

DEVELOPMENT COORDINATION (Republic of the Marshall Islands: Public Sector Program)

A. Major Development Partners: Strategic Foci and Key Activities

1. The United States (US) is the main development partner of the Republic of the Marshall Islands (RMI). Japan, Australia, the European Union (EU), and Taipei,China also provide grant assistance to the RMI. The US and the RMI signed a 20-year agreement known as the Amended Compact of Free Association in October 2004, under which the government receives annual grant payments and access to federal support programs. In return, the US government retains rights to support the foreign affairs and defense of the RMI. The US provided approximately \$30 million annually to education, health, and infrastructure development between 2004 and 2009. The agriculture, fishery, and water and sanitation sectors are supported by Japan and Taipei,China.

2. Development partners increasingly provide financial and technical support to facilitate public sector reforms in the RMI. The International Monetary Fund (IMF) has provided technical assistance for fiscal management, banking legislation, banking supervision, establishing an off-shore financial center, and economic statistics and reporting systems for banking statistics. Technical assistance has been provided through the Pacific Financial Technical Assistance Centre (PFTAC) since 2005 for financial supervision, public expenditure management, tax administration policy, and banking supervision. The Tax and Revenue Reform and Modernization Commission prepared its recommendations with technical support from the PFTAC. The Asian Development Bank (ADB) has been active in all of these initiatives.

3. ADB joins with Australia, the EU, Japan, and the US to support the development of the RMI's energy sector. The US Department of the Interior has provided funding to the Pacific Power Association to undertake a full system survey to identify and quantify losses in the generation and distribution systems of the Marshall Energy Company (MEC). With the proposed Japan Fund for Poverty Reduction (JFPR) project,¹ the US and ADB have agreed to work together on the installation of prepaid meters in Majuro through parallel implementation. The EU and ADB supported the RMI's preparation of the country's first energy policy document in 2009, which was assisted by a technical advisor funded by Australia. In 2009, the World Bank and ADB jointly assessed the performance and prospects of the RMI's energy sector.

Table 1: Major Development Partners

Development Partner	Project Name	Estimated Duration	Estimated Amount (\$ million)
Theme: Law, Economic Management, and Public Policy			
ADB	Public Sector Reform Program	1998–1999	12.0
	Fiscal and Financial Management Program	2001–2002	12.0
	Improved Financial Management	1996	0.6
	Preparation of a Pacific Islands Economic Report	1999	0.2
US	Improving Economic Management	2000–2002	15.6
Japan	Public Sector improvement	1993–1993	1.0
	Capacity building—judiciary	2006–2011	5.0
UNDP	Good governance	2000–2001	0.4

¹ ADB. 2010. *Improved Energy Supply to Poor Households*. Manila (43463-01).

Development Partner	Project Name	Estimated Duration	Estimated Amount (\$ million)
Theme: Water Supply, Sanitation, and Waste Management			
ADB	Sanitation and Drainage Project	2008–2010	5.0
	Demand for Improved Urban Waste Management	2005	0.3
	Majuro Water Supply and Sanitation	2005	9.2
US	Improving Water Distribution System	1999	5.0
Theme: Energy			
ADB	Power Sector Expansion Project	2010–2012	1.8
US	Conversion to Pre-paid Meters	2010–2012	0.6
World Bank	Develop an Appropriate Legislative/Governance Regime ^a	2011–2012	TBC
Italy & Austria	Majuro–Ebeye streetlight retrofitting & solar streetlight project	2010–	1.1
Australia	Energy Advisor to Marshall Energy Company	2009–	1.0
EU	National Energy Policy and Medium-Term Energy Action	2008–2009	0.2
Japan	Solar to Grid Project	2010	4.4
IUCN	Efficient and Renewable Public Lighting	2010	0.5
GEF	Action for the Development of Marshall Islands Renewable Energy	2008–2013	1.0
EU	Supply and Installation of Solar Home Systems	2008	1.3
EU	Supply and Installation of Off-grid Solar Power Systems for Schools	2008	0.8
Theme: Transportation and Communication			
ADB	Outer Islands Transport Infrastructure	2000	0.3
	Community-based Coastal Marine Resources Development	2000	0.2
US	Compact Sector Grant: Health and Education Sector Support ^b	2004–2023	30.0
UNDP	Information and Communication Technology Development	2008	0.1
Theme: Health, Nutrition, and Social Protection			
ADB	Ebeye Hospital, Kwajalein Atoll	1997	0.9
	Health Management Information System and Health Planning (Supplementary)	1997	0.9
	Health and Population	1994	5.7
	Basic Education Development	1993	8.0
US	Compact Sector Grant: Health and Education Sector Support	2004–2023	30.0
	Increasing Ownership & Effective Demand for Education	2004	0.1
Japan	Majuro Hospital Project	2002	20.0
	Infrastructure development	2004–2010	21.5
Theme: Private Sector Development			
ADB	Supporting the Private Sector Unit	1996	0.7
	Tourism Development (Supplementary)	1997	0.7
	Improving the Environment for Private Sector Development	2005	0.7
	Fisheries Development	1991	6.9

ADB = Asian Development Bank, EU = European Union, GEF = Global Environment Facility, IUCN = International Union for Conservation of Nature, PACC = Pacific Adaptation to Climate Change, TBC = to be confirmed, UNDP = United Nations Development Programme, US = United States.

^a The assessment mission was conducted in September 2009 to prepare the technical assistance scheduled for 2011–2012.

^b The grant is about \$30 million per year. It is not a single item but comes to \$600 million between 2004 and 2023, adjusted for inflation. Annual allocation is reduced by \$500,000 per year until the end of the compact.

Source: Asian Development Bank estimate based on consultation with Government of the Marshall Islands authorities and a desk review.

B. Institutional Arrangements and Processes for Development Coordination

4. Development assistance is coordinated through bilateral and multilateral consultations including an ongoing dialogue between ADB and the IMF during Article IV consultation. ADB shared with the IMF, the World Bank, and others the content and thrust of its recent technical assistance initiatives and made preliminary analyses and concept papers available for review and observations. ADB exchanges information regarding the Public Sector Program with development partners through regular visits to each embassy in Majuro, telephone conferences, and emails.

5. Program-based approaches will enhance country ownership, reliance on country systems, and a comprehensive program and budget framework in the RMI. Five indicators of program-based approaches² are relevant to the program: (i) financial management, (ii) macroeconomic policy, (iii) donor coordination, (iv) governance, and (v) human resources development.

C. Achievements and Issues

6. ADB has worked closely with all key development partners³ since April 2009. All have shown their continued support for the program. The Government of Australia is keen on working with ADB to implement technical assistance that will be approved along with the program. The embassies in Majuro of the US, Japan, and Taipei, China also support the program. As part of efforts to create a common platform to support government reform, ADB has proposed establishing a joint steering committee led by the government and with representatives of the key development partners. Development partners fully supported this, and ADB appears to have the opportunity to take a strong lead and reinforce the rationale of the program. The development partners have also agreed to have the first coordination meeting in 2010. Australia, the US, and Japan have asked ADB to lead the process, with the government hosting the meeting. The coordination meeting will discuss the program and formally establish the steering committee.

D. Summary and Recommendations

7. Development coordination is still at an early stage in the RMI, but development partners are keen to harmonize their respective development programs to provide maximum benefit for the RMI's socioeconomic development. All major partners agree on the need to prepare a sound longer-term development strategy that encompasses the RMI's future and transition to the post-compact era. For improved development coordination, four areas deserve particular attention: (i) preparing the RMI development strategy document, (ii) technical assistance coordination, (iii) a common strategy on debt management, and (iv) periodic donor consultation chaired by the Government of the Marshall Islands, with the US and possibly ADB playing the role of lead development partner in the RMI.

² ADB. 2007. *Implementation of the Paris Declaration in ADF Countries*. Manila. The use of common arrangements is one of two dimensions of harmonization identified in the Paris Declaration. For this indicator, the amount of assistance provided through program-based approaches as a proportion of total assistance is used. Indicator 9 on program-based approaches is linked to donor harmonization but applies equally to ownership and alignment.

³ Australia, Japan, EU, IMF, Japan, Taipei, China, US, and World Bank.