

ASIAN DEVELOPMENT BANK

COUNTRY STRATEGY AND PROGRAM UPDATE (2003–2005)

THE MARSHALL ISLANDS

July 2002

CURRENCY EQUIVALENTS

The United States dollar (\$) is the unit of currency in the Marshall Islands.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
EHI	–	Ebeye Health Infrastructure Project
FFMP	–	Fiscal and Financial Management Program
MDG	–	millennium development goal
MIITF	–	Marshall Islands Intergenerational Trust Fund
OIBSS	–	Outer Island Basic Social Services Project
OITI	–	Outer Island Transport Infrastructure Project
PDMC	–	Pacific developing member country
RMI	–	Republic of the Marshall Islands
SOE	–	state-owned enterprise
STVE	–	Skills Training and Vocational Education Project
TA	–	technical assistance
US	–	United States of America

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 September. FY before a calendar year denotes the year in which the fiscal year ends.
- (ii) In this report, "\$" refers to US dollars.

CONTENTS

	Page
I. COUNTRY STRATEGY	1
II. CURRENT DEVELOPMENT TRENDS AND ISSUES	2
A. Recent Political and Social Developments	2
B. Economic Assessment and Outlook	2
C. Implications for the Country Strategy and Program	3
III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM	4
A. Progress Under the Poverty Partnership Agreement	4
B. Progress in the Country Strategy and Program Focus Areas	4
C. Highlights in Coordination of External Funding and Partnership Arrangements	4
IV. PORTFOLIO MANAGEMENT ISSUES	7
A. Portfolio Performance	7
B. Performance Monitoring and Evaluation	8
V. COUNTRY PERFORMANCE AND LENDING LEVELS	8
A. Lending Level Proposed	8
B. Nonlending Program	9
C. Summary of Changes to the Lending and Nonlending Programs	9
APPENDIXES AND TABLES	10
A1. Summary Statement of Strategy	
A2. Country and Portfolio Indicators, and Assistance Pipeline	
Table A2.1 Progress Toward the Millennium Development Goals and Targets	
Table A2.2 Country Economic Indicators	
Table A2.3 Country Poverty and Social Indicators	
Table A2.4 Country Environment Indicators	
Table A2.5 Development Coordination Matrix	
Table A2.6 Portfolio Indicators	
Table A2.7 Portfolio Implementation Status	
Table A2.8 Assistance Pipeline for Lending Products	
Table A2.9 Assistance Pipeline for Nonlending Products and Services	
Table A2.10 Lending Scenarios and Performance Triggers	
A3. Concept Papers for Lending Products	
A4. Concept Papers for Nonlending Products and Services	

I. COUNTRY STRATEGY

1. The overall framework for the Asian Development Bank (ADB) country strategy for the Republic of the Marshall Islands (RMI) is set out in *A Pacific Strategy for the New Millennium*.¹ The specific strategies are derived from the ADB-sponsored *Meto 2000*² economic report and work done for the RMI under regional technical assistance (TA) to assess poverty in the Pacific developing member countries (PDMCs).³ In ADB's Pacific Strategy, the RMI is grouped with other countries that are severely disadvantaged by their small size, isolation, and weak resource base. The RMI is heavily reliant on external assistance and has limited potential for self-sustained economic growth.

2. To address the poor economic performance and other critical development issues facing the country, *Meto 2000* recommends six long-term goals: (i) increased self-reliance, (ii) renewed economic growth on a long-term sustainable basis, (iii) equitable distribution of wealth to eliminate deprivation and poverty, (iv) improved public health to substantially reduce the incidence of lifestyle diseases, (v) increased international competitiveness, and (vi) promotion of environmental sustainability.

3. These goals are being pursued through ADB's three-pronged strategy for the RMI:

4. **Strengthen Public Sector Governance and Enhance Public Sector Productivity.** The aim is to improve delivery of public services. The Marshall Islands Intergenerational Trust Fund (MIITF) established under the Fiscal and Financial Management Program (FFMP),⁴ and primarily funded by Compact of Free Association (Compact)⁵ resources, should help secure government finances in the long term. Once fully operational, the MIITF concept could be considered for replication in the outer islands. ADB is also helping the Government strengthen financial and fiscal management under the FFMP loan. This will be continued and extended to improve the tax regime (tax collection is of particular concern) and to improve budgetary management. The means to strengthening public sector management and institutional reform requires support in the areas of budgeting, accounting, and institutional strengthening, and will be supported by TA.

5. **Support Poverty Reduction and the Creation of New Economic Opportunities, and Improve Access to Basic Social Services in the Outer Islands.** Preliminary findings of the poverty assessment supported by TA 6002⁶ indicate that most of the disadvantaged people of the RMI live in the outer islands. Suffering from serious disadvantages in relation to access to basic social services, especially education, health, and safe water supply, they also have fewer employment and income-earning opportunities and are thus severely constrained in their lifestyle choices and have a lower standard of living. The strategy is therefore directed at the outer islands. The means to improving basic social services in the outer islands will require some infrastructure, e.g., port, wharf, and airstrip improvement; education and health facility

¹ ADB. 2000. *A Pacific Strategy for the New Millennium*. Manila.

² ADB. 2001. *Meto 2000: Economic Report and Statement of Development Strategies: Republic of the Marshall Islands*. Manila.

³ ADB. 2000. *Technical Assistance for Poverty Assessment in the PDMCs*. Manila.

⁴ ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Marshall Islands for the Fiscal and Financial Management Program*. Manila.

⁵ The United States Government provides grant assistance to the RMI under the Compact of Free Association. Economic assistance for the last 15 years expired in October 2001, and is currently in a 2-year transition period pending renegotiation.

⁶ ADB. 2001. *Technical Assistance for Consultative Workshops for Poverty Reduction Strategies in Selected PDMC*. Manila.

upgrading; and environmental and water lens protection. This will be provided through the proposed Outer Island Transport Infrastructure (OITI) Project and Outer Island Basic Social Services (OIBSS) Project loans.

6. Enhance the Environment for Private Sector Investment, Job Creation, and Growth. New land laws and the establishment of the Land Registration Authority, initiated under the FFMP, need to be supported in their implementation. Public sector wage restraint will need to be continued in support of a more competitive environment for private investment. Improved access to land for development and as collateral for loans, together with a more competitive wage environment, should lead to an increase in private sector investment. The Marshall Islands Development Bank can play an important role in providing access to credit for small and medium businesses and for the investigation of more innovative financing modalities for private enterprises. ADB will support these developments through TA. The Government has improved state-owned enterprise (SOE) governance and reduced subsidies to the SOEs under the FFMP, but a more rigorous commitment to SOE privatization is still required. The perceived constraint to an improved investment environment is the lack of a consistent public sector commitment to developing the private sector.

II. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Recent Political Developments

7. A new Government, elected on a reform platform, took office in January 2000. Its commitment to public sector reform was demonstrated when the third tranche conditions specified in ADB's loan for the Public Sector Reform Program⁷ were fully met in June 2000. Despite some adverse political pressure, the commitment to reform remains. This has again been demonstrated by the Government's reaffirmation of its commitment to the policy conditions of the subsequent FFMP loan.

8. The future of the RMI economy will be critically dependent on the outcome of the current negotiations for the renewal of the economic provisions of the Compact (footnote 5). The economic provisions are likely to be renewed with a focus on education, health, infrastructure, and the environment, with separate payment for the use of Kwajalein atoll for defense purposes. Further, the compensation for the Marshallese that were affected by the nuclear testing also has an important bearing. ADB has been assisting the Government in preparing for negotiations for the new Compact. This is providing ADB with an opportunity to help the Government plan for the more effective and sustainable utilization of these resources.

B. Economic Assessment and Outlook

9. ADB provided assistance to review the economy and recommend development strategy options based on a highly participatory approach (*Meto 2000*). Among the major findings of the economic performance review were (i) no economic growth since independence, (ii) the labor force will grow much faster than wage employment, (iii) investment in fisheries and services offers the best prospects for growth, (iv) improvements are needed in the investment environment, (v) strengthening of public financial management is essential, and (vi) government revenues need to be put on a sustainable basis.

⁷ ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Marshall Islands for the Public Sector Reform Program*. Manila.

10. Payments by the United States (US) under the Compact have contributed an estimated 50% to 70% of gross domestic product over the past 16 years. However, average per capita growth has been zero over the same period. Misdirected public investment, a poorly developed environment for private sector development, undeveloped land markets, and more generally, the lack of competitiveness have constrained the economy's capacity for growth.

11. Real GDP grew by only 0.7% in 2000. Consumer prices also increased by about 1.6% during 2000 and 2.0% in 2001. Contained inflation was due to cheaper imports arising from the strengthening of the US dollar (used as the RMI currency) and sluggish demand, the combination of which more than offset the impact of the sharp rise in fuel prices. While imports have remained fairly constant over the past 6 years, exports have declined by almost two thirds over the same period, marking a decrease in fisheries and copra product exports.

12. Government budget balances have fluctuated widely. Recent surpluses have been used to repay earlier accumulated debts, including that of the Marshall Islands Social Security Administration. Since October 2001, ADB loans have become the RMI's primary debt obligation. Although tax revenues have fallen and tax collection is a serious governance concern, overall total domestic revenues are estimated to increase by almost 14% in 2002. Revenue from fishing license fees fluctuates, but is expected to increase by almost 50% in 2002. The Government is now aiming to produce a balanced budget in future years.

13. Public and private shares of formal employment have changed dramatically over the past 10 years. Between 1991 and 1999, the share of public sector workers declined by 45%, while the number of private sector workers increased by 15%. While natural population growth has not declined significantly, a recent census noted the population to be less than expected due to a high rate of out-migration. Notwithstanding this, the unemployment rate increased from 12.5% in 1988 to 30.9% in 1999. Youth unemployment rates in the 15–19 age group were higher, at 73.2% in 1999. On the positive side, employment opportunities created by recent private sector developments have been the establishment of a tuna-loining plant employing some 350 people, associated fisheries industry investments, and other private investments in black pearl cultivation and niche market tourism.

C. Implications for the Country Strategy and Program

14. The current reform-minded government, the renewal of Compact provisions, the increasing poverty, the potential for new private investment, and ADB's role as the lead agency in stimulating reform, present an opportunity for ADB to influence the future direction of the RMI economy toward a more sustainable, equitable, and independent path (para.1). Consistent with these implications, ADB will continue to build on its strategy of deepening fiscal and public sector reforms, with a focus on the special needs of disadvantaged outer island communities, and to support the creation of an enabling environment for private sector development. The pace of reforms is necessarily conditioned by the acceptance of the community and the demands of the political leadership. In regard to the latter, the next national elections are scheduled for November 2003.

15. The Economic Policy Planning and Statistics Office, established under the FFMP, will help to implement the strategy, and is being considered as the possible focal point for the proposed joint economic review board under the new Compact. A summary statement of the strategy is in Appendix 1.

III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress Under the Poverty Partnership Agreement

16. Poverty reduction requires a comprehensive strategy, tackling both essential pro-poor service delivery and the creation of jobs. The Government has been invited to participate in a poverty partnership agreement that seeks the Government's commitment to analyze the concept of poverty and design appropriate strategies to reduce poverty; to implement these strategies through a country-owned poverty reduction strategy; and to monitor the implementation of the strategy against the achievement of relevant Millennium Development Goals (MDGs). Through regional TA (footnote 6), ADB is assisting 4 PDMCs, including the RMI, to prepare a country-owned national poverty assessment and poverty reduction strategy involving all stakeholders through a participatory process.

17. Assessment of the RMI's progress in achieving the MDGs targeted in the poverty partnership is made difficult by the lack of available data on MDG poverty indicators for the RMI. However, a national household income and expenditure survey is presently being conducted. The results of this should enable poverty line and inequality indicators to be compiled during 2002. This work will be undertaken through a regional TA (footnote 6). Progress toward the MDGs and targets are detailed in Appendix 2, Table A2.1.

B. Progress in the Country Strategy and Program Focus Areas

1. Governance and Public Service Delivery

18. By the mid-1990s, the size of the public sector was obviously unsustainable. With the assistance of the ADB Public Sector Reform Program loan, the Government was able to reduce the size of the public sector by around 30%. This reduction helped address pressing fiscal issues. However, in the absence of productivity gains, the quality and delivery of public services continued to decline. Low efficiency levels persisted, and government financial management and policy development capacity needed to be strengthened. ADB therefore assisted the Government with the FFMP loan, which is still under implementation and includes the establishment of the MIITF. The MIITF will help to secure future public revenues. The FFMP also includes strengthening public sector financial and economic management, stabilizing the fiscal position, enhancing the policy environment for the private sector, and increasing the effectiveness of the public service. The Government is expected to comply with the second tranche conditions within the 9- to 12-month period. The fiscal position has been stabilized, and the Government has been able to set aside almost \$18.5 million in the MIITF.

19. Public sector financial management is being improved through the introduction of the medium-term budget framework (MTBF) and improved budgetary and accounting systems. The policy environment for the private sector is improving with passage of land legislation. Further progress is needed in the areas of economic policy planning and management, improvement of the effectiveness of the public service, and greater commitment to private sector development. The framework will need to be supported through leadership and management training, and in ensuring linkages are established between financial and human resource inputs and outputs (delivery and service levels) for each ministry. A separate TA to improve public sector productivity and effectiveness is included in the 2002 program as resources under the current program may not be adequate.

2. Poverty Reduction and Outer Island Development

20. The 1999 Pacific Human Development Report ranks the RMI 8th (down from 5th in 1994) in terms of poverty among the 12 PDMCs, with a human development index of 0.563 and real gross domestic product per capita of \$1,882 (United Nations Development Programme, 1999), although a substantial proportion of this income has been accounted for by externally supplied grants (the RMI's country economic indicators are in Appendix 2, Table A2.2). A human poverty index of 18.7 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. The country's poverty and social indicators are found in Appendix 2, Table A2.3.

21. The disease profile of the RMI combines lifestyle diseases that are usually associated with affluence together with infectious diseases that are usually found in poor countries. Malnutrition associated with excessive consumption of junk food is a problem. The number of diabetics is increasing, corresponding closely with the high incidence of obesity. At the same time, infectious diseases such as tuberculosis and dysentery are prevalent. However, life expectancy at birth increased from 60 to 65 years, and the gross primary school enrollment ratio rose from 54% to 72% during 1980–2000. Gender inequalities are also significant, with lower female literacy rates and lower educational enrollment ratios. Efforts and outcomes in relation to empowerment and participation are assessed as relatively low. This will be addressed under the health education component of the Ebeye Health and Infrastructure (EHI) Project as well as the OIBSS. The latter is expected to promote community participation in the social sector.

22. The RMI's different communities experience substantial differences in quality of life. Those who have access to nuclear compensation payments, own land, or are in paid employment may enjoy a moderate standard of living. Those who do not have great difficulty sustaining even a basic standard of living. Many Marshallese living on the outer islands are disadvantaged by poor access to essential services and markets. The EHI Project has recently (2002) helped in providing safe water, sanitation, and power to about 20% of the population.

23. In addition to declining pro-poor public services and increasing inequalities, lack of job opportunities is a major concern. Private sector employment creation needs to be given high priority. However, one advantage the Marshallese have is the right to enter and work in the US. The Skills Training and Vocational Education (STVE) Project⁸ is assessing market needs and opportunities, and providing training for work in both the RMI and the US.

24. Several of the outer island communities continue to rely on copra to provide their cash incomes and have no real alternatives. Fluctuations in the price of copra can have severe economic and social impacts in these communities. To mitigate the adverse impact of copra price changes, successive governments have subsidized copra prices. The continuing depressed international price for copra has put pressure on the Government's ability to sustain this subsidy. While in general terms no alternatives to copra production are available as a basic source of cash income, the Government needs to support the development of alternative supplemental income-generation activities in the outer islands. The ongoing STVE Project has a significant outer island component and outreach program to promote entrepreneurship to supplement household incomes.

25. The proposed OITI Project will improve the extent and quality of infrastructure to the

⁸ ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Marshall Islands for the Skills Training and Vocational Education Project*. Manila.

most disadvantaged communities. Improved transport infrastructure will ease constraints to outer island development and will improve the movement of goods and services. It will therefore underpin other efforts to strengthen the delivery of essential, pro-poor services to the most disadvantaged, as well as expansion of the private sector.

26. The OIBSS Project is proposed to concentrate on strengthening the delivery of priority, essential pro-poor services to the outer islands. The loan will focus on improved performance and service delivery through the construction or rehabilitation of on-island facilities such as health and education infrastructure, including staff accommodation; water supply and sanitation facilities; and a community health, nutrition, and environmental awareness program. This loan could eventually lead to an outer island trust fund to empower community determination of island development.

27. The RMI faces environmental hazards related to waste disposal and the risk of sea level rise. While the Government recognizes the risk of rising sea levels and supports all related international conventions on climate change, its environmental priorities focus on industrial (fish processing) and urban pollution, and the quality of outer island water. The Environmental Protection Agency was reinvigorated in 2001 with the establishment of a new board, new staff, passage of new bylaws and regulations, and relocation directly under the Office of the President. Environmental regulations in relation to dredging, coral sand harvesting, and lagoon and coastal water quality are being enforced in Majuro. However, further assistance may be required for the outer islands, most especially for managing water lenses. Support in this area will be provided through OIBSS. The Government is also seeking other funding assistance. The RMI's country environment indicators are found in Appendix 2, Table A2.4.

3. Private Sector Expansion

28. Although the scope may be limited, *Meto 2000* records the potential for private sector growth in tourism and in other natural resource development, such as fisheries processing and the cultivation of black pearls. Greater efforts are needed to foster a more conducive climate for expanded private sector investment. However, wage levels are high and productivity is low (for both the public and private sectors) and need to be made more competitive. An improved tax regime (being developed under TA attached to the FFMP) also requires support in implementation, especially in improving tax collection. ADB is also examining the requirement of the private sector for skills training under the STVE Project. More privatization would lead to the reduction of subsidies and create room for private sector participation.

29. Competition in the financial sector is minimal, and the Marshall Islands Development Bank continues to be plagued by the impact of political interference and bad lending decisions. Low levels of literacy and numeracy, poor motivation, and high absenteeism characterize the workforce. As a result, the country's people and other resources are underutilized and the commercial banks have large, unlent reserves awaiting investment opportunities. As in many other PDMCs, property rights with respect to land are a constraint, but in 2001 legislation was passed to facilitate the use of land as collateral. Through the current STVE Project, the public sector management component of the FFMP TA, and the TA pipeline, many of these issues are being addressed. Improving the environment for private sector development will require consistent and consolidated attention, possibly across all areas mentioned (land, wages, taxes, skills, privatization, and regulation).

C. Highlights in Coordination of External Funding and Partnership Arrangements

30. The Government receives direct US assistance currently averaging about \$35 million per annum. The assistance includes direct budget support under the Compact to the national Government, direct payments to the Kwajalein landowners, as well as other forms of assistance provided through US Federal Government programs. Renegotiation of the economic provisions of the Compact commenced in October 2001. During the transition period (2 years), the RMI is receiving assistance at a rate higher than that in the last 5 years. The Compact is expected to be renewed, possibly at a slightly lower level. Monitoring of implementation of the new Compact will be undertaken by a joint economic review board. ADB has contributed constructively to the development of options for delivery modalities, including the establishment of the MIITF. As the only multilateral development bank with an active program of assistance, ADB is playing an important role in helping to formulate overall development strategy, reform, policy, and institutional development. ADB is also playing a crucial role in supporting the current Compact negotiations.

31. The International Monetary Fund undertakes Article IV consultations, but the World Bank does not have a program in the RMI. The Government receives significant assistance from Japan in the road transport and fisheries sectors. Japan's program is complementary to the ADB program and focuses on small infrastructure projects in the outer islands. A project for rehabilitating and equipping the hospital in Majuro is also under consideration. There is scope for further coordination with the Japan program. Taipei,China, the other major bilateral source of funds, has provided project assistance as well as direct budget support. It has shown interest in contributing to the MIITF. The Taipei,China program is somewhat different and is based on project submissions from the RMI. The European Union has recently established an assistance program to the RMI under the Cotonou Agreement. Funding assistance is summarized in the matrix provided in Appendix 2, Table A2.5.

IV. PORTFOLIO MANAGEMENT ISSUES

A. Portfolio Performance

32. Since joining ADB in 1990, the RMI has received 11 loans totaling \$71.125 million and 37 TAs totaling \$15.477 million, of which 6 loans of \$41.077 million and 9 TAs of \$3.9 million were active at the end of 2001. Thirty-three percent of the RMI portfolio was in the at-risk category in 2001 compared with the ADB-wide average of 24%. Two loans have problems compared with none from the preceding year. No loans have potential problems. As such RMI performance in 2001 was similar to the regional average, but poorer than the ADB-wide average. In 2001, the contract award ratio reached 29.3%, higher than the ADB-wide average of 14.9%. Actual contract awards total \$6.6 million, or 73.0% of projections in 2001, compared with 110.0% of the projection for 2000. In 2001, the disbursement ratio was 32.6%, higher than the ADB-wide average of 20.5%. Actual disbursement of \$8.3 million, or 79.0% of the projection in 2001, compared unfavorably with 106% of the projection for 2000. Of the active TAs, all except one were performing satisfactorily. Details of the portfolio performance and portfolio status are shown in Appendix 2, Tables A2.6 and A2.7.

33. Project implementation experienced delays because of (i) weak implementation capability, (ii) procurement delays due to transportation problems, and (iii) lack of qualified counterpart staff. Through regular monitoring follow-up and support, most of the loans and TAs are on schedule. In recent years, the strong support by ministers and heads of executing agencies, and the timely provision of counterpart funds have helped speed up implementation

and disbursements. Although 2 of the 6 ongoing loans are currently rated partly satisfactory and at risk, portfolio performance is generally satisfactory. Both these loans will be closed by June 2002; their problems mainly arose from project design. The Health and Population Project⁹ had a component for supplying equipment to the new Ebeye hospital—this could not be procured until the hospital was completed under the EHI Project. For the Majuro Water Supply and Sanitation Project,¹⁰ most components were completed on time, despite design issues and problems with the contractor on the cost of contract variations. Both these matters have now been resolved and a negotiated settlement reached between the Government and the contractor. The EHI Project is expected to be completed ahead of schedule while the FFMP is on track.

B. Performance Monitoring and Evaluation

34. ADB maintains close interaction with the Government's development efforts. The project performance reporting system enables ADB to closely monitor and evaluate the impact of its loans and TAs. ADB provides assistance to undertake periodic reviews of the economy and development strategies (for example, *Meto 2000*). An annual portfolio performance review is usually undertaken together with country programming. For 2002, the portfolio review was done together with the review of the EHI Project.

35. Based on the latest economic performance evaluation by ADB, the overall score for the RMI is below the average for the PDMCs. The management of public expenditure (primarily in the area of management of the budget and the planning process) has been a major weakness for many years. However, this improved somewhat in 2001 with a commitment to establish and place funds in the MIITF, to adopt the medium-term budget framework, and to improve the budgeting and accounting systems.

V. COUNTRY PERFORMANCE AND LENDING LEVELS

A. Lending Level Proposed

36. The Government has been advised that the availability of Asian Development Fund (ADF) will be determined using a performance-based allocation system. Thus, the level of ADF funds allocated to the RMI is linked to the country's performance with respect to policy, institutional reforms, and portfolio management. Accordingly, the proposed base-case, rolling 3-year allocation is fixed at \$10.7 million for 2003–2005. The final allocation of ADF resources will depend on performance against agreed-upon parameters (triggers). Overall public sector performance in the RMI has not been good and commitment to reform inconsistent. While the new Government has embraced several wide-ranging reforms, an impact has yet to be achieved. The assessment will depend on success in implementing reforms, especially those reflected in the policy matrix of the FFMP, which will be completed by June 2003.

37. The key areas for improved performance will be (i) public sector financial management; (ii) overall economic policy, and planning direction and implementation; (iii) budget preparation and performance management; (iv) improved transparency and accountability; (v) assessment and collection of taxes/duties; (vi) improved service delivery, especially to outer islands; (vii) improved environment for private sector; and (viii) government responsiveness and commitment

⁹ ADB. 1994. *Report and Recommendation of the President to the Board of Directors for the Republic of the Marshall Islands for Health and Population*. Manila.

¹⁰ ADB. 1993. *Report and Recommendation of the President to the Board of Directors for the Republic of the Marshall Islands for the Majuro Water Supply and Sanitation*. Manila.

to the reform agenda. The lending levels based on evaluation of performance with the corresponding performance-based assessment triggers are given in Appendix 2, Table A2.7.

38. The 2003–2005 pipeline is consistent with the base-to-high case performance scenario and reflects the Government's priorities for improving service delivery to the outer islands. The Government has therefore requested that the OITI Project not slip to 2003 and that the OIBSS Project remain firm for 2004. With limited availability of ADF funds and loan approvals in 2000, 2001, and possibly in 2002, no loans are proposed in 2003 and 2005. The proposed assistance pipeline for lending products is in Appendix 2, Table A2.8, and the project concept papers in Appendix 3.

B. Nonlending Program

39. The TA associated with the FFMP loan will cover economic planning support, capacity building, and specialized inputs in areas of taxation, private sector development, improving public services, etc., until 2003, and will be supplemented with a TA for enhancing private sector development in 2002. Importance has been given to implementing the medium-term budget framework and increasing effectiveness of the public sector through assistance in 2003. Support to the Private Sector Unit is on standby for 2003 and will be initiated when the Government indicates its full commitment to the transformation of SOEs. The TAs for strengthening economic policy and planning, and for improving economic management and policy formulation are programmed for 2004. TA for economic and sector work and preparation of economic report is on standby for 2004. The assistance pipeline for nonlending products and services is in Appendix 2, Table A2.9. The TA concept papers are in Appendix 4.

C. Summary of Changes to the Lending and Nonlending Programs

40. The loan pipeline for 2003–2005 is unchanged from the 2001 country programming mission. The OIBSS loan has been more clearly determined through inputs from the education and health ministries, and focuses on effectiveness of service delivery and includes provision for safe water and sanitation. Should the OITI loan slip to 2003, the OIBSS will then be firm for 2005 with its corresponding project preparatory TA in 2004.

41. The TA portfolio has been substantially altered to accommodate the immediate needs of the Government and is consistent with ADB's assessment and strategy for the RMI. Changes in 2002 include shifting from support of privatization of SOEs, to improving the environment for private sector development and increasing private sector involvement in domestic shipping and air services and tourism-related activities. One TA promotes use of land as collateral and improves access to credit for small and medium businesses, while the other supports private sector involvement in and efficient delivery of air and sea transport services. As a result, the TA to support the Private Sector Unit has been put on standby and the tourism TA delayed to 2005. The microfinance and financial institution development TA planned for 2004 has been dropped. However the Marshall Islands Development Bank component of the TA has been included in the 2002 TA program. The 2004 TA for the strategy and advisory team remains firm and could be cofinanced by the US in an arrangement similar to the earlier TA for the policy advisory team.

42. The proposed pipeline for the RMI for 2003–2005 may have to be changed pending the outcome of the Compact negotiations. The focus sectors for ADB intervention will be determined so they do not duplicate resources provided under the new Compact. The aim will be to catalyze and complement US assistance.

SUMMARY STATEMENT OF STRATEGY

Item	Good Governance	Social Development	Pro-Poor Economic Growth
Strategic Focus	<p>Strengthen policy formulation and governance capacity of key economic and financial institutions</p> <p>Improve budgeting, accountability, and financial management</p> <p>Reform taxes and improve compliance</p> <p>Improve effectiveness of public sector management</p>	<p>Support development of sustainable infrastructure and basic social services in the outer island communities</p> <p>Support improvement in health status of the population</p> <p>Support improvements in education and skill development</p>	<p>Support private sector development</p> <p>Support development of employment opportunities, both domestic and overseas</p> <p>Support economic development of the outer islands</p>
Ongoing/Proposed Loans	<p>Fiscal and Financial Management Program (2001)</p>	<p>Skills Training and Vocational Education Project (2000)</p> <p>Outer Island Transport Infrastructure Project (2002 pipeline)</p> <p>Outer Island Basic Social Services Project (2004 pipeline)</p>	<p>Skills Training and Vocational Education Project (2000)</p> <p>Outer Island Transport Infrastructure Project (2002 pipeline)</p>
Ongoing/Proposed TAs	<p>Fiscal and Financial Management (ongoing TA)</p> <p>Implementation of the Medium-Term Budget Framework and Improving Effective Delivery of Public Services (2003)</p> <p>Strategic Advisory Team (2004)</p> <p>Improving Economic Management and Preparation of Economic Report (2004)</p>	<p>Institutional Support for Outer Island Transport Services (2002)</p> <p>Outer Island Basic Social Services (2003)</p>	<p>Enhancing Environment for Private Sector Development (2002)</p> <p>Institutional Support for Outer Island Transport Services (2002)</p> <p>Improving Economic Management and Preparation of Economic Report (2004)</p> <p>Support to Private Sector Unit II (2004)</p> <p>Support to Tourism Development II (2005)</p>
Target Outcomes	<p>Budget process that incorporates national policies and strategies and is linked to identifiable outcomes</p> <p>Less regressive tax regime and improved collections</p>	<p>Improve the extent, nature, and quality of transport and basic social services provided to outer islands</p> <p>Develop an effective health education program to reduce incidence of lifestyle diseases</p> <p>Increase employability and entrepreneurship</p> <p>Improve quality of primary education in outer islands</p> <p>Provide safe water and improved sanitation</p>	<p>Improve services available in outer islands and to isolated communities</p> <p>Increase percentage of workforce in paid employment</p> <p>Create enabling environment for private sector and encourage involvement in transport services</p> <p>Reduce Government subsidies to state-owned enterprises (SOEs)</p> <p>Reform land tenure system to allow private use and transfer</p>

**COUNTRY AND PORTFOLIO INDICATORS
AND ASSISTANCE PIPELINE**

Table A2.1: Progress Toward the Millennium Development Goals and Targets

Goals and Targets	1990	1995	Latest Year
Goal 1. Eradicate Extreme Poverty and Hunger			
<u>Target 1:</u> Reduce incidence of extreme poverty by half from 1990 to 2015.			
People living on below US\$1-a-day, 1985 PPP (%)	–	–	–
Population in poverty (% of population falling below the poverty line)	–	–	–
Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015.			
Prevalence of child malnutrition (% of children under age 5)	–	–	17.0 (1997)
Goal 2. Achieve Universal Primary Education			
<u>Target 3:</u> Attain 100% primary school enrolment by 2015.			
Net primary enrollment ratio (% of relevant age group)	–	95.0 (1994)	–
Goal 3. Promote Gender Equality and Empower Women			
<u>Target 4:</u> Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015.			
Ratio of girls to boys in primary and secondary education (%)	–	–	96.4 (2000/01)
Goal 4. Reduce Child Mortality			
<u>Target 5:</u> Reduce infant and child mortality by two-thirds from 1990 to 2015.			
Infant mortality rate (per '000 live births)	–	63.0 (1995-97) ^a	26.0 (1999)
Under-5 mortality rate (per '000 live births)	–	92.0 (1995-97) ^a	31.0 (1998)
Goal 5. Improve Maternal Health			
<u>Target 6:</u> Reduce maternal mortality rate by three-quarters between 1990 and 2015.			
Maternal mortality rate (per 100,000 live births)	–	0.0 (1996)	0.0 (1998)
Births attended by skilled health staff (% of live births)	–	–	94.8 (1998)

Goals and Targets	1990	1995	Latest Year
Goal 5. Combat HIV/AIDS, Malaria, and Other Diseases			
<u>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.</u>			
HIV prevalence rate (% age 15-49 years old)	—	—	—
Contraceptive prevalence rate (% of women aged 15-49)	—	26.0 (1994)	26.0 (1995-2000) ^a
<u>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.</u>			
Prevalence of malaria (per 100,000 people)	—	—	0.0 (1999)
Prevalence of tuberculosis (per 100,000 people)	—	—	82.6 (1999)
Goal 6. Ensure Environmental Sustainability			
<u>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</u>			
Status of national environmental action plans	—	—	No data
Forest area (% of total land area)	—	—	—
Nationally protected areas (% of total land area)	—	—	—
GDP per unit of energy use (PPP \$ per kg oil equivalent)	—	—	—
Carbon dioxide emissions (per capita metric tons)	—	—	—
<u>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.</u>			
Access to safe water (% of population)	—	82.0 (1995-97) ^a	90.1 (1999)
<u>Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.</u>			
Access to sanitation (% of population)	—	77.0 (1995-97) ^a	81.3 (1999) (total) 92.0 (urban) 45.0 (rural)

— = not available, AIDS = /acquired immunodeficiency syndrome, HIV = human immunodeficiency virus, PPP = purchasing power parity.

^a Refers to most recent available data within the stated period.

Sources: ADB. 2002. *Basic Statistics: Developing Member Countries, including Millennium Development Goals*. Manila; ADB. 2002. *Medium-Term Strategy (2001-2005)*, Manila; ADB. 2002. *Key Indicators 2001*. Manila; Office of Planning and Statistics. 2001. *Social Statistics Bulletin*. RMI; Ministry of Education. 2001. *A Digest of Marshall Islands Education Data*. Majuro; UNDP. 1994, 1999. *Pacific Human Development Report*. Suva; WHO. 2001. *Western Pacific Region Health Data Bank*. Geneva.

Table A2.2: Economic Indicators

Item	1996	1997	1998	1999	2000	2001 ^a
A. Income and Growth						
1. GDP per Capita (dollars, current)	1,988	1,863	1,907	1,914	1,918	1,917
2. GDP Growth (% , in constant prices)	-16.6	-10.1	0.8	-0.2	0.7	0.6
Agriculture	-21.9	-9.0	-13.9	1.7	3.7	-
Industry	-36.6	-4.6	28.3	1.3	3.7	-
Services	-10.2	-10.1	0.2	-0.5	-0.8	-
B. Saving and Investment (current market prices)						
1. Gross Domestic Investment	-	-	-	-	-	-
2. Gross Domestic Saving	-	-	-	-	-	-
C. Money and Inflation						
1. Consumer Prices (annual average)	9.6	4.8	2.2	1.7	-1.9	2.0
2. Broad Money (M2)	-	-	-	-	-	-
D. Government Finance						
1. Total Revenue and Grants	80.5	74.6	74.7	67.3	74.7	83.7
2. Total Expenditure and Net Lending	61.9	65.5	59.2	56.8	65.8	66.1
3. Overall Surplus/Deficit (-)	18.5	9.1	15.5	10.5	8.9	17.5
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	-43.1	-44.9	-52.0	-53.8	-51.5	-52.1
2. Current Account Balance (% of GDP)	20.6	21.7	-1.5	-5.5	7.4	14.3
3. Export (\$) growth (annual percent change)	-12.2	-29.0	-47.2	-4.0	9.7	5.1
4. Import (\$) growth (annual percent change)	-0.9	-10.0	2.9	4.2	-1.3	2.9
F. External Payments Indicators						
1. Intl Reserves (billion dollars, end of period)	-	-	-	-	-	-
- months of imports	-	-	-	-	-	-
2. External Debt Service (% of exports of goods & services)	58.8	66.0	78.2	151.3	50.1	...
3. External Debt (% of GDP)	136.9	117.3	101.4	72.0	59.2	45.4
G. Memorandum Items:						
GDP (current prices, US\$ million)	97.0	92.2	95.7	97.3	98.9	100.2
Exchange Rate	1.0	1.0	1.0	1.0	1.0	1.0
Population (million)	0.04881	0.04948	0.05016	0.05084	0.05155	0.05227

- = not available; GDP = gross domestic product.

^a Estimate.

Sources: ADB. 2001. *Meto 2000: Economic Report and Statement of Development Strategies*. Manila; IMF. 2001. *Article IV Consultation Discussions with the Republic of the Marshall Islands: Concluding Statement*. Washington D.C.

Table A2.3: Poverty and Social Indicators

Item	1988	1994	Latest Year
1. Basic Human Development Indicators			
Total Population ('000)	43.1	47.2	51.6 (2000)
Annual Population Growth Rate (% change)	2.9	1.5	1.6
Life Expectancy at Birth (years)	62.0	61.1	67.5 (1999)
Male	61.0	–	65.7 (1999)
Female	63.0	–	69.4 (1999)
Adult Literacy Rate (%) ^a	90.7	91.0	98.3 (1999)
Male	91.4	91.0	98.3 (1999)
Female	89.9	90.0	98.4 (1999)
Combined Gross School Enrollment Ratio	–	–	72.0 (1998)
Male	–	–	72.0 (1998)
Female	–	–	72.0 (1998)
2. Health			
Total Fertility Rate (births per woman)	7.2	5.7	5.7 (1999)
Population with Access to Health Services (%)	...	95.0	100.0 (2000)
Population per Doctor	3709.0 (1980)	3294.0 (1995)	2150.0 (2000)
Government Expenditure on Health			
As % of Total Government Spending	–	–	11.0 (1999)
As % of Gross National Product	–	10.0	4.0 ^b (1999)
3. Education			
Student-Teacher Ratio	–	–	
Primary	–	–	17.2 (2000/01)
Secondary	–	–	17.7 (2000/01)
Gross Primary Enrollment (% of aged 5-14 years)	–	–	109.9 (1998/99)
Male	–	–	78.0 (1998)
Female	–	–	79.0 (1998)
Gross Secondary Enrollment (% of aged 15-19 years)	–	53.0	40.7 (1998/99)
Male	–	–	51.0 (1998)
Female	–	–	47.0 (1998)
Government Expenditure on Education			
As % of Total Government Spending	–	–	19.0 (1999)
As % of Gross Domestic Product	–	–	9.2 (1998)
4. Development Progress Indexes			
Human Development Index	–	0.611	0.563 (1998)
Pacific developing member country rank	–	4	8
Human Poverty Index	–	–	18.7 (1998)
Pacific developing member country rank	–	–	8
5. Poverty Indicators			
Composite Vulnerability Index	–	–	–
Pacific developing member country rank	–	–	–
Gini Coefficient	–	–	–
Average per Capita Household Income			
Highest Quintile	–	–	–
Lowest Quintile	–	–	–
Income Ratio (Highest Quintile/Lowest Quintile)	–	–	–

^a Literacy in the 1988 census is defined as attainment of at least Grade 4 education; while in the 1999 census, it refers to the ability to read and write a simple message in any language.

^b As % of GDP.

Sources: ADB. 2001. *RETA 5907 Discussion Papers*. Manila; ADB. 2001. *Key Indicators 2001*. Manila; ADB. 2001. *Meto 2000*. Manila; Office of Planning and Statistics. 2001. *Social Statistics Bulletin*. Majuro; Ministry of Education. 2001. *A Digest of Marshall Islands Education Data*. Majuro; UNDP. 1994, 1999. *Pacific Human Development Report*. Suva; WHO. 2001. *Western Pacific Region Health Data Bank*. Geneva.

Table A2.4: Environment Indicators

Item	1990	Latest Year
1. Energy Efficiency of Emissions		
Traditional Fuel Use (% of total energy use)	–	–
2. Water Pollution		
Water Bodies Exceeding Contact Recreation Standards		
Biological Oxygen Demand	–	–
Chemical Oxygen Demand	–	–
3. Air Pollution		
Carbon Dioxide Emissions		
Total (millions of metric tons)	–	–
Sulphur Dioxide Emissions		
Per capita (kilograms)	–	–
4. Land Use and Deforestation		
Total Land Area (km ²)	181.3	181.3 (1999)
Average Annual Deforestation		
Area	–	–
% change	–	–
Arable Land (% of total land)	0.0 (1993)	–
Cropland, Permanent (% of total land)	60.0 (1993)	–
Pastures, Permanent (% of total land)	0.0 (1993)	–
Population Density, Rural (people per km ²)	–	–
5. Biodiversity and Protected Areas		
Nationally Protected Area(s)		
Area (km ²)	–	11.3 (1998)
Number	–	1 (1998)
World Heritage Sites (number)	–	–
Mammal Species		
Total Known	–	–
Threatened	–	–
Bird Species		
Total Known	–	–
Threatened	–	–
6. Urban Areas		
Urban Population		
% of total population	65.0 (1988)	70.7 (1998)

– = no data available, km² = square kilometer.

Source: CIA. 2001. *The World Factbook-Marshall Islands*. Available: <http://www.odci.gov/01fact/fb01toc/fb01toc.html>; SOPAC. 1999. *Marshall Country Profile*. Suva; SPC. 1997. *Pacific Island Populations Data Sheet*. Suva; SPREP. *Action Strategy for Nature Conservation in the Pacific Islands Region*. Apia; World Bank. 2000. *The Little Green Data Book*. Washington D.C.

Table A2.5: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Economic and Public Sector Reform	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1828/1829 (SF): Fiscal and Financial Management Program • TA 3668-RMI: Fiscal, Financial, and Economy Advisory Services <p>Programmed</p> <ul style="list-style-type: none"> • Implementing Medium-Term Budget Framework and Improving Effective Delivery of Public Services (2003) • Strategic Advisory Team (2004) 	<ul style="list-style-type: none"> • Budget Support (Taipei,China) • Auditing and Accounting Training, Capital Maintenance Planning, Ministry of Finance Intern Program (USDOI)
B. Private Sector Development	<p>Programmed</p> <ul style="list-style-type: none"> • Enhancing Environment for Private Sector Development (2002) • Support for Private Sector Unit II (2004) • Support for Tourism II (2005) 	<ul style="list-style-type: none"> • Small Business Development (US)
C. Education	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1791: Skills Training and Vocational Education <p>Programmed</p> <ul style="list-style-type: none"> • Outer Island Basic Social Services Project 	<ul style="list-style-type: none"> • Small Grants for Education, Education Statistics, Textbooks and Computers, College Scholarships (AusAID) • Library Improvements, Elementary Schools Solar Dome Pilot Project (Canada) • Likiep Atoll School Expansion (Japan) • School Maintenance and Facility Improvements in the Outer Islands (Taipei,China) • Workforce Investment Grant, Vocational Education Grants, Special Education Grant, Headstart Programs, Adult/Continuing Education, Bilingual Education Grant, Schoolbuses on Majuro and Ebeye (US)
D. Health	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1694: Ebeye Health and Infrastructure • TA 2164-RMI: Health Management Information System and Health Planning <p>Programmed</p> <ul style="list-style-type: none"> • Outer Island Basic Services Project 	<ul style="list-style-type: none"> • Youth to Youth in Health (AusAID) • FAO Telefood Program (UN) • Special Supplement Health Programs (US)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
E. Gender/Youth	Ongoing <ul style="list-style-type: none"> Loan 1791: Skills Training and Vocational Education 	<ul style="list-style-type: none"> Youth to Youth in Health (AusAID)
F. Infrastructure <ol style="list-style-type: none"> Transport and Communication Energy Water Supply and Sanitation Urban Infrastructure 	Ongoing <ul style="list-style-type: none"> TA 3506-RMI: Preparing the Outer Island Transport Infrastructure TA 5990-REG: ICT Assessment in the Pacific Programmed <ul style="list-style-type: none"> Outer Island Transport Infrastructure Project (2002) Ongoing <p>Loan 1694-RMI: Ebeye Health and Infrastructure</p>	<ul style="list-style-type: none"> <i>Waan Elon Kein</i> (Canoes of these Islands) [AusAID] Eijit Island Dock (Japan) Outer Island Transportation Infrastructure, Majuro Airport Hangar (Taipei,China) Fiberglass Boat/Canoe Program (US) Solar Tubes for Outer Island Schools (Canada) Solar Project – Namdrik Atoll and Mejit Island (EU) Solar Electrification Project (France) Wotje Island Power Plant Community Center on Outer Island (Canada) Mili Atoll Community Center, Majuro Atoll Road Paving (Japan) Secondary Road Paving, Renovation and Construction of Government Buildings, Equipment Upgrade of Tobolar Copra Processing Plant (Taipei,China) Ebeye Infrastructure Grant, Rural Housing Grants/Loans (US)
G. Environment	None	<ul style="list-style-type: none"> Water Catchments for 2 Outer Island Atolls (Australia) Disaster Preparedness Grant (US)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
H. Agriculture, Forestry, and Fisheries	<p>Ongoing</p> <ul style="list-style-type: none"> TA 3522-RMI: Community-Based Coastal Marine Resources Development 	<ul style="list-style-type: none"> Agriculture Training; Agriculture Projects in Jaluit, Majuro and Wotje Atolls (Taipei,China) Animal Husbandry, Support of Agriculture Activities in the Outer Islands (UN-FAO) Agriculture Research Grant, Outer Island Agriculture Training (US)
I. Others		<ul style="list-style-type: none"> Immigration System Improvements (AusAID) Outer Island Development Fund (Taipei,China)

AusAID = Australian Aid for International Development, FAO = Food and Agriculture Organization, ICT = information and communication technology, RMI = Republic of the Marshall Islands, UN = United Nations, US = United States, USDOl = US Department of Interior.

Table A2.6: Portfolio Indicators – Amounts and Ratings, Disbursements, and Net Transfers of Resources
(as of 31 December 2001)

A. Loan Portfolio	Net Loan Amount		Total		Common Rating for IP and DO ^a											
	\$ million	%	No.	%	HS		S		PS		U		PP		At Risk	
					No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance	11.9	29.0	2	33.3	-	-	2	100.0	-	-	-	-	-	-	-	-
Industry and Nonfuel Minerals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	20.2	49.3	3	50.0	-	-	1	33.3	2	66.7	-	-	-	-	2	66.7
Transport and Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others/Multisector	8.9	21.7	1	16.7	-	-	1	100.0	-	-	-	-	-	-	-	-
Total	35.4	100.0	5	100.0	-	-	4	66.7	2	33.3	-	-	-	-	2	33.3

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ million, active loans only) ^b	4.0	44.9	48.9
(2) Disbursed amount (\$ million, cumulative, active loans only) ^b	2.0	30.1	32.1
(3) Percentage disbursed [(2)/(1)] (%) ^b	51.0	67.1	65.7
(4) Disbursements (\$ million, active loans only, latest year) ^b	2.0	6.3	8.3
(5) Disbursement ratio (%) ^c	51.0	29.2	32.6

C. Net Transfer of Resources (\$ million)	OCR	ADF	Total
Net transfer in 1997	0.0	10.0	10.0
Net transfer in 1998	0.0	7.8	7.8
Net transfer in 1999	0.0	3.6	3.6
Net transfer in 2000	0.0	9.5	9.5
Net transfer in 2001	2.0	5.9	7.9

- = zero, ADF = Asian Development Fund, DO = development objective, HS = highly satisfactory, IP = implementation progress, OCR = ordinary capital resources, P = partly satisfactory, S = satisfactory, U = unsatisfactory.

^a The lower rating is counted.

^b Includes loans closed during the year with disbursements (including negative disbursements).

^c Ratio of disbursement during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Asian Development Bank staff estimates.

Table A2.7: Portfolio Status – Implementation Status
(as of 31 December 2002)^a

No.	Sector ^b	Loan No.	Loan Title	Net Loan Amount (US\$ million)	Approval Date	Effectivity Date	Closing Date	Project Progress (% completed)	Cum. Contract Awards/ Commitment	Cum. Disbursement	Performance Ratings	Potential Problem ^b	At Risk ^c	
				ADF	OCR	Orig.	Rev.						Impl. Prog.	Devt Obj.
1	FIN	1828	Fiscal and Financial Management Program	0.0	7 Jan 2001	3 July 2001	30 Nov 2004	-	2.0	2.0	S	No	No	
2	FIN	1829	Fiscal and Financial Management Program	7.9	7 Jan 2001	3 July 2001	30 Nov 2004	-	2.3	2.3	S	No	No	
3	OTH	1694	Ebeye Health and Infrastructure Project	8.9	12 Aug 1999	15 Dec 1999	30 Jun 2002	60%	6.6	7.1	S	No	No	
4	SOC	1316	Health and Population Project	5.3	22 Sep 1994	14 Mar 1995	31 May 2000	93%	4.8	4.6	S	Yes	Yes	
5	SOC	1389	Majuro Water Supply and Sanitation Project	8.3	29 Sep 1995	30 Sep 1996	30 Sep 2000	90%	7.9	8.0	PS	Yes	Yes	
6	SOC	1791	Skills Training and Vocational Education Project	6.6	29 Nov 2000	29 Jan 2001	30 June 2005	3%	0.3	0.4	S	No	No	

AGR = agriculture and natural resources, ENE = energy, HS = highly satisfactory, IND = industry and nonfuel/minerals, OTH = others, PS = partly satisfactory, S= satisfactory, SOC = social infrastructure, T&C = transport and communications, U = unsatisfactory.

^a Includes ongoing loans only.

^b "Yes" for those with 4 or more potential problem flags.

^c At risk (1 loan-100%) = 1 PS (100%) + 0 U + 0 PP. If overall rating for implementation progress or development objectives is PS or U, the loan is automatically at risk, and flags are not counted in determining PP but will be flagged to indicate the problem's areas.

Source: Asian Development Bank staff estimates.

Table A2.8: Lending Scenarios and Performance Triggers

Low Case (\$8.0 million)	Base Case (\$11.5 million)	High Case (\$14.0 million)
<p>Macroeconomic</p> <ul style="list-style-type: none"> • MTBF revenue and expenditure targets are not met • Budget deficits greater than 5% of GDP <p>Reforms</p> <ul style="list-style-type: none"> • Contributions to trust fund lower than agreed upon and no improvements in Compact fund management process • Increased Government involvement in SOEs and higher subsidies <p>Sector-Specific</p> <ul style="list-style-type: none"> • No pro-poor policy development, no HIES undertaken <p>Portfolio</p> <ul style="list-style-type: none"> • Major issues with portfolio implementation and more than 20% of loans at risk 	<p>Macroeconomic</p> <ul style="list-style-type: none"> • Budget deficits maintained at less than 5% of GDP • MTBF revenue and expenditure targets are met <p>Reforms</p> <ul style="list-style-type: none"> • Contributions to trust fund in accordance with agreed-upon policy condition and Compact fund management improved • No increase in private sector participation in public service delivery but SOE subsidies contained <p>Sector-Specific</p> <ul style="list-style-type: none"> • Pro-poor policy development but without full HIES analysis • Share of education and health budget as a percentage of total recurrent budget maintained <p>Portfolio</p> <ul style="list-style-type: none"> • Portfolio implementation on schedule with less than 20% of loans at risk • Smooth program loan implementation and tranche release on schedule 	<p>Macroeconomic</p> <ul style="list-style-type: none"> • MTBF revenue and expenditure targets are exceeded • Fiscal discipline maintained balanced budget achieved <p>Reforms</p> <ul style="list-style-type: none"> • Contributions to trust fund higher than agreed upon and efficient utilization of Compact resources achieved • Increase in private sector participation in public service delivery and transformation of at least one SOE <p>Sector-Specific</p> <ul style="list-style-type: none"> • Pro-poor policy development and program implementation using HIES-based poverty assessment • Share of education and health budget as a percentage of total recurrent budget increased <p>Portfolio</p> <ul style="list-style-type: none"> • Implementation ahead of schedule with no loans at risk • No problems with program loan implementation; tranche release ahead of schedule

GDP = gross domestic product, HIES = household income and expenditure survey, MTBF = medium-term budget framework, SOE = state-owned enterprises.

Table A2.9: Assistance Pipeline for Lending Products, 2002–2005

Sector Project/Program Name	Poverty Classification	Thematic Priority	Division	Year of PPTA	Total	Cost (\$million)			
						ADB		Govt	Cofinancing
						OCR	ADF		
2002 Firm Loans									
Others									
Outer Island Transport Infrastructure	PI	PSD	PAHQ	2000	10.0	7.0	7.0	3.0	0.0
Total					10.0	7.0	7.0	3.0	0.0
2003 Firm Loans									
None									
2004 Firm Loans									
Others									
Outer Island Basic Social Services		HD	PAHQ	2002	8.5	6.0	6.0	2.5	0.0
Total					8.5	6.0	6.0	2.5	0.0
2005 Firm Loans									
None									

ADB = Asian Development Bank, ADF = Asian Development Fund, HD = human development, OCR = ordinary capital resources, PI = poverty intervention, PSD = private sector development, PPTA = project preparatory technical assistance.
Source: Asian Development Bank staff estimates.

Appendix A2.10: Assistance Pipeline for Nonlending Products and Services, 2002-2005

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total (\$'000)
			Source	ADB Amount (\$'000)	Source Amount	
2002						
Transport						
1. Institutional Support for Outer Island Transport	PAHQ	AD	TASF	250.0	0.0	250.0
Private Sector						
2. Enhancing Environment for Private Sector Development	PAHQ	AD	JSF	350.0	0.0	350.0
Subtotal				600.0	0.0	600.0
2003						
Others						
1. Outer Island Basic Social Services	PAHQ	PP	TASF	400.0	0.0	400.0
Finance						
2. Implementing Medium-Term Budget Framework and Improving Effective Delivery of Public Services	PAHQ	AD	JSF	300.0	0.0	300.0
Subtotal				700.0	0.0	700.0
Standby						
3. Support for the Private Sector Unit II	PAHQ	AD	TASF	250.0	0.0	250.0
2004						
Finance						
1. Strategic Advisory Team	PAHQ	AD	TASF	400.0	0.0	400.0
Private Sector						
2. Support for the Private Sector Unit II	PAHQ	AD	TASF	250.0	0.0	250.0
Subtotal				650.0	0.0	650.0
Standby						
3. Improving Economic Management and Preparation of Economic Report	PAHQ	AD	JSF	250.0	0.0	250.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total (\$'000)
			ADB		Others	
			Source	Amount (\$'000)		
2005						
Others						
1. Improving Economic Management and Preparation of an Economic Report	PAHQ	AD	JSF	250.0	0.0	250.0
2. Support for Tourism II	PAHQ	AD	TASF	250.0	0.0	250.0
Subtotal				500.0	0.0	500.0

AD = advisory, ADB = Asian Development Bank, JSF = Japan Special Fund, PAHQ = Pacific Operations Division, PP = project preparatory, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank staff estimates.

CONCEPT PAPERS FOR LENDING PRODUCTS

Table A3.1: Outer Island Transport Infrastructure

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 20px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other</p> <p style="margin-left: 20px;"><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and Communications Subsector: Ports and Shipping</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Economic growth</p> <p style="margin-left: 20px;"><input type="checkbox"/> Gender and development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Environmental protection</p> <p style="margin-left: 20px;"><input type="checkbox"/> Regional cooperation</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> </td> <td style="width: 50%; vertical-align: top;"> <p style="margin-left: 20px;"><input type="checkbox"/> Human development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Good governance</p> <p style="margin-left: 20px;"><input type="checkbox"/> Private sector development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Social protection</p> </td> </tr> </table>	<p style="margin-left: 20px;"><input checked="" type="checkbox"/> Economic growth</p> <p style="margin-left: 20px;"><input type="checkbox"/> Gender and development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Environmental protection</p> <p style="margin-left: 20px;"><input type="checkbox"/> Regional cooperation</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p>	<p style="margin-left: 20px;"><input type="checkbox"/> Human development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Good governance</p> <p style="margin-left: 20px;"><input type="checkbox"/> Private sector development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Social protection</p>
<p style="margin-left: 20px;"><input checked="" type="checkbox"/> Economic growth</p> <p style="margin-left: 20px;"><input type="checkbox"/> Gender and development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Environmental protection</p> <p style="margin-left: 20px;"><input type="checkbox"/> Regional cooperation</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p>	<p style="margin-left: 20px;"><input type="checkbox"/> Human development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Good governance</p> <p style="margin-left: 20px;"><input type="checkbox"/> Private sector development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Social protection</p>	
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p>4. Responsible division/department: PAHQ/PARD</p>		
<p>5. Responsible ADB officer(s): Luigi Bodda</p>		
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: In 1993, ADB approved TA for Outer Islands Transport Infrastructure, which resulted in recommendations for improvements to the marine, road, and air transport infrastructure (primarily for main port and airport works).</p> <p>b. Goal and purpose: The project will reduce poverty in the outer islands by directly increasing incomes as a result of more frequent and reliable shipping services. Economic growth will be fostered by increased opportunities, which the more reliable shipping services will provide to sell produce and handicrafts from the outer islands to the main centers of Majuro and Ebeye.</p> <p>c. Components and outputs: The project includes (i) outer island port infrastructure comprising docks, jetties, and beach channels; (ii) navigation aids comprising lit beacons, buoys, and land lights; (iii) improvements to tracks for copra and other good movement; (iv) storage warehouses for copra concentration and other cargo; and (v) airstrip extensions and remedial maintenance. Complementary nonlending assistance will strengthen the institutional capacity to manage private sector franchises for shipping services, supplemented with Government vessels operating under equalized competitive conditions.</p>		

d. Expected results and deliverables: The project will reduce costs and improve the reliability and efficiency of transport services to the outer atolls and islands through construction of navigation aids, small wharves and jetties, airstrip extensions, warehouses, and track improvements.

e. Social or environmental issues or concerns: Outer island populations have relatively little cash income opportunities, are vulnerable to natural disasters, and are disadvantaged due to their isolation. The project will assist in both reducing this isolation and improving transportation, one of the necessary conditions for increased economic participation.

f. Plans for disseminating results/deliverables: The project will be implemented involving the main stakeholders. The main results will be disseminated through the PARD webpage.

7. Proposed executing/implementing agencies: Ministry of Transport and Communications

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The Government has reconfirmed that the proposed loan to improve the outer island sea and air transport facilities has the highest priority, and the project is requested to be confirmed in the 2002 ADB assistance pipeline.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2000
- b. Expected date of submission for approval
 - Lending: October 2002
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending: 4 years
 - Nonlending:
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund:
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A3.2: Outer Island Basic Social Services

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: A key country strategy is to support poverty reduction and the creation of new economic opportunities, and improve access to basic social services in the outer islands. Initial poverty assessment findings show that most disadvantaged people live in the outer islands and have poor access to basic social services.</p> <p>b. Goal and purpose: The project objective is to improve cost effectiveness and efficiency of the delivery of basic social services. Through improved delivery, adequate access to the outer island communities is provided, as well as environmental protection of water sources.</p> <p>c. Components and outputs: (i) Health and education-related infrastructure for improved quality of services, (ii) increased and improved delivery of basic education and primary health care, provision of safe water in schools and communities, and protection of scarce water resources.</p>										

d. Expected results and deliverables: Improved services, housing for teachers and health assistants, outreach programs for health and education, safe water/toilets in schools, and protection for water lens

e. Social or environmental issues or concerns: The loan will help to reduce disparities between the urban area (Majuro) and isolated outer island communities in a sustainable manner.

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Ministry of Health and Environment

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The Government, in its medium-term plan, will address the absence of essential social services in the outer island communities.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2002
- b. Expected date of submission for approval
 - Lending: October 2004
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending: 4 years
 - Nonlending:
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund: \$250,000
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

Table A4.1: Institutional Support for Outer Island Transport Services

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and Communications Subsector: Air Transport and Shipping</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Luigi Bodda</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: In 1993, ADB approved TA for Outer Islands Transport Infrastructure, which resulted in recommendations for improvements to the marine, road, and air transport infrastructure (primarily for main port and airport works). The Government reconfirmed that the proposed Outer Island Transport Infrastructure Project to improve the outer island sea and air transport facilities has the highest priority.</p> <p>b. Goal and purpose: The TA will assist in the institutional strengthening within the Ministry of Transport and Communications (MOTC) and Air Marshall Islands (AMI).</p> <p>c. Components and outputs: The grant assistance will cover the following: (i) Government Shipping Service and Private Sector Shipping Contracts—further development of the management information systems, implementation of systems for operational monitoring of shipping contracts and shipping operation, long-term fleet management, baseline data preparation, and development of collection mechanisms; and (ii) AMI—assessment of</p>										

the market position and strategic outlook for the airline; review of management and staffing; and review and improvement of the airline's operational management, financial accounting, and commercial systems.

d. Expected results and deliverables: Reduction in government subsidy for state-owned enterprises (SOEs;) several SOEs privatized or brought to the point of sale.

e. Social or environmental issues or concerns:

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Ministry of Transport and Communications, Air Marshall Islands

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The Government has requested further TA for institutional strengthening within MOTC and AMI. The Government confirmed its commitment to the Action Plan for further processing of the Outer Island Transport Infrastructure Project.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2002
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): September 2002
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2 years
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund: \$250,000
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program. TA = technical assistance.

Table A4.2: Enhancing the Environment for Private Sector Development

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Economic Subsector: Private Sector</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Poverty Reduction</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Poverty Reduction	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Poverty Reduction										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Private sector development is one of the three pillars of ADB's strategy for the country. Access to land for development and its use as collateral for loans has been identified as a key constraint to the development of the private sector. With the recent approval of new land legislation and the establishment of a Land Registration Authority, implementation support is required. Improved access to land for development and as collateral for loans, together with a more competitive wage environment, should lead to an increase in private sector investment. The Marshall Islands Development Bank (MIDB) can play an important role in providing access to credit for small and medium businesses and for investigating more innovative financing modalities for private enterprises.</p> <p>b. Goal and purpose: The project's goal is to create additional investment in private sector enterprises leading to an increase in employment opportunities for Marshall Islanders and a higher rate of economic growth in the country.</p> <p>The purpose of the project is to contribute to the creation of an enabling environment conducive to increased private sector investment and employment creation.</p>										

<p>c. Components and outputs: The components and outputs of the project are</p> <ul style="list-style-type: none"> (i) To improve land availability and its utilization for development purposes through assisting in: <ul style="list-style-type: none"> (a) the implementation of the new land legislation and the newly established Land Registration Authority, (b) the development of operational and implementation guidelines, (c) establishing a land registration and land management database, (d) establishing systems for land titling and cadastral surveys, and (e) creating public awareness of the new land legislation and authority and its operational modalities. (ii) To improve the management and financing modalities of MIDB through assisting in: <ul style="list-style-type: none"> (a) capacity building and providing advisory support for MIDB management; (b) strengthening internal processes for loan identification, appraisal, disbursement, and monitoring; (c) strengthening linkages between MIDB and potential borrowers through public awareness programs; and (d) identifying options for restructuring MIDB, including conversion from direct lending to a collateral enhancing institution or leasing corporation with some private sector involvement. <p>d. Expected results and deliverables: The successful implementation of the project will result in more land being available for development purposes and for more land being used as collateral for loans to small and medium enterprises (SMEs). The management of MIDB will be strengthened to provide additional lending to SMEs. Innovative financing modalities for SMEs will be investigated and where deemed appropriate will be offered through a restructured MIDB. Deliverables will include:</p> <ul style="list-style-type: none"> (i) Land Development Authority operational guidelines; (ii) land registration and management database; (iii) systems identified for land titling and cadastral surveys; (iv) MIDB internal processes loan identification, appraisal, disbursement, and monitoring revised and clearly documented; (v) options for restructuring MIDB and for introducing innovative financing modalities investigated and recommendations to the MIDB Board for approval and implementation; and (vi) public awareness programs developed and implemented to support project activities. <p>e. Social or environmental issues or concerns: Environmental impact assessments will be undertaken where required.</p> <p>f. Plans for disseminating results/deliverables: Public awareness programs will be conducted as part of the project activities.</p>
<p>7. Proposed executing/implementing agencies: Land Development Authority and MIDB</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Extensive discussions were held with responsible Government agencies to identify project scope and outputs. Agencies consulted included MIDB, Attorney General's Office, and Ministry of Finance.</p> <p>(Note: Mention the institutions in government and civil society, including nongovernmental organizations that have been consulted about the project, and the nature of the consultations.)</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <ul style="list-style-type: none"> a. Year included in CSPU: 2002 b. Expected date of submission for approval <ul style="list-style-type: none"> Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): September 2002 Activities financed by JFICT or JFPR: c. Period and duration of assistance: <ul style="list-style-type: none"> Lending: Nonlending: 2 years Activities financed by JFICT or JFPR:
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p>

- a. For lending
- Ordinary capital resources:
 - Asian Development Fund:
 - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds
 - TA Special Fund: \$350,000
 - Japan Special Fund:
 - Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
- JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A4.3: Outer Island Basic Social Services

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The provision and quality of social services to the outer islands needs to be improved by better utilizing limited resources.</p> <p>b. Goal and purpose: The TA will lead to a loan targeted to reduce poverty and improve quality of life in the outer islands.</p> <p>c. Components and outputs:</p> <p>d. Expected results and deliverables: Availability of basic social services in the outer islands, more efficient utilization of resources in the social sectors.</p> <p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables:</p>										

<p>7. Proposed executing/implementing agencies: Ministry of Health and Environment</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSPU: 2003</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): June 2003 Nonlending (other than project preparatory): Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance Lending: Nonlending: 8 months Activities financed by JFICT or JFPR:</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources <input type="checkbox"/> Asian Development Fund <input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget <input checked="" type="checkbox"/> Grant TA funds <input checked="" type="checkbox"/> TA Special Fund: \$400,000 <input type="checkbox"/> Japan Special Fund <input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds)</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by <input type="checkbox"/> JFICT: <input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A4.4: Implementing Medium-Term Budget Framework
and Improving Effective Delivery of Public Services**

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Economic Subsector: Budget and Fiscal Management</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other: Fiscal and Financial Management</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other: Fiscal and Financial Management	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other: Fiscal and Financial Management										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input checked="" type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The TA, Fiscal, Financial and Economic Advisory Services, attached to the Fiscal and Financial Management Program loan initiated the consensus-building and initial implementation of a medium-term budgeting approach that aims to make fiscal planning and decision making performance-oriented. The TA accomplished the following:</p> <p>(i) establishment of a medium-term budget and investment framework (MTBIF), placing it as a major component of the Government's commitment to enhanced overall fiscal management and accountability as well as within the Compact of Free Association with the United States;^a review of 2002 budget and analysis of revenue and expenditure to set the base for 2003-2005 and inform Government of over/under achieving targets;</p> <p>(ii) passage of the MTBIF by the Cabinet;</p> <p>(iii) preparation and approval of the timelines for FY2003 and 2004 budgets;</p> <p>(iv) identification of funding envelopes for FY2003 and estimates for FY2004 and 2005, and acceptance by Cabinet; and</p>										

- (v) preparation of standardized budget planning templates to assist in the receipt of standard budget submissions from all ministries/agencies to allow for internal government transparency and simpler reporting to the Ministry of Finance and allow for more understandable and transparent budget reporting to the public.

b. Goal and purpose: The TA will focus on implementing a sustainable medium-term performance-based budgeting system throughout all government ministries/agencies to improve public management, service delivery, and accountability. This will include budget preparation, management, and evaluation based on overall and ministry/agency performance indicators in accord with Government social and economic development objectives. The TA will also address the professionalism and efficiency of public service management, linked to the medium-term budget framework and performance orientation, to improve overall public sector effectiveness.

c. Components and outputs:

(i) With the Ministry of Finance, mainly its Budget Office, develop a support team to administer the MTBIF and provide advisory and other support to the budget sections of each ministry/agency.

(ii) Implement the MTBIF at the ministerial/agency level so that there are linked templates for budget preparation, management, and evaluation.

(iii) Identify key performance objectives and factors within MOF for budget performance evaluation and within the Economic Policy, Planning and Statistics Office (EPPSO) for overall socioeconomic performance measurement. Identify overall performance indicators for budget performance and socioeconomic performance. Prepare reporting document/template formats.

(iv) Identify key performance objectives and factors within each ministry/agency for sector performance measurement. Identify related sector performance indicators for each ministry/agency. Prepare reporting document/template formats and create reporting channels to the MOF, EPPSO and the general public.

(v) Establish a system of information development and sharing within the ministries/agencies and between the ministries/agencies and MOF and EPPSO so that the exchange and reporting of budget and performance information is ongoing. Create reporting formats for transparent and easily understandable reporting to the general public.

(vi) To improve public sector management from an efficiency and input/output viewpoint and linking to the above MTBIF and performance indicators, review existing and planned redeployment, pay scales, conditions of public services, and authority delegation. Make recommendations and advise on any resulting public administration reforms to improve the efficiency and effectiveness of the public service.

(vii) Conduct a training needs analysis. For MOF, EPPSO, and each ministry/agency, create a tailored program to establish MTBIF and facilitate the identification, measurement, and reporting of performance indicators. At the ministry/agency level, the training and process development will also concentrate on how to use the information to improve internal management and the delivery of services. Training will be provided at three levels: ministry/agency budget offices; ministry/agency administration units to include secretaries; and senior decision makers to include the chief secretary and the Cabinet.

d. Expected results and deliverables: By the end of the TA, MOF is expected to have established an MTBIF procedural process internally with the FY2003 budget being the first budget planned in this manner. Given the progress to date, future TA resources need to be targeted to (i) budget management; planning, management, and evaluation at the ministry/agency level to improve departmental/agency management, service delivery and accountability; and (ii) establishing a linked budget and performance indicator evaluation process. The TA needs to include process development as well as institutional strengthening and human resource development so as to have an integrated and sustainable system.

e. Social or environmental issues or concerns: None

f. Plans for disseminating results/deliverables: The TA will be implemented in 2003 and 2004 to follow the budget process and capitalize on continuing progress made under the current TA. Consultant interventions will be intermittent during this 24-month period. Consultant inputs required include one budget adviser to assist in implementing the MTBIF and providing related process development and training, for 12 person-months (6 person-months annually of 3-4 missions); and one public management-performance indicator specialist to assist in identifying and providing training on performance objectives, factors, and indicators to improve public management and service delivery; and conduct an assessment of the public service to advise on further professionalization to

improve efficiency and effectiveness, for 10 person-months (6 months the first year with timing similar to the budget adviser; and 4 months the second year with timing similar to the Budget Advisor. The PFTAC is expected to collaborate with TA implementation.

7. Proposed executing/implementing agencies: Ministry of Finance

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
Ministry of Finance has been fully involved in the formulation of the TA.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2003
- b. Expected date of submission for approval
Lending:
Nonlending (project preparatory):
Nonlending (other than project preparatory): January 2003
Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
Lending:
Nonlending: 2 years
Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
 - Asian Development Fund:
 - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds
 - TA Special Fund: \$300,000
 - Japan Special Fund:
 - Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For projects financed by
- JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

^a The Compact of Free Association provides grant assistance that supports about one third of budget revenues in addition to targeted U.S. federal programs and services.

Table A4.5: Support for Private Sector Unit II

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Private Sector Development Subsector: Privatization</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Subsidies and management effort to sustain loss-incurring state-owned enterprises (SOEs) is a drain on the limited resources of the Government. Privatization of SOEs would free up resources for poverty reduction and improve the climate for private sector development.</p> <p>b. Goal and purpose: The follow-up TA will help with the corporatization/privatization of the SOE identified under the first TA.</p> <p>c. Components and outputs: Privatization of SOEs</p> <p>d. Expected results and deliverables: Reduction of government subsidy for SOEs; several SOEs privatized or brought to the point of sale.</p> <p>e. Social or environmental issues or concerns: None</p> <p>f. Plans for disseminating results/deliverables: To be determined.</p>										
<p>7. Proposed executing/implementing agencies: Office of the President</p>										

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Privatization of SOEs is consistent with the Government's strategy as developed under the Pacific Islands Economic Report (Meto 2000). Organization of the Private Sector Unit will be given adequate authority and support by the Government to show its resolve in undertaking corporatization/privatization of SOEs.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2003
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): March 2003
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 8 months
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund: \$250,000
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, PSU = Private Sector Unit, SCSP = subregional cooperation strategy and program. SOE = state-owned enterprise. TA = technical assistance.

Table A4.6: Strategic Advisory Team

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The proposed assistance will strengthen capacities for economic management and policy analysis, which are crucial for any sustained effort at poverty reduction and development.</p> <p>b. Goal and purpose: The proposed TA will assist the country to analyze the current economy, trends, and prospects; and will identify major issues and constraints and alternative strategies in support of growth and development in the medium term.</p> <p>c. Components and outputs: Macroeconomists will guide and monitor selected interns and/or staff of the Planning Office in economic planning and analyses. An immediate output will be a comprehensive report on the macroeconomy and key sectors.</p> <p>d. Expected results and deliverables: The assistance will help to refine and improve the Government's medium-term strategy, development plan, and budget framework.</p> <p>e. Social or environmental issues or concerns: None</p>										

<p>f. Plans for disseminating results/deliverables: To be determined.</p>
<p>7. Proposed executing/implementing agencies: Ministry of Finance</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The TA could be cofinanced by the US in an arrangement similar to the earlier TA for Policy Advisory Team.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSPU: 2004</p> <p>b. Expected date of submission for approval</p> <p style="padding-left: 20px;">Lending:</p> <p style="padding-left: 20px;">Nonlending (project preparatory):</p> <p style="padding-left: 20px;">Nonlending (other than project preparatory): January 2004</p> <p style="padding-left: 20px;">Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance</p> <p style="padding-left: 20px;">Lending:</p> <p style="padding-left: 20px;">Nonlending: 2 years</p> <p style="padding-left: 20px;">Activities financed by JFICT or JFPR:</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p style="padding-left: 20px;"><input type="checkbox"/> Ordinary capital resources</p> <p style="padding-left: 20px;"><input type="checkbox"/> Asian Development Fund</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>d. For nonlending</p> <p style="padding-left: 20px;"><input type="checkbox"/> No resources required, other than ADB staff</p> <p style="padding-left: 20px;"><input type="checkbox"/> ADB's administrative budget</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Grant TA funds</p> <p style="padding-left: 40px;"><input checked="" type="checkbox"/> TA Special Fund: \$400,000</p> <p style="padding-left: 40px;"><input type="checkbox"/> Japan Special Fund</p> <p style="padding-left: 40px;"><input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds)</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p style="padding-left: 20px;"><input type="checkbox"/> JFICT:</p> <p style="padding-left: 20px;"><input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program. TA = technical assistance. US = United States.

Table A4.7: Improving Economic Management and Preparation of Economic Report

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <p> <input checked="" type="checkbox"/> Economic growth</p> <p> <input type="checkbox"/> Gender and development</p> <p> <input type="checkbox"/> Environmental protection</p> <p> <input type="checkbox"/> Regional cooperation</p> <p> <input type="checkbox"/> Other:</p> <p> <input type="checkbox"/> Human development</p> <p> <input type="checkbox"/> Good governance</p> <p> <input type="checkbox"/> Private sector development</p> <p> <input type="checkbox"/> Social protection</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ/PARD</p>
<p>5. Responsible ADB officer(s): Tilak Sen</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: An economic report for the Republic of the Marshall Islands was published in 1996 under the Pacific Islands Economic Report series. Since then, with ADB's assistance, the RMI has embarked on a major reform program, and the country and global economy have undergone major changes.</p> <p>b. Goal and purpose: The proposed TA will assist the RMI to prepare an economic report that will analyze both the recent economic performance and impact of reforms. Thus, the TA will contribute to the formulation and implementation of development policies in the RMI. It will also provide inputs for ADB assistance to the RMI.</p> <p>c. Components and outputs: The TA will (i) analyze the current economy, trends, and prospects; (ii) identify major issues, constraints, and alternative strategies in support of growth and development in the medium term; and (iii) prepare an economic report and include a forward-looking strategy that will form the basis for a more comprehensive development plan.</p> <p>d. Expected results and deliverables: An economic report produced in a timely manner, in form suitable for publication covering economic development performance, problems, prospects, and possible strategies.</p>

<p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables: To be determined.</p>
<p>7. Proposed executing/implementing agencies: Ministry of Finance</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSPU: 2004</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): March 2004 Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance Lending: Nonlending: 8 months Activities financed by JFICT or JFPR:</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources</p> <p><input type="checkbox"/> Asian Development Fund</p> <p><input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget</p> <p><input checked="" type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> TA Special Fund: \$250,000</p> <p><input type="checkbox"/> Japan Special Fund</p> <p><input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds)</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p><input type="checkbox"/> JFICT:</p> <p><input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, RMI = Republic of the Marshall Islands, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A4.8: Support for Tourism Development II

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Privatization Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Tourism is one of the only sectors with potential for providing jobs and incomes for the Marshallese.</p> <p>b. Goal and purpose: The proposed TA will assist the Government in developing the market potential for RMI tourism and support the Marshall Islands Visitors Authority (MIVA).</p> <p>c. Components and outputs: The proposed TA will (i) establish firm contacts with tourist operators in major markets; (ii) convene workshops for public and private sector interests to identify small, marketable tourism projects; and (iii) develop a business plan for the Visitors Bureau.</p> <p>d. Expected results and deliverables: Increase in tourist arrivals, additional jobs created in the tourism sector.</p> <p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables: To be determined.</p>										

7. Proposed executing/implementing agencies: Ministry of Resources and Development
8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSPU: 2005</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): February 2005 Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance Lending: Nonlending: 8 months Activities financed by JFICT or JFPR:</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources</p> <p><input type="checkbox"/> Asian Development Fund</p> <p><input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget</p> <p><input checked="" type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> TA Special Fund: \$250,000</p> <p><input type="checkbox"/> Japan Special Fund</p> <p><input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds)</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p><input type="checkbox"/> JFICT:</p> <p><input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, MIVA = Marshall Islands Visitors Authority, RMI = Republic of the Marshall Islands, SCSP = subregional cooperation strategy and program, TA = technical assistance.