



# Country Strategy and Program Update

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2007–2011

Asian Development Bank

## CURRENCY EQUIVALENTS

The US dollar (\$) is the unit of currency in the Republic of Marshall Islands.

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AusAID	–	Australian Agency for International Development
CPA	–	country performance assessment
CPI	–	consumer price index
CPRM	–	country portfolio review mission
CSPU	–	country strategy and program update
EPPSO	–	Economic Policy, Planning and Statistics Office
EU	–	European Union
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MEC	–	Marshalls Energy Company
MIS	–	management information system
MOE		Ministry of Education
NGO	–	nongovernment organization
PBA	–	performance-based allocation
PCR	–	project completion report
PDMC	–	Pacific developing member country
PSC	–	Public Service Commission
PSD	–	private sector development
RMI	–	Republic of the Marshall Islands
SOE	–	state-owned enterprise
TA	–	technical assistance
WASC	–	Western Association of Schools and Colleges

## 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.

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## I. COUNTRY STRATEGY

1. The Asian Development Bank (ADB) strategy for the Republic of the Marshall Islands (RMI) prioritizes the provision of technical assistance and policy advice for

- (i) increasing public sector productivity with emphasis on basic social services; and
- (ii) enhancing the environment for private sector investment, job creation, and growth.

2. Due to debt sustainability concerns and access of RMI to grants from bilateral sources, no lending is envisioned during the period. The strategy directly addresses the priorities of the poor—i.e., improved access to basic social services, and greater job and income opportunities<sup>1</sup>—and the focus of the current Pacific Strategy.<sup>2</sup> Further, it supports the Government's national development strategy<sup>3</sup> and the medium-term budgetary framework; and complements substantial grant financing by other funding agencies, including the renewed Compact of Free Association<sup>4</sup> with the US for 2004–2023.<sup>5</sup>

3. Most of the earlier investments in development by ADB and other funding agencies did not yield as planned because of widespread cross-cutting policy and institutional constraints to better performance of both the public and private sectors.<sup>6</sup> In 2004, the RMI country strategy was therefore updated, and it has subsequently been implemented, in a fully participatory manner covering 2005–2006, to increase the ownership of, and the demand for, reform and hence overcome the cross-cutting policy and institutional constraints to productivity.

4. Notwithstanding the country strategy focus on building ownership for reform, the economy continues to drift and social conditions are worsening. Continued civil society participation is unlikely unless the government effectively acts on stakeholder recommendations. Further ADB assistance must therefore depend on the government taking action on essential policy reform. The strategy and program will therefore be consolidated further and attach greater focus to achieving immediate and measurable results including a performance audit report in 2006 to the Chief Secretary on personnel of the Ministry of Education, an increase in land registrations and recordings, and the establishment of a secure transactions regime in 2006. A results-based framework is in Appendix 1. This framework will be refined as the relevant technical assistance projects (TAs) are implemented and reported on independently.

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<sup>1</sup> ADB. 2002. *Hardship in the Marshall Islands, the Priorities of the People*. Manila.

<sup>2</sup> ADB. 2005. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank, 2005–2009*. Manila.

<sup>3</sup> RMI Government *Vision 2018*. Majuro.

<sup>4</sup> In October 2004, the governments of the US and RMI signed a 20-year agreement known as the Compact of Free Association. Under this agreement, the Government of RMI will receive annual grant payments and access federal support programs. In return, the Government of the US will retain certain rights to support the foreign affairs and defense interests of the RMI.

<sup>5</sup> It should also be noted that the ADB Country Performance Assessment of 2005 confirms the focus of the country strategy, with lowest country ratings for (i) business regulatory environment, (ii) equity of public resource use, and (iii) quality of public administration.

<sup>6</sup> See Economics and Research Department, ADB. 2002. *A Framework for Establishing Priorities in a Country Poverty Reduction Strategy*. *ERD Working Paper Series No. 15*. Manila.

## II. CURRENT DEVELOPMENT TRENDS AND ISSUES

### A. Recent Political Developments

5. Elections are due in November 2007 and public sector job protection and weak systems of governance, leading to poor public sector performance, are likely to prevail leading up to the elections. The 2005 education and youth social services TA,<sup>7</sup> revealed the poor state of delivery of these essential services. RMI tends to prioritize the creation of public sector jobs, as well as promotion and protection of public sector activities, over management for public service delivery and supporting the development of the private sector.

### B. Social and Environmental Assessment and Outlook

6. Unemployment, which has risen steadily since independence in 1986, was reported at 31% during the 1999 census. It peaked at nearly 34% in 2004, according to estimates. At 63% (1999 census),<sup>8</sup> youth unemployment is nearly double the national average and the highest in the Pacific. Although education spending in RMI is among the highest in the Pacific, education outcomes are among the worst. The poor performance of education and youth services seriously undermines economic development and poverty reduction.

7. Poverty and hardship have increased, and 20% of the population now lives on less than \$1 per day. Unemployment and social stress have contributed to increases in violent crime, youth suicides, and substance abuse. If these circumstances continue, many Marshallese might opt to leave the country to seek better opportunities elsewhere.<sup>9</sup> The opportunity to migrate to the US provides a valuable safety net for the Marshallese.

8. A country environmental analysis was undertaken for RMI in 2005.<sup>10</sup> Participatory consultations identified seven key environmental concerns: (i) solid and hazardous waste management, (ii) contamination of groundwater and rainwater supplies, (iii) destruction of coral reefs, (iv) pollution of coastal waters, (v) sea level rise, (vi) accelerated coastal erosion, and (vii) potential overexploitation of renewable and nonrenewable resources. Recommendations for mainstreaming environmental considerations are in Appendix 5. ADB is assisting key concerns i, ii, iv and vi through ongoing TA 4653<sup>11</sup> and TA 4439<sup>12</sup>. The other concerns are being addressed by other donors and regional cooperation agencies.

### C. Economic Assessment and Outlook

9. The economy has suffered some major blows over the past 2 years. These included (i) the failure of two major local retailers, leading to a government-sponsored rescue package; (ii) the withdrawal of Outrigger hotel management; (iii) the end of international flights by Aloha

<sup>7</sup> ADB, 2003. *Technical Assistance to the Republic of the Marshall Islands for Preparing the Youth Social Services Project*. Manila (TA 4219-RMI, for \$500,000, approved on 19 November); and ADB, 2004. *Technical Assistance to the Republic of the Marshall Islands for Increasing Ownership and Effective Demand for Improved Education*. (TA 4458-RMI, for \$150,000, approved on 2 December).

<sup>8</sup> More recent estimates put RMI's youth unemployment rate at 80%.

<sup>9</sup> ADB, 2006. *The Juumemmej, Republic of the Marshall Islands, Social and Economic Report 2005, A Summary of Key Issues and Findings*. Majuro. This report estimates that, between 1990 and 2004, departures from the country outnumbered arrivals by more than 13,000.

<sup>10</sup> ADB, 2004. *Technical Assistance for Country Environmental Analysis: Mainstreaming Environmental Considerations in Economic and Development Planning Processes in Selected Pacific Developing Member Countries*. Manila (TA 6204-REG, for \$600,000, approved on 3 December).

<sup>11</sup> ADB, 2005. *Technical Assistance to the Republic of the Marshall Islands for Increasing Ownership of and Effective Demand for Improved Waste Management*. Manila. (TA 4653-RMI, for \$375,000, approved on 22 September 2005)

<sup>12</sup> ADB, 2004. *Technical Assistance to the Republic of the Marshall Islands for Improving the Environment for Private Sector Development*. Manila (TA 4439-RMI, for \$760,000, approved on 19 November)

Airlines; and (iv) the closure of the Pacific Micronesia and Orient Shipping Lines tuna loining plant, leading to the loss of up to 500 jobs. The Bank of Hawaii also withdrew from RMI as part of a regional pullback. In addition to these changes, the College of the Marshall Islands and the Marshalls Energy Company (MEC) are experiencing cash flow and budget management difficulties. These developments suggest that the economy is under significant stress. While some of these developments were the result of international corporate strategy, a common problem is the weak enabling environment for private sector activity and the tendency for government to seek to direct private investment. Directed investments may subsequently unravel in an environment where they cannot be readily replaced.

10. Gross domestic product (GDP) grew 0.4% in FY2004, according to the most recent estimates. However, the longer-term trend indicates little or no economic progress since independence in 1986. Much of the recent growth directly reflects the increased payments by the Government of the United States under the new Compact of Free Association.

11. The public sector, including state-owned enterprises (SOE), continues to dominate the economy. Public sector involvement extends to ownership and operation of interisland shipping services, domestic air transport, and utilities. The public sector accounted for approximately 40% of GDP in 2004, and a similar share of employment. Government expenditures in FY2005 were equivalent to approximately 70% of GDP.

12. Compact payments to RMI have led to substantial increases in Government expenditures. The higher spending has gone into infrastructure investments, as well as increases in public sector employment, wages, and salaries.<sup>13</sup> The civil service workforce is now larger than it was before the ADB public sector reform program loan in 1997.<sup>14</sup> The 2005 International Monetary Fund (IMF) Article IV mission was critical of the increased public spending, and again called for urgent fiscal reform and structural adjustment.<sup>15</sup> General fund expenditures in FY2005 were below budget (excluding write-offs). However, the budgeted amounts had been boosted by excessively optimistic revenue forecasts, which were not realized. Special appropriations increased significantly over FY2004 expenditures, partly due to the heavy investment in the College of Marshall Islands to maintain its Western Association of Schools and Colleges (WASC)<sup>16</sup> accreditation. The expenditure picture was complicated further by a write-off of a loan guarantee against the General Fund, which was related to the Marshall Islands Marine Resources Authority guarantee for the tuna loining plant. Recently, higher fuel and electricity costs have undermined the Government's fiscal position, with debts accruing to MEC. The Government has guaranteed these debts to help MEC cope with increasing energy costs and to keep electricity tariffs affordable. As a result, the operational budget deficit for FY2005 is estimated at \$3.8 million. This will curtail significantly the Government's pursuit of tax incentives to stimulate private sector investment.

13. Inflation, which had been subdued, has increased recently as the impact of rising world oil prices has filtered through the economy. The consumer price index (CPI) rose by an estimated 3.5% in 2005, compared with 2.0% in 2004. Deposit rates have remained low since 1999, with interest rate margins also stable at around 12%.

<sup>13</sup> According to Juumemmej (footnote 9), the gross value of wages and salaries paid to national Government employees increased from \$15.4 million in 2000 to \$23.6 million in 2004.

<sup>14</sup> ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grants to the Republic of the Marshall Islands for the Public Sector Reform Program*. Manila (Loan 1513-RMI and TA 2755/2756-RMI, for \$12 million, approved on 30 January).

<sup>15</sup> IMF Article IV, October 2005.

<sup>16</sup> The Western Association of Schools and Colleges is one of six regional associations that accredit public and private schools, colleges, and universities in the US. The western region covers institutions in California and Hawaii, as well as territories in the Pacific, such as RMI.

14. IMF estimated that the current account deficit for FY2005 (excluding official transfers) was \$53.2 million, resulting from a trade deficit of \$69.3 million. Compact grants totaled \$35.4 million in FY2005, some 66% of official receipts. These comprised mainly official transfers, telecommunications and travel services, Kwajelein employment,<sup>17</sup> land rental, and fishing and ship registration fees. Official reserves of \$4.8 million at the end of 2005 were sufficient to cover only 0.1 months of imports.

15. External debt in FY2005 for end of FY2004 is estimated at \$100.8 million, which is equivalent to 70% of GDP. The Government describes debt service as “high but manageable” provided additional debt is not added. ADB accounts for about two-thirds (68%) of the Government’s major liabilities. Debt servicing costs are set to increase as grace periods on a number of loans expire. Government forecasts that debt service payments will increase from 3.7% of domestic revenues in 2005 to 8.2% in 2011. The Ministry of Finance has been unable to meet ADB loan repayments in FY2006.

#### **D. Implications for the Country Strategy and Program**

16. The priorities set forth in the country strategy and program update of 2005-2006 remain generally valid and should continue to guide the strategy for 2007-2011. However, the existing program of assistance in RMI has not resulted in the desired development outcomes as of yet. Notwithstanding early successes resulting from the participatory approaches adopted under the current strategy<sup>18</sup>, it is unclear at this stage whether the Government can, or will, effectively address all the issues and recommendations raised through the participatory processes. This is particularly evident in connection with service delivery. Given RMI’s continued weak performance, and its failure to address ballooning public sector employment expenditures as well as other structural challenges, the strategy and program will be consolidated further. This consolidation will attach greater focus to achieving results, including immediate and measurable outputs.

17. No new loans are envisaged at this time due to RMI’s prior need to strengthen policy implementation, public institutions, and governance; and the Government’s continuing ADB loan arrears. While the focus on improving governance will continue, concentrating on enhanced policy formulation and management, given the previous lack of implementation of policy recommendations, the viability of this proposed TA will have to be reassessed once the new Government is in place in 2008. The focus on improving the delivery of public services by upgrading the performance of the civil service will continue. However, the focus will be narrowed to implementing personnel audits, with an initial pilot audit of the Ministry of Education (MOE) in 2006. A pilot TA will strengthen the ministry’s capacity in human resource planning, management, reporting, and monitoring; and will assist in improving the management information system (MIS) for personnel management and establishing the indicators required to monitor results.<sup>19</sup> These are necessary first steps toward comprehensive and sustainable

<sup>17</sup> The Government of the United States leases RMI’s Kwajelein Atoll as a military base to track and test missiles launched from the US mainland. The base employs Marshallese.

<sup>18</sup> These successes include (i) the outsourcing of youth-at-risk welfare services to NGOs and businesses as a result of the work of TA 4219 (footnote 7), (ii) preparation of a secure transactions framework, the easing of some administrative barriers to business, and strengthened marketing of land registration authority services as a result of TA 4439 (footnote 12), and (iii) greatly increased government – civil society dialogue on development issues in 2006, stimulated by ADB, with the Attorney General, the Chief Secretary, Ministers and Secretaries of Health and then Education, and then the President, Cabinet and Government Secretaries all holding public meetings to discuss development issues. This has also been recently followed by Nitijela forum to meet civil society.

<sup>19</sup> ADB. 2006. *Technical Assistance to the Republic of the Marshall Islands for Pilot Collaborative Public Services Delivery*. Manila. (TA 4794-RMI, for \$350,000, approved on 30 May 2006)



improvements in education and youth services. Finally, the focus on improving the enabling environment for competitive private sector development will also continue.

18. The country strategy will continue to embrace a participatory approach in all activities. Given the expected time required for sensitive reforms to yield results, the strategy can be projected over an extended period—from 2007 to 2011. A revised, results-based matrix to monitor progress of the public and private sector components of the strategy is in Appendix 1.

### **III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM**

#### **A. Progress in Poverty Reduction**

19. Progress toward the Millennium Development Goals in RMI continues to be slow. Recent education indicators suggest some slight improvements, though retention rates, secondary enrollment, and learning outcomes remain poor. One in four of the population is illiterate. Gender disparities in primary and secondary education almost have been eliminated. Access to safe water and improved sanitation facilities has increased slightly, though significant differences remain between urban and rural or outer islands areas. Child mortality rates (under-5 and infant mortality) have fallen significantly, and the country is likely to meet the target of reducing child mortality by two thirds by 2015. However, one child in four is still underweight, and almost one household in five does not have access to safe water. The disease profile is transitional, combining lifestyle diseases (usually associated with affluence) and infectious diseases (usually found in poor countries). Life expectancy at birth increased from 60 to 65 years, and the gross primary school enrollment ratio rose from 62% to 67% during 1980–2000. Poverty seems to have worsened over the past 5 years in urban and rural areas.

#### **B. Progress in the Country Strategy and Program Focus Areas**

##### **1. Public Service Delivery and Improved Governance**

20. In the mid-1990s, the size of the public sector was determined to be unsustainable. At the Government's request, ADB approved a program loan and associated TA to help (i) reduce public sector costs by approximately 30%, (ii) reform the public sector, and (iii) restructure the economy.<sup>20</sup> This earlier temporary reduction in public sector personnel positions helped address then pressing fiscal issues. However, in the absence of productivity gains, the quality and delivery of public services continued to decline. ADB, therefore, assisted Government with another program loan that was completed late in 2003.<sup>21</sup> The second program loan and associated TA<sup>22</sup> helped to negotiate the renewed Compact, strengthen future public finances

<sup>20</sup> PSRP (footnote 14). ADB. 1994. *Technical Assistance to the Republic of the Marshall Islands for Small Enterprise Development*. Manila (TA 2205-RMI, for \$297,000, approved on 23 November); ADB. 1995. *Technical Assistance to the Republic Policy Advisory Team for Economic Management*. Manila (TA 2295-RMI, for \$2.3 million, approved on 31 January); ADB. 1996. *Technical Assistance to the Republic of the Marshall Islands for Civil Service Reform Implementation*. Manila (TA 2599-RMI, for \$100,000, approved on 2 July); ADB. 1996. *Technical Assistance to the Republic of the Marshall Islands for Improved Financial Management*. Manila (TA 2710-RMI, for \$600,000, approved on 13 December); and ADB. 1997. *Technical Assistance to the Republic of the Marshall Islands for Support of the Private Sector Unit*. Manila (TA 2757-RMI, for \$696,596, approved on 30 January).

<sup>21</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and a Technical Assistance Grant to the Republic of the Marshall Islands for the Fiscal and Financial Management Program*. Manila (Loans 1828-RMI and 1829-RMI, TA 3668-RMI, for a total of \$12 million, approved on 7 June).

<sup>22</sup> ADB. 1999. *Technical Assistance to the Republic of the Marshall Islands for the Preparation of a Pacific Islands Economic Report*. Manila (TA 3284-RMI, for \$250,000, approved on 28 November); ADB. 2000. *Technical Assistance to the Republic of the Marshall Islands for Strengthening the Capacity of the Ministry of Finance*. Manila (TA 3418-RMI, for \$150,000, approved on 21 March); ADB. 2001. *Technical Assistance to the Republic of the Marshall Islands for Fiscal, Financial, and Economic Advisory Services*. Manila (TA 3668-RMI, for \$950,000,

(by establishing a trust fund that would sustain essential services beyond the period of the new Compact),<sup>23</sup> strengthen public finance management,<sup>24</sup> and initiate performance budgeting. Although new systems have been installed they have been little used to raise performance. The program also aimed to strengthen fiscal, economic, and other policy formulation; build up the statistical database in support of policy formulation; strengthen tax auditing; and more. However, while statistical systems and data have been strengthened and a series of policy briefs produced, policy recommendations have been little implemented. An earlier TA that aimed to strengthen the Public Service Commission (PSC) was unsuccessful.<sup>25</sup>

21. Some modest improvements in public services and public enterprises can be identified. The qualified successes include (i) the transformation of the Marshall Islands Social Security Administration, (ii) Ports Authority<sup>26</sup>, (iii) fisheries management<sup>27</sup>, (iv) privatization of the Marshall Islands Resort Hotel, (v) establishment of the Land Registration Authority<sup>28</sup>, and (vi) support for at-risk youths by outsourcing service delivery to NGOs and businesses.<sup>29</sup> Infrastructure maintenance is being contracted out (funded by the new Compact), financial accountability has been strengthened, and tax and customs administration has been improved. The chief secretary and other secretaries support further reform and strengthening of public services. The recent strong support for performance audits of public service personnel to be initiated by ADB TA is also notable<sup>30</sup>. However the net result of all this assistance is not encouraging. The only current loan in the project pipeline, the Outer Island Transport Infrastructure Project<sup>31</sup>, has also suffered from a lack of counterpart staffing, funding, and management.

22. Achieving capacity development in the public sector would appear to be an issue of assisting particular departments or agencies, particular staff and particular timing. In general weak public sector personnel management is undermining potential gains from improved public administration and other reforms and the size and cost of public sector employment have increased again to record levels. Public sector performance, including that of PSC, remains poor. Overall fiscal and economic management, and policy formulation, also remain weak.

23. Under the renewed Compact, the Government is required to continue to introduce and strengthen performance budgeting within a regularly updated medium-term budgetary framework. The US Department of the Interior and the RMI Government have financed further consulting to strengthen performance budgeting. ADB is providing additional support to

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approved on 7 June). *Technical Assistance to the Republic of the Marshall Islands for Strengthening of the Economic Policy, Planning, and Statistics Office*. Manila (TA 4199-RMI, for \$500,000, approved on 17 October).

<sup>23</sup> Established under Loans 1828-RMI and 1829-RMI (footnote 21), the Trust Fund became a multi-funding agency facility and an important component of the renewed compact with the Government of the United States.

<sup>24</sup> Financial Management Information System (FMIS)

<sup>25</sup> TA-RMI 3668 (footnote 22).

<sup>26</sup> Improvements in the Marshall Islands Social Security Administration and Ports Authority finances, and financial and general management were a condition of earlier ADB program loan, ADB. 2001. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and a Technical Assistance Grant to the Republic of the Marshall Islands for the Fiscal and Financial Management Program*. Manila (Loans 1828-RMI and 1829-RMI, TA 3668-RMI, for a total of \$12 million, approved on 7 June).

<sup>27</sup> ADB TA 2854-RMI: Fisheries Management Project succeeded in helping government to reform commercial fisheries policy and to greatly improve the institution of fisheries management, the Marshall Islands Marine Resource Authority.

<sup>28</sup> ADB TA 3941-RMI: Mobilizing Land succeeded in helping government to establish the Land Registration Authority. Although the new authority has only registered a few new land titles it has become the accepted authority for registration of existing land records.

<sup>29</sup> This was one of the results of TA 4219-RMI (footnote 7).

<sup>30</sup> TA 4794 (footnote 19).

<sup>31</sup> Loan 1948-RMI Outer Island Transport Infrastructure Project, for \$10.0 million, approved on 28 November 2002.

strengthen budgetary systems under a regional TA.<sup>32</sup> But the experiences in RMI and elsewhere in the region suggest that many years will be needed to embed effective performance budgeting. Budgetary improvements, as well as any improvement to the environment for private sector development, likely will unravel without public sector personnel committed to performance. Continuing assistance to strengthen public service delivery and governance—with the participation, understanding, and support of civil society—is needed. This has led to the formulation and approval of TA 4794 (footnote 19) to audit the performance of public sector personnel in the Ministry of Education. This TA commenced July 2006. The collaborative approach to this TA that aims to draw support from civil society for better public sector personnel management is supported by positive response to earlier ADB funded participatory processes.

## 2. Enhanced Private Sector Environment

24. The labor force is expected to continue to grow much faster than jobs are created, highlighting the need for private sector development and a strengthened emigration policy. *Meto 2000* and *Juumemnej 2005*<sup>33</sup> document the potential for private sector growth in tourism and other natural resource development, such as fisheries processing and cultivation of black pearls. However, as the ADB-financed Private Sector Assessment, the 2003 road map, and the regional TA to examine administrative barriers<sup>34</sup> demonstrated, much greater efforts are needed to foster a more conducive climate for expanded private sector investment<sup>35</sup>.

25. An ADB TA to mobilize land helped establish the Land Registration Authority.<sup>36</sup> However, society and traditional land tenure practices will take a long time to adapt to the requirements of a modern economy. The land mobilization TA was followed by another ADB TA to help strengthen the environment for private sector development (footnote 12). Although the latter TA only started in November 2005, the response to initial activities to further strengthen land registration, establish a secure transactions regime, and ease administrative barriers has been most encouraging. This includes a substantial initial increase in recording of existing land ownership (though not the new registration of land), a draft bill for secured transactions to go to the August 2006 session of Nitijela, and action already taken by the Attorney General to ease some barriers to business.

26. SOE reform should lead to the reduction of subsidies and create room for private sector participation. However, earlier governments have been reluctant to release control of the SOEs. The privatization of the government-owned hotel is noteworthy, though earlier ADB TA to help rationalize SOEs<sup>37</sup> achieved very little. ADB should await proof of greater commitment to SOE reform before providing additional TA.

<sup>32</sup> ADB. 2004. *Technical Assistance for Pilot Project on Institutionalizing Civil Society Participation to Create Local Pro-Poor Projects (Financed by the Poverty Reduction Cooperation Fund)*. Manila (TA 6170-REG, approved on 6 April).

<sup>33</sup> ADB. 2001. Marshall Islands *Meto 2000*. Economic Report and Statement of Development Strategies. Majuro. ADB. 2006. *Juumemnej*. Republic of the Marshall Islands Social and Economic Report 2005. Majuro.

<sup>34</sup> ADB. 2000. *Technical Assistance for Private Sector Development in the Pacific*. Manila (TA 5963-REG, for \$350,000, approved on 15 December).

<sup>35</sup> Private transaction costs remain high, reflecting (i) the imperfect land market; (ii) overregulation in some areas; (iii) inaction in other areas (e.g., contract enforcement, issuance of business licenses, and work permits); (iv) some lack of transparency; (v) weakly performing utilities; and (vi) continued excessive government interventions in private markets (e.g., copra, shipping). The tax system still needs reform, and the subsidized SOE sector continues to perform poorly.

<sup>36</sup> ADB. 2002. *Technical Assistance to the Republic of the Marshall Islands for Mobilizing Land*. Manila (TA 3941-RMI, for \$420,000, approved on 16 October)

<sup>37</sup> TA 2757-RMI (footnote 20).

27. Government-to-business public policy dialogue has improved significantly in 2006 through a series of meetings. The attorney general, the chief secretary, the Majuro mayor, and more recently the President, cabinet, secretaries, and other government officials, have met with increasing numbers of members of the business community and the public sector. The Nitijela had also recently commenced its own series of forum with civil society. Some in the RMI see this improvement as a result of ADB's country strategy. Successful engagement of domestic consultants in all TAs also has helped build capacity for development outside of a weakly performing state.

### **C. Highlights in Coordination of External Funding and Partnership Arrangements**

28. In keeping with the Paris Declaration on Aid Effectiveness, ADB is committed to coordinating with other funding agencies on its program of assistance to RMI. In 2004 and 2005, ADB funded four informal retreats of leaders of Government, civil society, and funding agencies to discuss sensitive development issues. These appear to have succeeded to some degree in stimulating improved domestic policy dialogue between Government and civil society.

29. As the only multilateral development bank with an active assistance program in RMI, ADB has an important role to play in helping the Government formulate development strategy, economic reform policy, institutional development, and structural adjustment. ADB's focus on helping to improve public and private sector productivity complements other external grant assistance. ADB will need to engage more closely with the Government and grant-funding aid agencies on the implementation of coherent, consistent development policy, as well as a coordinated development strategy and program. High-level consultations between ADB and the US Department of the Interior have been proposed in Manila in 2006.

30. In addition to US Compact grants, the Government also receives significant assistance from Japan (an average of approximately \$6 million a year) and Taipei, China (estimated at \$10 million per year). Japan is expected to fund a project to improve solid waste management in Majuro that will be guided by the ongoing RMI TA 4653 (footnote 11). The European Union (EU) assistance program to the RMI, which has not started, comprises a 5-year, \$4.6 million program covering grant assistance for renewable energy, outer island education, NGO capacity building, and disaster management. Australian Agency for International Development (AusAID) recently agreed to fund a macroeconomist for 12–18 months. Other AusAID assistance is in the form of cofinancing of regional ADB TA (Demographic and Health Survey, Pacific Poverty Fund, and the Strengthening of Pro-Poor Policy).

## **IV. PORTFOLIO MANAGEMENT ISSUES**

### **A. Portfolio Performance, and Performance Monitoring and Evaluation**

31. Since 1990, ADB has approved 11 loan projects from its Special Fund resources, totaling \$74.1 million. ADB also approved one loan project from its Ordinary Capital resources, amounting to \$4.0 million. Only one loan is still active, the Outer Island Transport Infrastructure Project (footnote 31). As of June 2006, the cumulative contract awards for this single active loan totaled \$1.171 million, with cumulative disbursements at \$0.352 million. A project completion report (PCR) will be prepared in 2006 for the Skills Training and Vocational Education Project<sup>38</sup>. Since 1990, 44 TA grants (including two supplementary TAs) have been approved, amounting to \$18.4 million. For these, the governments of Norway, US, and New Zealand provided \$1.8 million in aggregate cofinancing. Four of the TAs are being implemented.

<sup>38</sup> Loan 1791: RMI- Skills Training and Vocational Education Project, for \$6.82 million, approved on 29 November 2000.

32. Disbursements for the Outer Island Transport Infrastructure Project (footnote 31) were suspended on 17 February 2006 due to overdue service payments on ADB loans. The 2006 country portfolio review mission (CPRM) requested that (i) loan payment arrears to ADB be brought up to date; (ii) at least \$870,000 be secured as counterpart funds for the project; and (iii) a full-time project manager and project accountant be engaged for the Outer Island Transport Infrastructure Project. If these requests are not met by mid-2006, closure of the project will be considered. The 2006 CPRM also expressed disappointment over policy implementation, and repeated earlier CPRM concerns over weak personnel management.

## **V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS**

### **A. Proposed Lending Level**

33. The country-specific allocations were derived based on the results of the 2005 CPA (Appendix 6), after applying the performance-based allocation (PBA) formula.<sup>39</sup> The Asian Development Fund (ADF) allocation for RMI has been set at \$2.96 million for 2007–2008. The tentative ADF assistance program for 2009 will be subject to the results of the 2007 CPA, and the outcome of the discussions on the next ADF replenishment.

### **B. Nonlending Program**

34. Future TA will focus on increasing public sector productivity as the means to improve public service delivery, enhance the environment for private sector development, and upgrade governance. Given the lack of policy implementation, future assistance will have to be limited, focused, and tied to an assessment of results. Therefore, future TA is proposed in two areas. First, TA should support strengthening of public services delivery through personnel audits, subject to the progress of the pilot TA in 2006. Second, it should strengthen Economic Policy, Planning and Statistics Office (EPPSO) in support of improved policy formulation and implementation, subject to government support in 2008.

35. The CSPU results framework (Appendix 1) will guide future TA design and monitoring systems. Given the absence of a resident mission in RMI and the small size of the program, independent entities recruited under each TA will monitor and report on implementation. Quarterly progress reports will be presented to the Government and ADB. This has been an effective approach for monitoring and reporting on the progress of the TA on increasing the ownership and demand for improved education in RMI (footnote 7). As has been demonstrated, independent domestic monitoring can help build domestic capacities.

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<sup>39</sup> The country performance assessment (CPA) narrative for 2005 was presented to, and discussed with, the Government during an August 2005 review mission. The CPA ratings were made public in April 2006.

## RESULTS-BASED FRAMEWORK FOR MONITORING THE PROPOSED STRATEGY<sup>a</sup>

RMI Development Objectives			Main Challenges and Constraints in Achieving Objectives	Outcomes That ADB Expects to Influence Through the CSPU, 2007–2011	Indicators to Track Progress Toward These Outcomes, 2007–2011 <sup>b</sup>	ADB and Other Partner Programs, 2007–2011
Long-Term, 2020	Medium-Term, 2015	Short-Term, CSPU				
CSP's Strategic Priority: Enhanced Private Sector Environment						
Increase in private incomes	Better environment for doing business	Ease priority constraints to business	Weak property rights for movable property and land	Strengthened land registration operations and increased land registrations  Establish secure transactions regime	LRA registrations and recordings increase from 400 in 2006 to 700 by 2008  New laws in place and operative by 2008.	ADB TA 4439
			Regulatory barriers	Reduced administrative barriers	Time taken to issue business licenses reduced by 30% by 2008	ADB TA 4439 World Bank Cost of Doing Business Survey USDOI funding of Ministry of R&D private sector operations
			Unnecessarily high transaction costs	Reduced administrative barriers	Time taken to issue business licenses reduced by 30% by 2008	ADB TA 4439
			Dominant role of state in the economy crowding out private sector	Not in CSPU	Not in CSPU	Politically unfeasible at the time.
			Misunderstanding of role of private sector and lack of communication, including policy dialogue between Government and business	Increased Government-business discussion  A policy-informed Cabinet	Weekly Government, business forum.  EPPSO policy briefs to Cabinet	ADB TA 4439 ADB TA 4199 ADB-funded retreats Proposed EPPSO II ADB TA RMI Chamber of Commerce AusAID-funded economist

RMI Development Objectives			Main Challenges and Constraints in Achieving Objectives	Outcomes That ADB Expects to Influence Through the CSPU, 2007–2011	Indicators to Track Progress Toward These Outcomes, 2007–2011 <sup>b</sup>	ADB and Other Partner Programs, 2007–2011
Long-Term, 2020	Medium-Term, 2015	Short-Term, CSPU				
			Weak commercial code	Relevant laws updated	Bankruptcy, liquidation laws updated and publicly available by end 2008	ADB TA 4439 RETA 6202 RETA 6162 Improving Legal Business Environment
CSP's Strategic Priority: Public Service Delivery and Improved Governance						
Improved education outcomes	Improved education services	Raise the demand for better education	Weak MOE personnel management	Improved planning, including completion of MOE personnel audit	Audit report to chief secretary by September 2006	Proposed ADB to pilot and implement collaborative public services delivery USDOL-funded performance budgeting
			Lack of incentives to improve staff performance	Systems of personnel performance accountability established  Systems of performance awards established	2007 onward, MOE annual reports track improvements in staff performance levels  Performance awards system established and annually awarded starting 2007	Proposed ADB to pilot and implement collaborative public services delivery USDOL-funded performance budgeting
			Unreliable progress indicators	Strengthened education statistics	Reliable standardized test and examinations implemented by 2008	Proposed ADB to pilot and implement collaborative public services delivery ADB TA 4199 Proposed EPPSO II ADB TA USDOL-funded performance budgeting
			Poor infrastructure	Not in CSPU	Not in CSPU	US Government Compact Japan Taipei, China
			Poorly trained teachers	Not in CSPU	Not in CSPU	US federal programs

RMI Development Objectives			Main Challenges and Constraints in Achieving Objectives	Outcomes That ADB Expects to Influence Through the CSPU, 2007–2011	Indicators to Track Progress Toward These Outcomes, 2007–2011 <sup>b</sup>	ADB and Other Partner Programs, 2007–2011
Long-Term, 2020	Medium-Term, 2015	Short-Term, CSPU				
			Weak policy and sector strategy and ongoing policy dialogue with civil society	Continuation of Government-civil society dialogue on education and vocational training  Strengthened education policy analyses and policy formulation	New MOE sector strategy prepared in 2006 in participatory manner, incorporating input from nongovernment suppliers of services and addressing civil society concerns	Proposed ADB to pilot and implement collaborative public services delivery ADB TA 4199 ADB-funded retreats Proposed EPPSO II ADB TA NZAID-funded “PRIDE” sector strategy formulation in 2006
			Poor delivery of welfare services to youth at risk	Government outsourcing of welfare services to youth at risk via NYC	From 2006 onwards, NGOs and businesses provide increasing range of demand-driven welfare services to youth at risk	Proposed ADB to pilot and implement collaborative public services delivery Proposed RETA to strengthen vocational skills training

ADB = Asian Development Bank, CSP = Country Strategy and Program, CSPU = Country Strategy and Program Update, EPPSO = Economic Policy, Planning and Statistics Office, LRA = Land Registration Authority, MOE = Ministry of Education, NZAID = New Zealand Agency for International Development, NGO = nongovernment organization, NYC = National Youth Council, PRIDE = Pacific Regional Initiatives for the Delivery of basic Education, RETA = regional technical assistance, R&D = research and development, RMI = Republic of the Marshall Islands, TA = technical assistance, USDOl = United States Department of Interior

<sup>a</sup> The theoretical and empirical underpinning for the Summary Results Management Framework is presented in Duncan, R. and Steve Pollard. 2002. A Framework for Establishing Priorities in a Country Poverty Reduction Strategy. ADB ERD Working Paper. Series No. 15. Manila. The paper summarizes growth theory and development experience over the past 40 years, supporting the argument that civil and social order, rules and regulations, and good governance provide important underpinnings for the formation of effective markets. In turn, effective markets provide important underpinnings for pro-poor investment to yield positive results. Good management, policies, and institutions are important prerequisites for development lending. The architecture of the state supports the architecture for lending. This argument is proven in small, fragile states of the Pacific that have been comparatively well-funded and well-advised, but remain underdeveloped. The Summary Results Management Framework argues that improved public sector policies, practices, and other institutional arrangements in the short-term (1–3 years) are essential for public and private transactions, as well as markets, to be strengthened in the medium-term (4–9 years), so that investments might yield results in the longer-term (10 years and more). Earlier strategic analyses that remain relevant to this CSPU are the preparation of road maps for private sector and social sector development, and RMI development problem and objective trees.

<sup>b</sup> These indicators are being tracked and reported on by independent consultants under relevant TA 4439-RMI: *Improving the Environment for Private Sector Development* and TA 4794-RMI: *Pilot Collaborative Public Services Delivery*.



## 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
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>			
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1/day.			
1. Proportion of population below \$1(PPP) per day	—	—	20.0 (1999)
2. Poverty gap ratio	—	—	—
3. Share of poorest quintile in national consumption (%)	—	1.6 (1998)	3.3 (2002)
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.			
4. Underweight—children under 5 years old (%)	19.0 (1991)	—	27.0 (1999)
5. Proportion of population below minimum level of dietary energy consumption (%)	—	—	—
<b>Goal 2. Achieve Universal Primary Education</b>			
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.			
6. School enrollment, net primary, total (%)	—	95.8 (1999)	84.4 (2001)
6.1 School enrollment, net primary, female (%)	—	91.4 (1999)	83.8 (2001)
6.2 School enrollment, net primary, male (%)	—	100.0 (1999)	85.0 (2001)
7. Proportion of pupils starting grade 1 who reach grade 5 (%)	88.0 (1988)	—	86.1 (1999)
8. Literacy rate of 15–24 year olds (%)	74.0 (1989)	—	74.4 (1998)
<b>Goal 3. Promote Gender Equality and Empower Women</b>			
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education, no later than 2015.			
9. Ratio of girls to boys			
9.1 Ratio of girls to boys, primary education	0.9 (1988)	—	0.8 (2002/03)
9.2 Ratio of girls to boys, secondary education	0.9 (1988)	—	1.0 (2002/03)
9.3 Ratio of girls to boys, tertiary education	—	0.5	0.9 (2000/01)
10. Ratio of literate women to men, 15–24 years old	1.0 (1988)	—	1.0 (1999)
11. Share of women in wage employment in non-agriculture sector (%)	34.0 (1988)	—	36.0 (1999)
12. Seats held by women in national parliament (%)	—	—	3.0 (2005)
<b>Goal 4. Reduce Child Mortality</b>			
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-5 mortality rate.			
13. Mortality, under-5, per thousand live births	92.0	81.0	59.0 (2004)
14. Mortality, infant (0–1 year), per thousand live births	63.0	59.0	52.0 (2004)
15. Proportion of 1-year-old children immunized against measles	52.0	57.0	70.0 (2004)

Goals and Targets	1990	1995	Latest Year
<b>Goal 5. Improve Maternal Health</b>			
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.			
16. Mortality, maternal, per 100,000 live births	—	—	73.8 (2002)
17. Births attended by skilled health staff (%)	—	—	95.0 (1998)
<b>Goal 6. Combat HIV/AIDS, Malaria, and Other Diseases</b>			
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.			
18. HIV prevalence rate	—	—	—
19. Contraceptive prevalence rate, women 15–49 years old (%)	—	30.6	34.0 (2001)
20. Number of children orphaned by HIV/AIDS	—	—	—
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.			
21. Malaria			
21.1 Malaria—prevalence per 100,000 people	—	—	—
21.2 Malaria—death rate per 100,000 people	—	—	15.0 (2000)
21.3 Malaria death rate per 100,000, ages 0–4 (per 100,000 people)	—	—	0.0 (2000)
22. Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures	—	—	—
23. Tuberculosis			
23.1 Tuberculosis—prevalence per 100,000 people	392.0	—	60.0 (2003)
23.2 Tuberculosis—death rate per 100,000 people	30.0	—	4.0 (2003)
24. Proportion of tuberculosis cases			
24.1 Tuberculosis, cases detected under DOTS, (%)	—	56.0 (1998)	140.0 (2003)
24.2 Tuberculosis, DOTS treatment success, (%)	—	83.0 (1998)	100.0 (2003)
<b>Goal 7. Ensure Environmental Sustainability</b>			
Target 9: Integrate the principles of sustainable development into country policies and programs, and reverse the loss of environmental resources.			
25. Land area covered by forest (%)	—	—	—
26. Protected area ratio to surface area	—	0.0	0.0 (2004)
27. GDP per unit of energy use (PPP \$ per kg oil equivalent)	—	—	—
28. Carbon dioxide emissions			
28.1 Carbon dioxide emissions (per capita metric tons)	—	—	—
28.2 Ozone depleting CFCs consumption (ODP tons)	1.0	1.2	0.2 (2003)
29. Percentage of population using biomass fuels	—	—	—
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.			
30. Access to safe water, total population (%)	96.0	—	85.0 (2002)
30.1 Access to safe water, urban population (%)	95.0	—	80.0 (2002)
30.2 Access to safe water, rural population (%)	97.0	—	95.0 (2002)

Goals and Targets	1990	1995	Latest Year
31. Access to sanitation, total population (%)	75.0	—	82.0 (2002)
31.1 Access to sanitation, urban population (%)	88.0	—	93.0 (2002)
31.2 Access to sanitation, rural population (%)	51.0	—	59.0 (2002)
Target 11: By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers.			
32. Slum population as percentage of urban	2.0	—	2.0 (2001)

— = data not available, CFC = chlorofluorocarbon, DOTS = directly observed treatment short-course, GDP = gross domestic product, kg = kilogram, GNI = gross national income, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, ODP = ozone-depleting potential PPP, PPP = purchasing power parity, XGS = exports of goods and services.

<sup>a</sup> Refers to government and government-guaranteed debt only.

<sup>b</sup> Between 80% and 95%.

Sources: International Telecommunication Union. *World Telecommunication Indicators 2004/2005*. Available: <http://www.itu.int/ITU-D/ict/statistics>; Secretariat of the Pacific Community. *Pacific Islands Regional Millennium Development Goals Report 2004*. Available: <http://www.spc.int/mdgs>; United Nations Children's Fund. Available: <http://www.unicef.org/infobycountry>; United Nations Development Programme. *Human Development Report*, various years (2003-2005); UNDP, *Pacific Human Development Report* (1994, 1999); United Nations Educational, Scientific and Cultural Organization, Institute for Statistics Web site. Available: <http://www.uis.unesco.org>; United Nations Environment Programme Ozone Secretariat. Available: <http://www.unep.org/ozone/index.asp>; United Nations Statistics Division. 2003. Millennium Indicator Database. Available: <http://millenniumindicators.un.org>; and Asian Development Bank Statistical Database System. Available <http://lxapp1.asiandevbank.org:8030/sdbs/index.jsp>.

**Table A2.2: Country Economic Indicators**

Item	Fiscal Year <sup>a</sup>				
	2001	2002	2003	2004	2005
<b>A. Income and Growth</b>					
1. Per Capita GDP (\$, current prices)	1,955	2,014	2,001	2,034	2,095
2. GDP Growth (% , constant prices)	5.5	4.0	1.8	0.4	3.5
a. Agriculture	5.0	—	—	—	—
b. Industry	3.7	—	—	—	—
c. Services	(1.5)	—	—	—	—
<b>B. Saving and Investment</b> (current market prices, % of GDP)					
1. Gross Domestic Investment	53.6	52.1	—	—	—
2. Gross National Saving	45.1	42.5	—	—	—
<b>C. Money and Inflation</b> (annual % change)					
1. Consumer Price Index <sup>b</sup>	1.8	(0.4)	(0.9)	2.0	3.5
2. Total Liquidity (M2) <sup>c</sup>	1.9	4.2	(3.3)	15.4	14.9
<b>D. Government Finance</b> (% of GDP)					
1. Revenue and Grants	76.3	74.8	66.2	69.0	64.7
2. Expenditure and Onlending	80.9	62.2	66.7	71.5	67.1
3. Overall Fiscal Surplus (Deficit)	(4.7)	12.7	(0.4)	(2.6)	(2.4)
<b>E. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	(66.4)	(53.2)	(55.1)	(47.3)	(53.5)
2. Current Account Balance (% of GDP)	8.4	7.7	14.2	3.6	0.3
3. Merchandise Export (\$) Growth (fob, annual % change)	13.6	14.0	24.6	10.6	5.1
4. Merchandise Import (\$) Growth (fob, annual % change)	56.6	(11.1)	9.8	(5.7)	17.4
<b>F. External Payments Indicators</b>					
1. Gross Official Reserves (\$ million, end of period)	4.2	18.4	34.1	10.6	4.8
2. External Debt Service (% of exports of goods and services)	135.8	15.1	16.9	14.6	24.4
3. Total External Debt (% of GDP)	85.9	78.7	79.4	85.1	77.8
<b>G. Memorandum Items</b>					
1. GDP (current prices, \$ million)	104.5	111.3	114.9	121.5	129.5
2. Exchange Rate (\$ official currency)	2.0	3.0	4.0	5.0	6.0
3. Population (million)	0.053	0.055	0.057	0.060	0.062

— data not available, fob= free on board, GDP= gross domestic product.

<sup>a</sup> Ending 30 September.

<sup>b</sup> Annual average.

<sup>c</sup> End-of-period rates.

Sources: Economic Policy, Planning, and Statistics Office. *Statistical Abstract*. Various issues; United Nations Economic and Social Commission for Asia and the Pacific. 2003. *Statistical Yearbook for Asia and the Pacific 2003*; International Monetary Fund (IMF). *Article IV Consultation*. Various issues; IMF. 2004. *Public Information Notice No. 04/8*. Washington, DC.

Table A2.3: Country Poverty and Social Indicators

Item	1990	1995	Latest Year
<b>A. Population Indicators</b>			
1. Total Population	46.2	47.4	61.2 (2004)
2. Annual Population Growth Rate (% change)	4.0	1.5	4.0 (2004)
<b>B. Social Indicators</b>			
1. Total Fertility Rate (births per woman)	—	7.2	5.7 (1999)
2. Maternal Mortality Rate (per 100,000 live births)	0.0 (1991)	—	73.8 (2002)
3. Infant Mortality Rate (0–1 year per 1,000 live births)	63.0	59.0	52.0 (2004)
4. Life Expectancy at Birth (years)	62.0 (1991)	63.0	67.5 (1999)
a. Female	64.0 (1991)	64.0	69.4 (1999)
b. Male	61.0 (1991)	61.0	65.7 (1999)
5. Adult Literacy (%)	—	—	97.0 (1999)
a. Female (15 years and over)	—	—	97.2 (1999)
b. Male (15 years and over)	—	—	96.8 (1999)
6. Primary School Gross Enrollment (% school age population)	—	119.3	91.8 (2003/04)
7. Secondary School Gross Enrollment (% school age population)	—	43.0	43.8 (2003/04)
8. Child Malnutrition (% below age 5)	19.0 (1991)	—	27.0 (1999)
9. Population With Access to Safe Water (%)	96.0	—	85.0 (2002)
10. Population With Access to Sanitation (%)	75.0	—	82.0 (2002)
11. Public Health Expenditure (% of GDP)			13.0 (2003)
12. Public Education Expenditure (% of GDP)			15.0 (2004)
13. Human Development Index	—	—	—
Global Rank <sup>a</sup> /Number of Countries	—	—	128/174 (1998)
14. Human Development Index (Pacific)	—	0.611 (1994)	0.6 (1998)
Pacific Rank/Number of PDMCs	—	5/12 (1994)	9/13 (1998)
<b>C. Poverty Indicators</b>			
1. National Poverty Line (\$ per capita per month)	—	—	—
2. Poverty Incidence (%)	—	—	—
3. Inequality Index (Gini)	—	—	—
4. Human Poverty Index	—	—	19.5 (1998)
Pacific Rank/Number of PDMCs	—	—	9/13 (1998)

— = data not available, GDP = gross domestic product, PDMC = Pacific developing member country.

<sup>a</sup> Not reported in the 2000 Human Development Report.

Sources: Economic Policy, Planning, and Statistics Office. *Republic of the Marshall Islands Statistical Yearbook*. Various years; Secretariat of the Pacific Community. 2004. *Pacific Islands Regional Millennium Development Goals Report 2004*. Available: <http://www.spc.int/mdgs>; United Nations Children's Fund. Available: <http://www.unicef.org/infobycountry>; United Nations Development Programme (UNDP). *Human Development Report*. Various years; UNDP. 1994 and 1999. *Pacific Human Development Report*; United Nations Educational, Scientific and Cultural Organization, Institute for Statistics. Available: <http://www.uis.unesco.org>; United Nations Statistics Division. *Millennium Indicator Database*. Available: <http://millenniumindicators.un.org>; World Bank. World Development Indicators Online. Available: <http://devdata.worldbank.org/dataonline>; and Asian Development Bank Statistical Database System. Available: <http://lxapp1.asiandevbank.org:8030/sdbs/index.jsp>.

Table A2.4: Country Environment Indicators

Indicator	1990	Latest Year
<b>A. Energy Efficiency of Emissions</b>		
1. GDP per Unit of Energy Use (PPP\$ per kgoe)	—	—
2. Traditional Fuel Use (% of total energy use)	—	—
3. Carbon Dioxide Emissions		
a. Metric Tons ('000)	—	—
b. Metric Tons per Capita	—	—
<b>B. Water Pollution: Water and Sanitation</b>		
1. % Urban Population With Access to Safe Water	88.0	93.0 (2002)
2. % Rural Population With Access to Safe Water	97.0	95.0 (2002)
3. % Urban Population With Access to Sanitation	88.0	93.0 (2002)
<b>C. Land Use and Deforestation</b>		
1. Forest Area (km <sup>2</sup> )	—	—
2. Average Annual Deforestation		
a. km <sup>2</sup>	—	—
b. % Change <sup>a</sup>	—	0.0 (1990–2000)
3. Rural Population Density (people per km <sup>2</sup> of arable land)	892.5 (1995)	1,003.0 (2003)
4. Arable Land (% of total land)	11.0 (1995)	11.0 (2003)
5. Permanent Cropland (% of total land)	44.0 (1995)	44.0 (2003)
<b>D. Biodiversity and Protected Areas</b>		
1. Nationally Protected Area		
a. km <sup>2</sup>	0.0 (1994)	0.0 (2003)
b. % of Total Land	0.0 (1994)	0.0 (2003)
2. Mammals (number of threatened species)	0.0 (1992)	1 (2004)
3. Birds (number of threatened species)	1	2 (2004)
4. Higher Plants (number of threatened species)		0 (2003)
5. Reptiles (number of threatened species)	2 (1996)	2 (2004)
6. Amphibians (number of threatened species)	0 (1996)	0 (2004)
<b>E. Urban Areas</b>		
1. Urban Population		
a. '000	28.0 (1988)	33.1 (1999)
b. % of Total Population	64.5 (1988)	66.4 (2003)
2. Per Capita Water Use (liters per day)	—	—
3. Wastewater Treated (%)	—	—
4. Solid Waste Generated per Capita (kg per day)	—	—

— = no data available, GDP = gross domestic product, kg = kilogram, kgoe = kilogram oil equivalent, km<sup>2</sup> = square kilometer, PPP = purchasing power parity.

<sup>a</sup> A positive number indicates a loss of forest area, a negative number a gain.

Sources: Economic Policy, Planning, and Statistics Office. 2004. *Republic of the Marshall Islands Statistical Yearbook 2004*; Food and Agriculture Organization (FAO) of the United Nations. Statistical Databases (FAOSTAT). Available: <http://faostat.fao.org>; International Union for Conservation of Nature and Natural Resources (IUCN). *The IUCN Red List of Threatened Species*. Various issues. Available: <http://www.iucnredlist.org>; United Nations Environment Programme. 2004. *Environmental Indicators South Pacific*; United Nations Statistics Division. 2003. Millennium Indicator Database. Available: <http://millenniumindicators.un.org>; World Resources Institute. 2003. Earth Trends 2003. Available: <http://earthtrends.wri.org>; World Bank. World Development Indicators Online. Available: <http://devdata.worldbank.org/dataonline>; Asian Development Bank Statistical Database System. Available: <http://lxapp1.asiandevbank.org:8030/sdbs/index.jsp>.

**Table A2.5: Portfolio Indicators—Amounts and Ratings, Disbursements, and Net Transfers of Resources**  
(Public Sector Loans, as of 31 December 2005)

Sector	Net Loan Amount		Total		Rating <sup>a</sup>								PP <sup>b</sup>		At Risk <sup>c</sup>	
	\$ million	%	No.	%	HS		S		PS		U		No.	%	No.	%
					No.	%	No.	%	No.	%	No.	%				
Agriculture and Natural Resources																
Education																
Energy																
Finance																
Health, Nutrition, and Social Protection																
Industry and Trade																
Multisector																
Water Supply, Sanitation, and Waste Management																
Law and Public Sector Management																
Transport and Communications	7.601	100.0	1	100.0			1	100.0								
<b>Total</b>	<b>7.601</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>			<b>1</b>	<b>100.0</b>								

HS = highly satisfactory, PP = potential problem, PS = partly satisfactory, S = satisfactory, U = unsatisfactory.

<sup>a</sup> One rating for implementation progress and development objectives, based on the lower rating of either.

<sup>b</sup> Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>c</sup> A loan is "at risk" if it is rated partly satisfactory, as unsatisfactory, or as a potential problem.

Source: Asian Development Bank Project Coordination and Procurement Division.

Disbursements and Transfers	OCR	ADF	Total
<b>Disbursements<sup>a</sup></b>			
Total Funds Available for Withdrawal (\$ million)	0.0	32.8	36.8
Disbursed Amount (\$ million, cumulative)	0.0	20.2	24.2
Percentage Disbursed (disbursed amount/total available)	0.0	61.5	65.7
Disbursements (\$ million, latest year)	0.0	4.6	5.0
Disbursement Ratio (%) <sup>b</sup>	0.0	28.8	30.8
<b>Net Transfer of Resources (\$ million)</b>			
2001	2.0	5.9	7.9
2002	1.3	6.3	7.6
2003	0.2	4.0	4.2
2004	(0.344)	0.738	0.394
2005	(0.214)	(0.048)	(0.262)

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Includes ongoing loans and loans with disbursements in 2005.

<sup>b</sup> Ratio of disbursements 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 also have been added to the beginning balance of undisbursed loans.

Source: Asian Development Bank Central Operations Services 1

**Table A2.6: Portfolio Indicators—Evaluation Rating by Sector**  
(as of 31 January 2006)

Sector	GS, HS & S		PS		US		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0		0		0		0	
Energy	0		0		0		0	
Industry & Nonfuel Minerals	0		0		0		0	
Transport & Communications	0		0		0		0	
Social Infrastructure	0		1	100.0	0		0	100.0
Finance	0		0		0		0	
Multisector	0		0		0		0	
Others	0		1	100.0	0	0.0	1	100.0
<b>Total</b>	<b>0</b>		<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful.

Source: OED/PEIS.



**Table A2.7: Portfolio Implementation Status**  
(Public Sector Loans, as of 31 December 2005)

No.	Sector	Loan No.	Seg.	Title	Net Loan Amount		Approval Date	Effective-ness Date	Closing Date		Progress (%) complete)	Cumulative Contracts/ Commitment s (\$ million)	Cumulative Disbursements (\$ million)	Rating		Potential Problem <sup>a</sup>	At Risk <sup>b</sup>
					OCR (\$ million)	ADF (\$ million)			Orig	Rev				IP	DO		
1	TC	1948		Outer Island Transport Infrastructure Project		7.6	28 Nov 02	5 Jun 03	30 Jun 07		23	1.2	0.4	S	S	No	No
<b>Total</b>						<b>7.6</b>						<b>1.2</b>	<b>0.4</b>				

ADF = Asian Development Fund, DO = development objectives, IP = implementation progress, OCR = ordinary capital resources, S = satisfactory, Seg = segment (pertaining to loans with more than one withdrawal authority), TC = transport and communications.

<sup>a</sup> "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>b</sup> A loan is considered "at risk" if it is rated "PS" or "U" in implementation progress or development objectives, or if it is a potential problem loan.

Source: Asian Development Bank Central Operations Services 1.

**Table A2.8: Assistance Pipeline for Lending Products, 2007–2011**

Sector Project/Program Name	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
					ADB			Gov't	Cofi- nancing
					OCR	ADF	Total		

No loans currently envisaged.

ADB = Asian Development Bank, ADB = Asian Development Fund, OCR = ordinary capital resources.  
Source: Asian Development Bank estimates.

**Table A2.9: Assistance Pipeline for Nonlending Products and Services, 2007–2011**

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2008							
Law and Public Sector Management	PAHQ	AD	TASF				
Strengthening Government-Wide Policy Formulation and Implementation				800.00		100.00	900.00
Subtotal				800.00		100.00	900.00
2009							
Law and Public Sector Management	PAHQ	AD	TASF				
Further Collaborative Public Services Delivery				450.00		0.00	450.00
Subtotal				450.00		0.00	450.00
Total				450.00		0.00	450.00
Total				1,250.00		100.00	1,350.00

AD = advisory, ADB = Asian Development Bank, PAHQ = Pacific Operations Division, TASF = Technical Assistance Special Fund.  
Source: Asian Development Bank estimates.

## **CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES**

This appendix contains the concept papers for projected nonlending products and services:

- (i) Table A3.1: Strengthening Government-Wide Policy Formulation and Implementation (EPPSO II)
- (ii) Table A3.2: Further Collaborative Public Services Delivery

**Table A3.1: Strengthening Government-Wide  
Policy Formulation and Implementation (EPPSO II)**

<b>1. Type or modality of assistance</b> <input type="checkbox"/> Lending <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> Other: <input checked="" type="checkbox"/> Nonlending <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other <input type="checkbox"/> Activities financed by JFICT or JFPR	
<b>2. Assistance Focus</b> a. If assistance focuses on a particular sector or subsector, specify the Sector: Law, economic management, and public policy Subsector: Economic management b. For project preparatory and lending, classification <input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention c. Key thematic area(s) <input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input checked="" type="checkbox"/> Governance <input type="checkbox"/> Gender and Development <input type="checkbox"/> Environmental Sustainability <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development	
<b>3. Coverage</b> <input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development	
<b>4. Responsible division and department:</b> PAHQ/PARD	
<b>5. Responsible ADB officer(s):</b> Steve Pollard	
<b>6. Description of assistance(s)</b> a. <b>Background or link to country or regional strategy:</b> ADB has helped the Government strengthen policy analysis and formulation through TA to the earlier Office of Planning and Statistics (TA 1671: Institutional Strengthening of Office of Planning and Statistics), including (i) TA 2295: Policy Advisory Team for Economic Management; (ii) TA 3284: Preparation of a Pacific Islands Economic Report; and (iii) TA 3668: Fiscal, Financial, and Economy Advisory Services, which was attached to Loans 1828/1829: Fiscal and Financial Management Program. Further, TA 4199: Strengthening the Economic Planning, Policy, and Statistics Office was approved late in 2003, and is being implemented in 2006. Earlier TA did not yield the envisaged results, largely due to Government resistance to full policy implementation. Successive governments have resisted support for private competition, reform of state-owned enterprises, tax reform, and improved fiscal policy and management. Nevertheless, policy dialogue, as well as support for policy and institutional reform and improved fiscal and economic management, must continue. Implementation of TA 4199 was delayed by weak public service management, and by extension the lack of counterparts. TA 4199 has expanded and improved the statistical database, lending support to the implementation of performance-based budgeting. It also has supported the preparation of a series of policy briefs, mostly on matters pertaining to fiscal policy. The Cabinet, for the most part, has not approved policy recommendations for implementation. A requirement for broader sector and thematic	

policy analyses and policy formulation is anticipated.

**b. Goal and purpose:** The purpose of the proposed assistance is twofold. First, it will strengthen capacities in participatory sector and thematic policy formulation beyond the Office of the President and the Ministry of Finance. This is required to help strengthen policy understanding and implementation. While TA 4199 has focused on fiscal policy, sector and thematic policies also require much more attention. Second, capacities in the administration of policy formulation, as well as in the ability to formulate policy, need to be strengthened through training in statistics, research, use of statistics, and policy analysis.

**c. Components and outputs:** The likely components are (i) strengthening of policy administration; (ii) participatory formulation of government sector and thematic policy analyses and formulation, initially in priority welfare sectors of education and health; (iii) expansion of the basic statistics database; and (iv) training in statistics, use of statistics, and policy formulation.

**d. Expected results and deliverables:** The assistance will (i) enhance the Government's and society's acceptance of the need to strengthen policy and associated institutions; (ii) strengthen the administration and management of central policy research, analysis, formulation, and presentation; (iii) extend and deepen understanding of what is better policy, and the means to formulate policy; and (iv) lead to implementation of some improved policy.

**e. Social or environmental issues or concerns:** None

**f. Plans for disseminating results or deliverables:** As with other ADB assistance, relevant media will be engaged to help educate the populace about the need for, and the means to, better policy.

**7. Proposed executing and/or implementing agencies:** Office of the President

**8. Nature or extent of government or 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.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSPU: 2006
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): January 2008
  - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 4 years
  - Activities financed by JFICT or JFPR:

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources
  - ☐ Asian Development Fund
  - ☐ Other
- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget
  - ☒ Grant TA funds
    - ☒ TA Special Fund: \$800,000
    - ☐ Japan Special Fund
    - ☐ Other (specify, e.g., bilateral and multilateral trust funds)
- c. For projects financed by
  - ☐ JFICT:
  - ☐ JFPR:

**Table A3.2: Further Collaborative Public Services Delivery**

<b>1. Type or modality of assistance</b> <input type="checkbox"/> Lending <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> Other: <input checked="" type="checkbox"/> Nonlending <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other <input type="checkbox"/> Activities financed by JFICT or JFPR		
<b>2. Assistance Focus</b> a. If assistance focuses on a particular sector or subsector, specify the Sector: Law, economic management, and public policy Subsector: National government administration b. For project preparatory and lending, classification <input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention c. Key thematic area(s) <input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input checked="" type="checkbox"/> Governance <input type="checkbox"/> Gender and Development <input type="checkbox"/> Environmental Sustainability <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development <input type="checkbox"/> Capacity development		
<b>3. Coverage</b> <input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development		
<b>4. Responsible division and department:</b> PAHQ/PARD		
<b>5. Responsible ADB officer(s):</b> Steve Pollard		
<b>6. Description of assistance(s)</b> <p><b>a. Background or link to country or regional strategy:</b> Successive RMI Governments have struggled since independence to form an effective, efficient, and productive civil and public service. ADB has sought to assist earlier governments in such endeavors. Most significantly, ADB has assisted public sector reform through two programs: (i) Loan 1513: Public Sector Reform Program, January 1997; and (ii) Loans 1828 and 1829: Fiscal and Financial Management Program, June 2001. As OED found in its evaluation of Loan 1513 and PARD recorded in the PCR for Loans 1828/1829, neither of these programs fulfilled all their objectives. Similarly, TA associated with the program loans (TA 2295: Policy Advisory Team for Economic Management; and TA 3668: Fiscal, Financial, and Economy Advisory Services) failed to improve public sector productivity significantly. In contrast, some sector TAs, especially in fisheries (TA 2349: National Fisheries Development Plan, and TA 2854: Fisheries Management) have been successful, providing some guidance for institutional strengthening. One of the two priorities of the poor, those in hardship, as noted in the participatory poverty assessment of late 2002, is improved access to quality, basic social services, especially primary health care and primary education.</p> <p>The current Government of President Note was reelected in November 2003 on a renewed mandate to continue improving governance. This Government fully supports a review and improvement of the civil service. The CSPU for 2005–2006 was prepared in a highly participatory manner, culminating in the NCC meeting at the end of March 2004. This process and the NCC prioritized the review and reform of the civil service, and associated rationalization of government assets. Subsequently, a TA was designed and approved to pilot collaborative public services delivery</p>		

through public service performance audits and the outsourcing of youth-at-risk welfare services. This TA commenced July 2006. Depending on the progress with this TA, additional assistance will be needed to continue these activities.

**b. Goal and purpose:** The TA will aim to assist the Government and people of RMI in gradually implementing sustained improvements in the efficiencies and effectiveness of the public service, especially improved delivery of primary health care and primary education. These are priority concerns among those who experience the greatest hardship in RMI.

**c. Components and outputs:** The grant assistance will likely cover: (i) a fully participatory review and widespread people assessment, and support of further improvements to public services' delivery; (ii) an impartial assessment of the readiness and strength of support for civil service reform, the vision for reform, and sustainability of reform; (iii) an impartial assessment of the best timing, duration, and possible sequencing and speed of reforms; (iv) a program for the participatory implementation of the findings of the review; and (v) design and implementation of a system to monitor delivery of essential public services.

**d. Expected results and deliverables:** A gradual improvement in the delivery of public services, especially those that are a priority of the poor.

**e. Social or environmental issues or concerns:** None.

**f. Plans for disseminating results or deliverables:** An essential component of the TA will be the engagement of relevant media in a program to monitor and publish the recorded delivery of public services (especially primary health care and primary education).

**7. Proposed executing and/or implementing agencies:** Office of the Chief Secretary

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

The Government and people of RMI were involved fully in the participatory processes, from December 2003 through March 2004, which led to the formulation of the CSPU for 2005–2007. This culminated in the NCC of 29 March 2004, and the prioritization of this area of TA activity.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSPU: 2006
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2009.
  - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 4 years
  - Activities financed by JFICT or JFPR:

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources
  - ☐ Asian Development Fund
  - ☐ Other
- c. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget
  - ☒ Grant TA funds
    - ☒ TA Special Fund: \$650,000
    - ☐ Japan Special Fund
    - ☐ Other (specify, e.g., bilateral and multilateral trust funds)
- c. For projects financed by
  - ☐ JFICT:
  - ☐ JFPR:

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, NCC = National Coordination Committee, OED = Operations and Evaluation Department, PAHQ = Pacific Operations Division, PARD = Pacific Department, PCR = project completion report, RMI = Republic of the Marshall Islands, SCSP = subregional cooperation strategy and program, TA = technical assistance.



## ASSISTANCE PROGRAM FOR NONLENDING PRODUCTS AND SERVICES, 2006

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2006							
Public Sector Development							
1. Pilot Collaborative Public Services Delivery	PAHQ	AO	TASF	250.00			250.00
2. Increasing Ownership of and Effective Demand for Improved Urban Waste Management	PAHQ	AO	PRF	300.00			300.00
Total				550.00			550.00

AO = advisory and operational, ADB = Asian Development Bank, PAHQ = Pacific Operations Division, PRF = Poverty Reduction Cooperation Fund, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank estimates.

### MAINSTREAMING ENVIRONMENTAL CONSIDERATIONS IN ECONOMIC AND DEVELOPMENT PLANNING PROCESSES

Priority Area	Recommendations
Land use planning and building regulation at local government level—harmonization of traditional and modern practices	<ul style="list-style-type: none"> <li>▪ New nonlending technical assistance and subsequent loan:               <ul style="list-style-type: none"> <li>○ Developing Policies and Procedures, and Enhancing Capacity, for Land Use Planning and Regulation of Building at Local Government Level</li> </ul> </li> <li>▪ Strengthen projects in ADB project pipeline</li> </ul>
Enhance early warning systems for natural and other disasters	<ul style="list-style-type: none"> <li>▪ New nonlending technical assistance and subsequent loan:               <ul style="list-style-type: none"> <li>○ Enhancing Early Warning Systems for Natural and Other Disasters</li> </ul> </li> <li>▪ Strengthen projects in ADB project pipeline</li> </ul>
Combine traditional and modern methods for coastal protection and erosion control	<ul style="list-style-type: none"> <li>▪ New nonlending technical assistance and subsequent loan:               <ul style="list-style-type: none"> <li>○ Harmonizing and Strengthening Traditional and Modern Methods for Coastal Protection and Erosion Control</li> </ul> </li> <li>▪ Strengthen projects in ADB project pipeline</li> </ul>
Dispose of solid waste in an environmentally sound manner, resulting in land reclamation	<ul style="list-style-type: none"> <li>▪ Strengthen projects in ADB project pipeline, especially:               <ul style="list-style-type: none"> <li>○ PPTA: Increasing Ownership and Effective Demand for Improved Urban Waste Management and Disposal</li> <li>○ Loan: Urban Solid Waste Management</li> </ul> </li> </ul>
Enhance water quality and access to a secure supply	<ul style="list-style-type: none"> <li>▪ New nonlending technical assistance and subsequent loan:               <ul style="list-style-type: none"> <li>○ Developing Policies and Procedures, and Enhancing Capacity, for Land Use Planning and Regulation of Building at Local Government Level</li> </ul> </li> <li>▪ Strengthen projects in ADB project pipeline</li> </ul>
Enhance food security, especially in Outer Islands	<ul style="list-style-type: none"> <li>▪ Strengthen projects in ADB project pipeline, especially:               <ul style="list-style-type: none"> <li>○ TA: Strengthening Sector and Thematic Policy and Institutional Development (EPPSO)</li> <li>○ TA: Increasing Ownership and Effective Demand for Improved Education Services</li> </ul> </li> </ul>
Improve efficiency, effectiveness, environmental performance, and sustainability of transport systems	<ul style="list-style-type: none"> <li>▪ Strengthen projects in ADB project pipeline, especially:               <ul style="list-style-type: none"> <li>○ TA: Further Enhancing the Environment for Private Sector Development</li> </ul> </li> </ul>
Substitute coconut oil as an alternative to diesel in the Outer Islands	<ul style="list-style-type: none"> <li>▪ Strengthen projects in ADB project pipeline, especially:               <ul style="list-style-type: none"> <li>▪ TA: Further Enhancing the Environment for Private Sector Development</li> <li>▪ Loan: Youth Social Services</li> </ul> </li> </ul>

#### A. Suggested Technical Assistance (possibly leading to loans)

1. **Developing Policies and Procedures, and Enhancing Capacity Local Government Level for Land Use Planning and Regulation of Building and Other Development.** The proposed focus is on identifying and implementing strategies, approaches, and mechanisms at the local government level for land use planning, zoning, and regulation of construction and other development activities. The aim is to achieve an appropriate and acceptable balance between delivering the desired economic, social, and environmental outcomes and retaining traditional practices related to land tenure and use.

2. **Enhancing Early Warning Systems for Natural and Other Disasters.** The proposed focus is on assisting with the implementation of two key components of the RMI's new Disaster Mitigation Plan: (i) the effective operation and maintenance of radio-based early warning systems; and (ii) the education and awareness of the population regarding disaster preparedness and initial response. This includes upgrading and adding technology to enable the system to deliver timely and clear disaster warnings to the majority of the population of the RMI on a 24-hour basis; and ensuring that the people of RMI have the knowledge, commitment, and skills to undertake, whenever necessary, the critical disaster preparedness and prevention actions upon receiving an early warning.

3. **Harmonizing and Strengthening Traditional and Modern Methods for Coastal Protection and Erosion Control.** The proposed focus is on economically viable, socially acceptable, and environmentally sound options that harmonize traditional and modern methods of coastal protection and erosion control. The aim is to develop systems that reflect the differences in the location where they will be applied (e.g., remote outer islands versus urban centers), and are replicable beyond the areas in which they will be demonstrated. This would allow the formulation of lessons learned, success factors, and best practice guidelines for use elsewhere in RMI.

**2005 COUNTRY PERFORMANCE ASSESSMENT RATINGS<sup>a</sup>**

Criteria		Country (RMI)	PDMCs (Average)	All Countries (Average)
A. Economic Management	1. Macroeconomic Management	3.5	3.9	4.2
	2. Fiscal Policy	3.5	3.8	3.8
	3. Debt Policy	3.5	3.9	4.0
	<b>Cluster Average</b>	<b>3.5</b>	<b>3.8</b>	<b>4.0</b>
B. Structural Policies	4. Trade	4.0	3.7	3.8
	5. Financial Sector	3.5	3.6	3.4
	6. Business Regulatory Environment	2.5	2.9	3.2
	<b>Cluster Average</b>	<b>3.3</b>	<b>3.4</b>	<b>3.5</b>
C. Social Inclusion/Equity	7. Gender Equality	3.0	3.3	3.5
	8. Equity of Public Resource Use	2.5	3.5	3.6
	9. Building Human Resources	3.0	3.4	3.5
	10. Social Protection and Labor	3.0	3.0	3.2
	11. Policies and Institutions for Environmental Sustainability	3.5	3.2	3.3
	<b>Cluster Average</b>	<b>3.0</b>	<b>3.3</b>	<b>3.4</b>
<b>Policy and Institutional Average [(A+B+C)/3]</b>		<b>3.3</b>	<b>3.5</b>	<b>3.6</b>
D. Public Sector Management and Institutions	12. Property Rights and Rules-Based Governance	3.5	3.6	3.3
	13. Quality of Budgetary and Financial Management	3.5	3.4	3.5
	14. Efficiency of Revenue Mobilization	3.0	3.4	3.4
	15. Quality of Public Administration	2.5	3.2	3.1
	16. Transparency, Accountability, and Corruption in the Public Sector	3.0	3.3	3.0
	<b>Cluster Average</b>	<b>3.1</b>	<b>3.4</b>	<b>3.3</b>
17. Portfolio		<b>5.0</b>	<b>3.9</b>	<b>4.2</b>

PDMC = Pacific developing member country

Source: ADB-SPD Memo. 2006. *Wording the ADF Assistance Levels in 2006 CSP and CSPUs.*<sup>a</sup> Performance is rated on a scale of 1 (very weak) to 6 (very strong)