

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Republic of the Marshall Islands	Project Title:	Public Financial Management Project
Lending/Financing Modality:	Project Grant	Department/Division:	Pacific Department (PARD) Urban, Social Development and Public Management Division, (PAUS)

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: General Intervention
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy
<p>The project impact is more effective governance in the Republic of the Marshall Islands (RMI). One of the 10 themes in the country’s National Strategic Plan (NSP) 2015-2017 is “ensuring and applying the practice of good governance principles to achieve effective governance”. The RMI’s Vision 2018 also prioritizes improving governance. The project outputs will be improved institutional capacity to implement the public financial management (PFM) Reform Roadmap and state-owned enterprise (SOE) reforms.^b The NSP’s six strategic areas under the good governance theme include PFM reforms and SOE management and reforms. This is consistent with the Vision 2018 strategies to strengthen the financial and fiscal system, and create a favorable investment climate.</p> <p>The project is aligned with the Asian Development Bank (ADB) Strategy 2020 (which features good governance and capacity development as key drivers of change), and the strategy’s midterm review (which commits that ADB will help strengthen governance systems and institutional capacities to support effective, timely, and corruption-free delivery of public services).^c It is consistent with the ADB Pacific Approach 2016–2020, which serves as the overall country partnership strategy for the RMI, and supports (i) PFM improvements to increase resilience to external economic and financial shocks, and (ii) increased financial efficiency of SOEs to create a conducive environment for business.^d RMI is considered a fragile and conflict-affected situation, and ADB will provide greater capacity-building and institutional-strengthening support under the 2013 ADB operational plan for such situations.^e</p>
B. Results from the Poverty and Social Analysis during PPTA or Due Diligence
<p>1. Key poverty and social issues. A 2015 ADB assessment of socio-economic vulnerability in RMI indicated a poverty incidence of 38.4% for basic needs at the population level, and 36.6% at the household level. Income poverty in the RMI is greater in the outer islands than in major urban centers. Key issues facing the population are a lack of economic opportunities, employment, or access to capital and technology; the high cost of interisland transport; and the formidable challenge of initiating longer-term, sustainable and inclusive growth. The gross domestic product, budget, and balance of payments depend on foreign grants and transfers, especially under the Compact of Free Association with the United States (US). The real economy is centered on the services sector, with other sectors—such as agriculture, industry, construction, and energy—playing relatively minor roles. The public sector dominates the economy, with the private sector in a secondary role. With the gradual decrease of Compact grants and the potential for declining wage income from the US military base in Kwajalein, economic prospects and poverty trends are likely to worsen, unless the government carries out fiscal and public sector reforms. Greater and more efficient management of public financial resources and a dynamic environment for private sector growth will generate opportunities for income and employment growth.</p> <p>2. Beneficiaries. The primary beneficiaries are the people of the RMI, who will benefit from long-term fiscal sustainability of the government.</p> <p>3. Impact channels. The themes of the RMI NSP include empowering people and communities to reduce the incidence of “access related” poverty through improvements in all areas, including social, economic, environment, governance and infrastructure; and ensuring that outer island populations receive access to all necessary services, allowing all RMI citizens to enjoy a high quality of life. External shocks tend to affect the poor more adversely. Additional resources for development will allow the government to meet the NSP’s poverty- and access-related objectives, and greater resilience to shocks will benefit the poor. Greater efficiency and effectiveness in the public sector will lift the quality of education and health care, which currently absorb about half the budget.</p> <p>4. Other social and poverty issues. Other social and poverty issues are not envisaged.</p> <p>5. Design features. The project is designed to contribute to poverty reduction in several ways. First, better PFM systems and more rigorous SOE management will reduce fiscal deficits; improve government capacity to address external shocks; and create a foundation for sustainable, equitable, and inclusive pro-poor economic growth. This will improve prospects for a smooth transition to the post-Compact era, which could otherwise create social and economic tension as public expenditure and employment shrink and poverty and deprivation worsen. Second, improving the efficiency of SOEs will reduce the burden that subsidy transfers place on the budget, and make</p>

additional resources available for development. Community service obligations (CSOs) are crucially important, as underfunded CSOs are one of the key factors driving poor financial performance in SOEs, while informal CSOs have a negative fiscal impact. There is presently little transparency and accountability around CSO identification and funding, and the true cost and effectiveness of CSOs in delivering desired social policy outcomes cannot be measured. Determining the cost of legitimate CSOs as supported under the project will be a critical first step towards reducing fiscal transfers. It will allow the government to identify the costs of inefficiencies, adjust subsidies, and contract out CSOs.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. The ultimate beneficiaries will be the people of the RMI. The project objectives are aligned with the NSP, for which consultation were undertaken within the RMI.

2. Civil society organizations. The project design does not require participation of civil society groups. Information on the PFM reforms will be shared with the public as appropriate, and this is included in the terms of reference for the reform coordination unit (RCU) consultants. The RMI is launching a website on SOEs, which will provide information. PFM reports (such as the public expenditure and financial accountability assessment) will be shared, unless considered confidential.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA).

Information gathering and sharing: L Consultation: NA Collaboration: NA Partnership: NA

Information will be shared via dissemination efforts or development of websites. Consultations will be carried out for PFM reforms if and as appropriate.

4. Participation plan. Yes No. The project design does not require specific participation of the poor and excluded groups. The overall population of the RMI, including the poor, will benefit from the project.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Some gender elements

A. Key issues. RMI's score on the United Nations Gender-related Development Index in 2008 was 0.708, giving RMI an 8th place ranking out of the 14 countries in the Pacific. Female participation in wage labor has increased over time—in 1967, women comprised just 14.9% of the labor force, which increased to 34.9% in 2011. While the trend is encouraging, the 2011 RMI census data indicates that the RMI is not yet close to achieving employment gender parity. Nonetheless, the RMI has made significant progress in improving female primary and secondary educational attainment. The outstanding issues are the status of female health, violence against women and girls, limited access to reproductive and sexual health care and family planning services, and a rising incidence of teenage pregnancy.

Of 78 staff working in the Ministry of Finance (MOF) as of June 2017, 39.7% are women, which is higher than the national average; however, women are under-represented in MOF management, with only 3 women (including the secretary) among the 16 management positions (secretary, assistant secretary, division and/or section head) currently occupied in the Majuro and Ebeye MOF offices.

B. Key actions.

Gender action plan Other actions or measures No action or measure

The project does not directly target gender equality or empowerment of women. Women will generally benefit from the elements of the program design that contribute to poverty reduction (section B, above). The RMI National Gender Policy (2013) is designed to advance gender equality and ensure women in the RMI have an enabling environment to enjoy their human rights.

Some gender actions are included in the project design. The plan to upgrade MOF's human resources will propose positive discrimination measures in recruitment and promotions to be discussed with the Public Services Commission. While the plan is expected to be prepared by a consultant from the Australian Volunteers International (AVI), the RCU will support the AVI consultant, including on gender issues. The design and monitoring framework includes a target to raise the share of women in MOF management (subject to qualifications) above the 2017 baseline of 18.7% (3 of 16) by 2020, with the number of women in management positions targeted to increase from 3 to at least 4. In hiring of consultants, the project will encourage the selection of qualified women. The RCU will be tasked with ensuring that women make up at least 35% of trainees in formal training sessions that they organize and provide to MOF and other government agencies, on PFM-related tasks and reforms. Furthermore, women will benefit from elements of the program design that contribute to poverty reduction. Determining CSO costs for basic services will lead to greater efficiency, which will benefit women and other vulnerable groups.

The MOF and the RCU will be responsible for ensuring that the gender-related design measures and targets are implemented and properly resourced. The advisor will ensure that progress against gender targets is monitored and reported. Project reports will also contain gender-disaggregated data information as appropriate. The PFM reform steering committee will provide overall guidance, and will receive briefings on gender aspects as part of their overall semi-annual briefings.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement **Safeguard Category:** A B C FI

- Key impacts. There are no involuntary resettlement impacts expected from the project.
- Strategy to address the impacts. Not applicable.
- Plan or other Actions.

<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input checked="" type="checkbox"/> No action	

B. Indigenous Peoples **Safeguard Category:** A B C FI

- Key impacts. The people of RMI consider themselves indigenous in terms of ethnic origin. The project is not expected to have a negative impact on any distinct or vulnerable group of indigenous peoples as defined under ADB's Safeguard Policy Statement (2009). The overall population will benefit from greater fiscal resource availability. Is broad community support triggered? Yes No
- Strategy to address the impacts. Not applicable.
- Plan or other actions.

<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan
<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input type="checkbox"/> Social impact matrix	
<input checked="" type="checkbox"/> No action	

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

- Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).
 unemployment - L underemployment - L retrenchment - L core labor standards - L
- Labor market impact. No adverse labor market impacts are envisaged. The project will provide some temporary jobs during implementation.

B. Affordability

Not applicable.

C. Communicable Diseases and Other Social Risks

- The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):
 Communicable diseases - NA Human trafficking - NA
 Others (please specify) ___Nil_____
- Risks to people in project area. Nil.

VI. MONITORING AND EVALUATION

- Targets and indicators. The design and monitoring framework includes targets for participation of women in training sessions, and women in MOF management positions.
- Required human resources. The RCU will ensure participation of women in training sessions.
- Information in the project administration manual. The project administration manual contains information on gender actions.
- Monitoring tools. The semi-annual and annual progress reports by RCU will include gender-disaggregated data on women trained and in MOF management positions.

^a Government of the Marshall Islands. 2014. *National Strategic Plan 2015–2017*. Majuro. Government of the Marshall Islands. 2001. *Vision 2018: The Strategic Development Plan Framework, 2003-2018*. Majuro.

^b Government of the Marshall Islands. 2014. *Public Financial Management Reform Roadmap 2014–2016*. Majuro.

^c ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila; and ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^d ADB. 2016. *Pacific Approach 2016–2020*. Manila.

^e ADB. 2013. *Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations*. Manila.