

ASIAN DEVELOPMENT BANK

TAR:RMI 34212

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

TO THE

REPUBLIC OF THE MARSHALL ISLANDS

FOR PREPARING THE

YOUTH SOCIAL SERVICES PROJECT

November 2003

CURRENCY EQUIVALENTS

The currency of the Republic of the Marshall Islands is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
EPPSO	–	Economic Policy, Planning and Statistics Office
MTEF	–	medium-term expenditure framework
NGO	–	nongovernment organization
PSRP	–	public sector reform program
RMI	–	Republic of the Marshall Islands
RRP	–	report and recommendation of the President
TA	–	technical assistance
US	–	United States

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. During the 2000 country programming mission and subsequent consultation missions, the Government of the Republic of the Marshall Islands (RMI) requested Asian Development Bank (ADB) assistance for a project in support of social sector development. This was included in ADB's program for consideration by the Board in the year 2004. During the Fact-Finding Mission of 25 February to 8 March 2003, an understanding was reached with the Government on the technical assistance (TA)¹ objectives, scope, financing, and implementation arrangements. The TA framework is attached as Appendix 1.

II. ISSUES

2. Over the last 15 years the RMI economy has been stagnant despite relatively large annual transfers of aid from the United States (US) under the first Compact of Free Association. The unemployment rate is consequently high at around 30%, and increasing, yet the country is recruiting overseas to fill qualified positions. For several generations, the population has been accustomed to being provided for by the US administration and, more recently, by the Government. A top-down, supply-driven, approach to social service delivery has resulted in a state of apathy and sense of dependency across the society. The 1999 Pacific Human Development Report ranks the RMI 8th (down from 5th in 1994) among the 12 Pacific developing member countries (PDMCs) in terms of poverty. The low ranking of the RMI reflects the reality that one in four of the population is illiterate, almost one child in five is underweight, and almost one household in five does not have access to safe water.

3. In the 1980s, the RMI had one of the highest population growth rates in the world. The rate has decreased, from 4.2% per annum to 1.5% per annum in 1999 due to a slight decrease in natural growth, and very substantial out-migration. Although the average woman is now bearing fewer children in her lifetime, each year the cohort of fertile women increases. With 42.9% of the population under the age of 15 in the 1999 census, this trend is likely to continue over the next decade, and has serious consequences in social stability, health services, and education. On the other hand, the youth of the RMI, represent a sizable resource for the future of the country.

4. The capacity of the education system has not kept pace with the rapid increase of the school-age population. Private schools ease the pressure on the public system, but are relatively expensive. The quality of education is very low. Many elementary school age children do not attend school, for lack of space or because the school is far from their homes. Poor student attendance is also linked to the broader issue of weak parenting capabilities. The major challenge faced by the education system is poor teachers' qualifications. Only 57% of teachers are high school graduates. Capacities in English and math are particularly low. However, even a large investment in the education supply would not guarantee a substantial improvement in educational outcomes in the absence of a broader approach taking in account the demand for education.

5. Children in large families and those of teenage and young mothers often do not receive the individual care they need. About 44% of the school children in grades 1 and 2 are malnourished in Ebeye. Nutritional problems are another consequence of the lack of education and passivity of the population. Of hospital admissions in Majuro, 75% are linked to diabetes. Diabetes is affecting people at increasingly younger ages, which will have serious economic

¹ The TA was first listed in *ADB Business Opportunities* (Internet version) on 12 February 2003.

consequences, both in terms of health costs and loss of productivity of the workforce. However, health education and promotion campaigns conducted in the past decade with ADB support² have improved the understanding of noncommunicable diseases among the population, and this should be reinforced and encouraged within the youth age group.

6. In recent years the migration of many Marshallese to the urban population centers of Majuro and Ebeye and the consequent increased exposure to non-Marshallese values and culture have helped weaken the traditional cultural norms and organization that have been central to Marshallese society. The lack of education, rapid urbanization of the population, erosion of traditional social structures and breakdown in family discipline, crowded living conditions, high proportion of young people, and high drop out rate from school,³ are leading to increasing social problems, notably alcohol and drug abuse, youth suicides, and teenage pregnancies. The number of criminal offenses is on the rise, and over 40% of the arrested people are age 19 or under. One third of alcohol- and drug-related problems are among minors. The emergence of youth gangs is now a well identified, albeit worrying, phenomenon. The most vulnerable youth are those who are neither employed nor in school.

7. The issues the country faces with regard to youth are particularly complex. Their solutions require a demand-driven approach rather than a supply-driven one, which has failed in the past. Promoting the participation of the youth and communities in shaping policies and monitoring youth-targeted public expenditure is essential. Youth disadvantages derive from lack of (i) economic assets, leading to income generation; (ii) social access to information, social capital, free-time activities, cultural expression, educational opportunities, care, and mentoring in youth friendly venues; and (iii) participation in decision-making. Youth inclusion policies are more effective if the different dimensions are combined, rather than having fragmented sectoral interventions. Youth concerns need to be addressed at a macro level and to appear in a more prominent way in planning economic development, and not be perceived as a set of small-scale targeted interventions.

8. The RMI Government produces a medium-term expenditure framework (MTEF) which received assistance from ADB TA.⁴ ADB TA has also sought to improve public expenditure management (PEM) by integrating a gender and youth perspective into the Government's budget policies. A sound PEM system and a good understanding of how input affects outcome is expected to improve the status of women and youth through efficient and equitable resource allocation. The TA focuses on gender in the RMI and youth in Samoa.⁵

9. The ADB strategy for the RMI focuses on (i) private market and job creation by helping to improve the environment for private sector development; (ii) improved delivery of essential public goods and services; and (iii) strengthening of central governance in support of private and public sector productivity. ADB is committed to implementing this strategy in a participatory manner to encourage ownership and commitment in support of developing a new social and economic order. Other funding agencies, mainly from Japan; Taipei,China; and US are financing infrastructure investments; thus, ADB's strategy complements other assistance.

² ADB. 1994. *Report and Recommendation of the President on a Proposed Loan and a Technical Assistance Grant to the Republic of the Marshall Islands for the Health and Population Project*. Manila.

³ The drop-out rate is 30% before grade 7 and 60% before grade 9. Of the remaining 40%, 33% complete high school.

⁴ ADB. 2001. *Fiscal, Financial, and Economy Advisory Services*. Manila.

⁵ ADB. 2002. *Youth- and Gender-Sensitive Public Expenditure Management in the Pacific*. Manila.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

10. The TA will assist the Government in (i) strengthening and refocusing public sector policies, management, and public expenditure on priority issues affecting the youth, in a participatory manner; and (ii) assessing the feasibility of, and preparing, a youth social services project, to finance the assistance and investments required to address these priorities. The objective of the Project will be to reduce poverty among the youth, by encouraging the demand for and development of youth-specific services and facilities by nongovernment organizations (NGOs) and the Government, and by improving the relevance and effectiveness of the services. The TA will focus on organizational, institutional concerns, and target employability, social skills, and a social support system for the youth.

B. Methodology and Key Activities

11. The TA will be implemented in two phases. Phase I will use a participatory approach toward budget formulation to (i) prioritize public expenditures, determining focal areas (including institutional and management concerns) and strategic interventions; and (ii) subsequently develop a multiyear MTEF for youth-oriented services, identifying investment and recurrent costs over a 5-year period. Phase 2 will prepare the investment component of MTEF for possible ADB financing.

12. The main objectives of the phased approach are (i) targeting of the Government's budget toward pressing social issues, and better allocation of resources; (ii) improved understanding of these issues by central agencies; (iii) active participation of different groups in the community, including parents and elders, in formulating and monitoring the budget; (iv) improved management and supervision, and therefore, productivity of the resources allocated; (v) further examination of institutional arrangements and service delivery mechanisms, possibly including communities, NGOs, and linkage with relevant public agencies; (vi) pooling of resources for cross ministry projects; and (vii) obtaining of the commitment of the communities and demand for better public services delivery.

13. **Phase 1: Prioritization of Public Expenditure for the Youth.** Building (i) on the policy dialogue among the Ministry of Finance, key spending ministries, and youth and women's organizations strengthened or set up during the implementation of the TA on Youth-and Gender-sensitive Public Expenditure Management; and (ii) on the result of the participatory poverty assessment, phase 1 will (i) prepare an analysis of stakeholders and participatory needs, institutional response, and youth services; and (ii) select areas of policy and institutional focus and strategic interventions, based on the analysis, and identified priorities, which will involve building a consensus on youth and social issues within both government and nongovernment sectors.

14. A MTEF for youth-oriented services, will then be formulated through a participatory approach involving NGOs and civil society groups. The MTEF will clearly identify recurrent and investment costs for setting up adequate youth services and programs.

15. Coordination with the recently established Economic Policy, Planning and Statistic Office (EPPSO) will be critical. The possibility of involving the EPPSO task force to assess data and statistics, and to analyze youth roles in activities supported by the budget process and the

impact of delivery mechanisms, will be discussed. The need for additional capacities in EPPSO will also be assessed, and how social participation indicators can be included in the measurement systems required for the performance budgeting. Providing monitoring and communication tools to the Government for the “performance budget” on priority issues such as youth development (including education, health, and nutrition) will be part of the Project.

16. The Project will particularly (but not necessarily exclusively) target out-of-school youth to create a more supportive environment for skill building through innovative, nonformal education. This can include the following:

- (i) **Local programs that teach life skills.** The goals are to (a) provide the youth with permanent skills that will empower them to become competent, confident, responsible, and caring adults; (b) build the skills or opportunities to contribute toward their taking positive roles in their communities, and (c) develop employability skills, and learn how to think creatively on the job.
- (ii) **Youth participation and service to their communities.** Peer education (by the youth for the youth) can be an effective way of providing the youth with information, motivation, and life skills especially in relation to sensitive issues (e.g., sexuality and substance use). Through such opportunities, young people come to think of themselves as stakeholders in society, with a positive attitude toward active citizenship. Perhaps most importantly, a young person who feels he or she has something to offer also feels a sense of belonging and a sense of worth—so critical to his or her positive growth and development.
- (iii) **Youth organizations providing information.** Promoting socialization will be supported.

17. **Phase 2: Preparation of the Investment Component.** Phase 2 will assist the Government to prepare a Project, to finance the development of youth services and facilities within the framework of the MTEF. This phase will notably involve (i) estimation and prioritization of the need for additional investments, including training, capacity building, and institutional development; (ii) preparation of policy recommendations to enhance the youth social services; (iii) design of effective delivery systems social services to the youth through the participation of communities; and (iv) evaluation of the cost and identification of the modalities of implementation to be supported by the proposed Project. Phase 2 will involve a participatory approach under which stakeholders define priorities and corresponding activities as they gain experience. Beneficiary involvement in the Project’s development is critical to ensure that their needs and views are taken into account.

18. The need for capacity building in civil society organizations, local governments, and central Government agencies will have to be carefully assessed. The proposition to create a center for sustainable community-based development in the College of the Marshall Islands, as an information center for NGOs, and a center for training on issues of accountability, will have to be evaluated. The link with a training institution can help to ensure the sustainability of the learning process.

19. Improving the productivity of Government service delivery may involve out-sourcing a number of activities to NGOs. Some NGOs are already successful in youth rehabilitation and skills development. This will be explored, and mechanisms designed to ensure a systematic approach by the Government, reinforcing the links between line ministries and civil society.

20. The Project will take into account the nature of the Marshallese society, which tends to limit the participation of the general community in the decision-making processes.

C. Cost Financing

21. The total cost of the TA is estimated at \$630,000 equivalent. ADB will finance \$500,000 equivalent including \$447,000 in foreign exchange and \$53,000 in local currency equivalent on a grant basis from the Japan Special Fund, funded by the Government of Japan. The remaining \$130,000 equivalent will be provided by the Government through the provision of counterpart staff, support services, and office facilities. The detailed cost estimates and financing plan are provided in Appendix 2. The Government has been advised that approval of the TA does not commit ADB to financing any ensuing project. The expected loan amount for the Project is \$5 million.

D. Implementation Arrangements

22. The Ministry of Internal Affairs, which has a unit on youth issues, will be the Executing Agency. The TA will be implemented in close coordination with the Ministry of Finance to ensure that youth issues are mainstreamed into general policies and budget work. The total duration of the TA will be 10 months, beginning in November 2003.

23. A team of international consultants with expertise in economics, public expenditure management, sociology, participatory processes, and youth policy development, will be recruited through a firm for a total period of 17 person-months. The consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants*. The quality- and cost-based selection method will be applied. Outline terms of reference are attached as Appendix 3. The TA will provide for a series of workshops and consultative meetings in the atolls and islands, to ensure (i) training on participatory budget techniques, and (ii) broad participation of stakeholders in the Project's design.

24. The consultants will submit (i) an inception report, 1 month after TA commencement; (ii) an interim report at the end of phase 1; (iii) a draft final report 1 month prior to the end of the TA; and (iii) a final report within 2 months of TA completion.

IV. THE PRESIDENT'S DECISION

25. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of the Marshall Islands for preparing the Youth Social Services Project, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Risks
<p>Goal</p> <p>Reduce poverty among the youth, by encouraging the demand for and development of youth-specific services and facilities by nongovernment organizations (NGOs) and the Government, and by improving the relevance and cost-effectiveness of services.</p>	<ul style="list-style-type: none"> • Increased percentage of youth remaining in education. Decrease of drop-out before grade 7, from 30% to 20% and from 60% before grade 9 to 50%. • Increased number of youth employed, reducing rate of unemployment from 30% to 25%. • Reduced youth crime, including elimination of youth gangs within 5 years. • Reduction in teenage pregnancies from 22% to 15% within 5 years. 	<p>National statistics on</p> <ul style="list-style-type: none"> • labor force, • employment, • education, • crime, • health. 	
<p>Objectives</p> <ul style="list-style-type: none"> • Strengthen and refocus public sector policies, management, and public expenditure on priority issues affecting the youth, in a participatory manner. • Assess the feasibility of, and prepare, a youth social services project, to finance the investments required to address priorities, prepared in a participatory manner. 	<ul style="list-style-type: none"> • Participatory budget formulation task force or committee, including NGOs, established. • Budget task force or committee meets at least twice a year to review, analyze, and comment on the budget as it relates to youth concerns. • Involvement of youth organizations and ministries in budget and medium-term expenditure framework (MTEF) for youth preparation • Draft youth social services project. 	<ul style="list-style-type: none"> • Report of the youth Republic of Marshall Islands task force. • Reports of the Economic Policy, Planning and Statistics Office and Budget task forces. 	<ul style="list-style-type: none"> • Limited capacity to reallocate public expenditure toward programs targeted to the young. • Limited commitment of the Government and the communities
<p>Outputs</p> <ul style="list-style-type: none"> • Medium-Term Budget Framework (MTBF) prioritizing youth social services prepared in a participatory manner. • Draft report and recommendation to the president (RRP) for youth social services project 	<ul style="list-style-type: none"> • Initial MTEF assessed by RMI task force as prioritizing the needs of RMI youth. • RRP acceptable to the Asian Development Bank (ADB) management. 	<ul style="list-style-type: none"> • Task force report. • Staff Review Committee, Management Review Meeting 	<p>Youth services MTEF preparation can be sustained by the community and government. Ownership and commitment from community and government for the Project</p>
<p>Activities</p> <p>Phase 1: Prioritization of Public Expenditure for the Youth</p> <ul style="list-style-type: none"> • Stakeholder and needs analysis for youth service. • Selection of areas of policy and 	<ul style="list-style-type: none"> • Identification of key areas and recognition of main issues affecting youth 	<ul style="list-style-type: none"> • Consultants' reports. 	<ul style="list-style-type: none"> • Poor quality of the Public Expenditure

Design Summary	Performance Targets	Monitoring Mechanisms	Risks
<p>institutional focus and strategic interventions, based on the need analysis, institutional analysis, and Government priorities.</p> <ul style="list-style-type: none"> • Formulation of a MTEF for youth-oriented services, prepared utilizing a participatory approach involving NGOs and civil society groups. • Establishment of a consensus on youth and social issues within both government and nongovernment sectors. <p>Phase 2: Preparation of the Investment Component</p> <ul style="list-style-type: none"> • Estimation and prioritization of the needs for additional investments to develop youth services and facilities within the framework of the MTEF. • Preparation of the policy recommendations to enhance the social services for the youth. • Design of effective delivery system for social service to the youth through participation of communities. • Identification of project components for possible ADB financing. • Identification of the direct support to be provided to the Government and NGOs to help implement the MTEF. • Detailed costing of the activities and investments required. 	<ul style="list-style-type: none"> • Shift in percentage expenditures in favor of priorities identified by the young. • Share of the sectors defined in terms of their impact on the youth (youth's priority public services, and share of expenditure devoted to programs targeted at youth) • MTEF for youth issues. <ul style="list-style-type: none"> • Detailed implementation plan for the selected activities, agreed with all relevant stakeholders. • Specific project components. 	<ul style="list-style-type: none"> • Draft RRP completed and acceptable to the Government and ADB 	<p>Management system.</p> <ul style="list-style-type: none"> • Lack or poor quality of data. • Nonconductive institutional structures within which the Finance Ministry works. <ul style="list-style-type: none"> • Consultation process allows representation of all the stakeholders. • Availability of counterpart staff.
<p>Inputs Consultancy services. Workshops.</p>	<p>17 person-months. Workshops.</p>	<ul style="list-style-type: none"> • Inception report. • Midterm report. • Draft final report. • Final report. 	<ul style="list-style-type: none"> • Successful recruitment and fielding of consultants. • Provision of counterpart staff by the Government.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem	336.0	0.0	336.0
b. International and Local Travel	40.0	10.0	50.0
c. Reports and Communications	6.0	0.0	6.0
2. Workshops ^b	0.0	40.0	40.0
3. Miscellaneous Administration and Support Costs	2.0	3.0	5.0
4. Contingencies	63.0	0.0	63.0
Subtotal (A)	447.0	53.0	500.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	40.0	40.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	90.0	90.0
Subtotal (B)	0.0	130.0	130.0
Total	447.0	183.0	630.0

^a Financed by the Japan Special Fund, funded by the Government of Japan.

^b Provisional sum.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES

1. The team of consultants (17 person-months) should have advanced degrees in economics and sociology, as appropriate, with well-developed analytical and quantitative skills. The consultants should also have experience in applying these skills to policy and institutional issues in the field of “people-centered” budgets, as well as specific expertise in youth-sensitive public expenditure analysis and participatory budgeting. Experience in training and familiarity with budget systems in developing countries is required, as well as extensive experience with youth policy and development projects. The team will work with (and report to) the Ministry of Internal Affairs. Consultation and coordination will be ensured with other agencies (notably the ministries of finance for the medium-term expenditure framework [MTEF], resources and development, education, health, and environment), nongovernment organizations (NGOs), the private sector, and other funding agencies.
2. The proposed Project will address issues within a strategic framework that matches the Government's plans, and is consistent with the approach and findings of the technical assistance (TA) on Youth- and Gender-Sensitive Public Expenditure Management in the Pacific.
3. The team leader will be required to submit a brief inception report 1 month after the commencement of the TA, establishing TA milestones and time-bound output agreed upon with the Asian Development Bank (ADB). A comprehensive interim report will be submitted to the Government and ADB at the end of phase 1. A detailed draft project proposal, including costing, will be developed during phase 2 by the team and will be submitted to the Government and ADB as part of the draft final report.

A. Phase 1

4. Phase 1 will prioritize public expenditures and improved service delivery, determining focal areas and strategic interventions. Phase 1 will then develop a multiyear spending program in the form of a MTEF for youth-oriented services, identifying both investment and recurrent costs over a 5-year period. Consultants' specific tasks during phase 1 will include the following:
 - (i) Further assess the nature and degree of issues affecting the youth through a participatory process to prepare a stakeholders and needs analysis for youth services, identifying the causal relationship of youth exclusion factors.
 - (ii) Facilitate dialogue between the youth and leaders on these issues.
 - (iii) Promote the youth issues as a high priority at the political and budgetary decision-making level.
 - (iv) Stimulate a dialogue on governance issues among the youth by emphasizing the role they can play in demanding accountability from their Government.
 - (v) Based on the analysis of the Republic of the Marshall Islands' (RMI's) national budget and data available through the TA on youth- and gender-sensitive public expenditure management in the Pacific, develop a framework within which new activities can be identified and financed, within the country's macroeconomic framework. This will encompass four main activities:

- (a) Analyze the share of the different Government sectors defined according to their impact on the youth and prioritize the budget allocation, disaggregating projected expenditure into age-relevant categories and developing youth-sensitive goals and indicators of success.
 - (b) Organize participation of community groups in developing youth policies and programs, to help the Government select areas of policy focus and institutional improvement and other interventions on the basis of an integrated approach between Government departments and various community sectors.
 - (c) Review institutional arrangements and service delivery mechanisms, including possible future operational linkage of communities and NGOs with relevant public agencies.
 - (d) Develop a MTEF focused on youth programs, including (i) cost estimates of ongoing and new programs; (ii) required savings on existing programs, and budget reallocations required to ensure better efficiency; and (iii) finances allocated to new programs. The MTEF will envisage both recurrent and investment expenditure. The period covered should be 5 years for the investment component.
- (vi) Assess the need for additional capacities in the Economic Policy, Planning and Statistics Office (EPPSO) to (a) assess data, availability of age-group statistics, and gaps in their generation and use; and (b) analyze youth roles and responsibilities in activities supported by the budget process.
 - (vii) Assess how social participation indicators can be included in the measurement systems for performance budgeting.
 - (viii) Establish monitoring and communication tools for the “performance budget” on priority issues such as youth development, including independent public budget assessments with a youth perspective and periodic public opinion surveys on budget expenditures at community level.
 - (ix) The scope of the TA will particularly (but not exclusively) target out-of-school youth to create a more supportive environment for skill building through innovative, nonformal education.

B. Phase 2: Preparation of the Investment Component

5. On the basis of the investment financing needs identified in the MTEF, the consultant’s specific tasks during phase 2 will assist the Government to prepare a Project, that will finance the investments required to develop youth services and facilities within the framework of the MTEF. Project preparation will involve (i) estimation and prioritization of the needs for additional investments, including training, capacity building, and institutional development; (ii) preparation of the policy recommendations to enhance the social services for the youth; (iii) design of effective delivery systems for social services to the youth through the participation of communities; and (iv) evaluation of the cost and feasibility, and identification of the modalities of implementation to be supported by the ensuing project. Project preparation will involve a

participatory approach under which stakeholders define priorities and corresponding activities as they gain experience.

6. The project's design activities will include

- (i) developing a logical framework for the proposed project.
- (ii) identifying the detailed cost of the activities and investments covered by the proposed Project.
- (iii) preparing the monitoring and evaluation of the proposed Project.
- (iv) conducting the economic analysis of the proposed project, and
- (v) preparing the terms of reference for TA required.