2. Marshall Islands: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	2,810	2,930	2,980	3,070	...
GDP growth (% change per year)	6.7	2.0	0.9	1.3	1.5
CPI (% change per year)	2.2	4.4	4.3	3.1	17.5
Unemployment rate (%)	30.9	30.9	30.9	30.9	...
Fiscal balance (% of GDP)	-1.3	-2.6	0.9	-0.7	...
Export growth (% change per year)	28.7	28.6	-10.1	2.5	...
Import growth (% change per year)	-4.1	12.0	-3.0	3.4	...
Current account balance (% of GDP)	-29.3	-30.7	-28.3	-27.7	-26.0
External debt (% of GNI)	55.8	51.6	51.6	48.7	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.

ADB staff estimates.

World Bank. 2009. World Development Indicators Online.

fiscal and debt management. ADB will process new TA when all the conditions are met.

The Marshall Islands and ADB will prioritize activities in the areas of (i) increasing public sector productivity with emphasis on basic social services; (ii) formulation of climate change adaptation plans; and (iii) enhancing the environment for private sector investment, job creation, and growth.

In addressing the binding development constraints in the Marshall Islands, the COBP 2009–2011 seeks to incorporate ADB's Approach to Engaging with Weakly Performing Countries (WPCs).¹ In accordance with ADB's WPC Approach, ADB will continue to favor longer-term TA aimed at strengthening core capacities and functions to improve economic management. The COBP 2009–2011 aims to support civil society institutions promoting good governance and development results. Overall, the COBP supports fiscal stability and prudent macroeconomic management to revive economic growth and reduce hardship.

Operational Challenges

The longer-term trend since the Marshall Islands' independence in 1986 presents a challenging scenario. Much of the earlier growth directly reflects the increased payments of the US Government under the new Compact of Free Association agreed in December 2003. During the current 20-year period of the amended Compact, annual grant assistance to the Marshall Islands is to gradually decline. In the amounts equal to these reductions, the US Government will make contributions to the Compact Trust Fund established in 2000 with ADB's TA. The trust fund is intended to generate sufficient revenue to eventually substitute for the grant component of US assistance by the end of the amended Compact in 2023.

The Marshall Islands debt-to-GDP ratio remained high at 65% of GDP, and its debt service as a share of the General Fund Revenues, amounted to 32%,² indicating that the country is beyond a safe debt threshold. The public sector, including state-owned enterprises, continues to dominate the economy. It accounted for about 40% of GDP

Table 3. Marshall Islands: 2008 Loan and TA Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
-	-	-	-	-

- = nil.

Cumulative Lending (as of 31 Dec 2008) : \$78.1 million

Cumulative Disbursements (as of 31 Dec 2008) : \$64.2 million

Table 4. Marshall Islands: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	1	6.95	8.90
Education	2	14.83	18.98
Health, Nutrition, and Social Protection	1	5.70	7.30
Law, Economic Management, and Public Policy	3	24.00	30.72
Multisector	2	9.75	12.48
Transport and Communications	1	7.00	8.96
Water Supply, Sanitation, and Waste Management	2	9.90	12.67
Total	12	78.13	100.00

^a Total may not add up because of rounding.

¹ ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries*. Manila.

² 2008 CPA Document for RMI.

share of employment. Civil service and public sector reform remain a priority. Strengthened public sector personnel management is needed to support improved public finance management and other reforms. There continue to be examples of modest improvement in some public services. The 2008 International Monetary Fund Article IV mission reiterated a call for urgent fiscal reforms and structural adjustment.

The Government needs to also ensure that Compact funds contribute to economic development and poverty alleviation. Stimulating private sector development is essential for job creation. Although the level of spending on education in the Marshall Islands is among the highest in the Pacific, the country's education outcomes do not reflect this. Education and youth services play a critical role in economic development and poverty alleviation. The opportunity to migrate to the United States provides a valuable safety net for the Marshallese people.

Partnership

ADB successfully piloted the conduct of confidential, informal retreats between the leadership of key development stakeholders. This has resulted in increased dialogue among all stakeholders, including the Government, the private sector, civil society, and the international funding agencies.

ADB's policy is to cooperate with civil society organizations to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, the Government, in partnership with civil society, private sector, and ADB, organized a public policy forum on energy sector needs and reforms, and some 100 participants witnessed the signing of the 2008 Majuro Declaration on Energy, which provides a guiding principle for energy policy in the Marshall Islands.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The

Table 5. Marshall Islands: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	0.0	1
Education	50.0	2
Health, Nutrition, and Social Protection	0.0	1
Law, Economic Management, and Public Policy	0.0	2
Multisector	100.0	1
Transport and Communications	0.0	1
Water Supply, Sanitation, and Waste Management	0.0	1
Total	22.2	9
By Year of Approval		
1990s	33.3	6
2000s	0.0	3

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

Table 6. Marshall Islands: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	Number of Ongoing Loans (as of 31 Dec 2008)	
	2007 (\$ million)	2008 (\$ million)
Contract Awards/Commitments	–	–
Disbursements	0.1	–
Loans at Risk (%)	–	–

– = nil.

additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for the Republic of Marshall Islands amounted to \$1.5 million for six TA projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at www.adb.org/Documents/Fact_Sheets/MarshallIslands/cofinancing.asp.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 15 contracts were awarded to consultants from the Marshall Islands worth \$0.89 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which 17 contracts were awarded to consultants from the Marshall Islands worth \$0.29 million.

A summary of procurement contracts awarded to companies and consultants from the Marshall Islands for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/MarshallIslands/procurement.asp.

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 8. Marshall Islands: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
PDC Systems	Education	0.06
ELM Motors Incorporated	Education	0.02
Betwel Lekka – Opening Technical Proposals	Transport and Communications	0.00

Table 9. Marshall Islands: Top individual consultants involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Marshall Islands*	15	0.22

* Consultant may have one or more contracts within the period covered.

About the Marshall Islands and ADB

The Marshall Islands is the 40th largest shareholder among regional members and the 48th largest shareholder overall. It shows both positions with the Cook Islands.

ADB Membership

Joined	1990
Shares held	94 (0.003%)
Votes	13,326 (0.30%)

Marita Magpili-Jimenez is the Executive Director and **Siraj S. Shamsuddin** is the Alternate Executive Director representing the Marshall Islands on the ADB Board of Directors.

ADB's operations in the Marshall Islands are managed through ADB's Manila Headquarters. ADB's Pacific Department provides the primary operational link to the government, private-sector, and civil-society stakeholders in its activities. The Pacific Department engages in policy dialogue and acts as a knowledge base on development issues in the Marshall Islands.

Sungsup Ra succeeded **Sirpa Jarvenpaa** as the Director of Pacific Operations Division (PAHQ) on 20 March 2009.

The Marshall Islands government agency handling ADB affairs is the Office of International Development Assistance within the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/marshallislands

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/SMALL-PAC.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/