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The Republic of the Marshall Islands: Updating and Improving the Social Protection Index (Cofinanced by the Republic of Korea e-Asia and Knowledge Partnership Fund)

Prepared by Marcela Sakaio

For Asian Development Bank

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Asian Development Bank

ABBREVIATIONS AND ACRONYMS

ADB	–	Asian Development Bank
BNPL	–	Basic Needs Poverty Line
C & P	–	Care & Protection Allowance
DMC	–	Developing Member Countries
EPPSO	–	Economic Policy and Planning Office
FAP	–	Family Assistance Program
FAPE	–	Free Appropriate Public Education
GDP	–	Gross Domestic Product
GNI	–	Gross National Income
HPI	–	Human Poverty Index
IDEA	–	Individuals with Disabilities Education Act
IEP	–	Individualized Education Program
ILO	–	International Labour Organisation
IMF	–	International Monetary Fund
LFS	–	Labour Force Survey
LMP	–	Labour Market Programs
MIMRA	–	Marshall Islands Marine Resources Authority
MISSA	–	Marshall Islands Social Security Administration
MoE	–	Ministry of Education
NGO	–	Non-Government Organization
PEN	–	Pension
RMI	–	Republic of Marshall Islands
SDB	–	Special Death Benefit
SP	–	Social Protection
SPI	–	Social Protection Index
TA	–	Technical Assistance
TOR	–	Terms of Reference
VAT	–	Value Added Tax
WB	–	World Bank

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I. INTRODUCTION

A. Background

1. Asian Development Bank's (ADB) development of the social protection index contributed to the strengthening of social protection programs in developing member countries (DMCs). ADB continues its work on updating and improving the Social Protection Index (SPI). The SPI's update addresses and incorporates lessons learned from two technical assistance projects¹ that developed the SPI for 36 countries in Asia and the Pacific and introduces new components and institutional arrangements to sustain the effective use of social protection indicators in policy analysis and formulation in the DMCs.

2. These initiatives implemented under the ADB commissioned regional technical assistance project² seeks to (i) improve the methodology in defining social protection for each DMC in order to ensure comparability among DMCs; (ii) improve data gathering for statistical analysis on social protection; and (iii) develop capacity of DMCs in monitoring the SPI and allow comparisons between countries and over time on implementation performance.

3. This country study provides updated information and data on social protection programs and calculates the SPI for the Marshall Islands in view of the revised SPI methodology. The SPI can be updated periodically to assess progress in social protection arrangements in the country and analyse deeper aspects of targeting, coverage and expenditures on various social protection programs; for example, on the breadth (coverage) of social insurance versus social assistance or labour market programs, or on the depth (size of benefit) of various categories of social protection. The revised SPI methodology also provides scope to measure the gender responsiveness of programs, and poverty targeting of programs.³

4. The primary objective of the Marshall Islands Country Report is to present the results of the research on social protection programs and policies in the Marshall Islands from all related ministries; summarizing quantitative information on these activities to enable the formulation of a national Social Protection Index (SPI).

B. Definition of Social Protection

5. Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income.

6. This definition categorizes all programs under the traditional components of social protection as social insurance, social assistance and labor market programs. Microfinance as a form of social protection is excluded from the calculation of SPI since it does not involve a transfer in cash or kind and beneficiaries incur loans or debt instead of transfers. Thus, by eliminating microfinance from the coverage of social protection programs, three major programs are left: (i) social insurance (i.e., the categories of old-age insurance, programs for the disabled,

¹ ADB. 2003. *Technical Assistance for Social Protection Index for Committed Poverty Reduction*. Manila (TA 6120-REG); ADB. 2006. *Technical Assistance for Scaling Up of the Social Protection Index for Committed Poverty Reduction*. Manila (TA 6308-REG).

² ADB. 2010. *Technical Assistance for Updating and Improving the Social Protection Index*. Manila (TA 7601-REG).

³ To be able to calculate with relative accuracy the poverty-targeting rate of programs, household surveys need to contain a social protection data. However, the data of the survey was not available at the time of writing this report.

and health expenditure on insurance and pensions; (ii) social assistance (i.e., the categories of non-contributory health insurance, conditional cash transfers, child protection, and unconditional cash transfers; and (iii) labor market programs as shown in Table 1.1.

Table 1.1: Social Protection Categories and Types of Programs

Social Protection Category	Type of Program
Social Insurance	Pensions Unemployment Benefits Health Insurance - but not universal health insurance Other social insurance (maternity, disability benefits)
Social Assistance	Assistance for the elderly (e.g., non-contributory basic allowances for the elderly, old-age allowances) Health assistance (e.g., reduced medical fees for vulnerable groups) Child protection (school feeding, scholarships, fee waivers, allowances for orphans, street children initiatives) Family allowances (e.g., in-kind or cash transfers to assist families with young children to meet part of their basic needs) – excluding any transfers through the tax system Welfare and social services targeted at the sick, the poor, the disabled, and other vulnerable groups Disaster relief and assistance Cash/in-kind transfer (e.g., food stamps, food aid) Temporary subsidies for utilities and staple foods - only if imposed in times of crisis and if targeted at particular vulnerable groups. General subsidies are excluded even if their rationale is to assist the poor Land tax exemptions
Labor Market Programs	Direct employment generation through public works programs – including food for work programs Direct employment generation through loan-based programs – included if loans are subsidized and/or job creation is an explicit objective of the program Labor exchanges and other employment services – if distinct from social insurance and including retrenchment programs Unemployment benefits – if distinct from social insurance and including retrenchment programs Skills development and training – included if targeted at particular groups (e.g., the unemployed or disadvantaged children. General vocational training is excluded).

Source: ADB. 2011. *The Revised Social Protection Index: Methodology and Handbook*. Manila.

7. There is no formal definition of social protection in Republic of the Marshall Islands. The Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of Marshall Islands (RMI), was established pursuant to RMI Public Law 1990-75 (the Social Security Act of 1990) or “the Act”. The law repealed the Social Security Act of 1987 and established MISSA to administer the Marshall Islands Social Security Retirement Fund.

C. Report Structure

8. The Marshall Islands Country Report is structured as follows:

- Chapter II contains a brief overview of the social and economic development in the Marshall Islands.
- Chapter III describes current social protection activities and programs in the country using ADB's typology.
- Chapter IV provides an overview of the derivation of SPI and its disaggregation.
- Chapter V presents the analysis of the country results.
- Chapter VI discusses the conclusion and recommendations.

II. COUNTRY OVERVIEW

9. This chapter provides a brief overview of the socio-economic characteristics of the Marshall Islands, main features of the country's current developmental situation and recent trends.

A. Geography

10. The Marshall Islands is comprised of 29 atolls and five single islands, which form two parallel groups – the *Ratak* (sunrise) chain and the *Ralik* (sunset) chain. The Marshall Islands is vulnerable to cyclones and droughts, coastal flooding and inadequate supply of potable water.

B. Demographic Profile

11. The Republic of the Marshall Islands population in 2009 is about 53,600 in 2009. The population aged 60 years and above is about 2,300 (4.3%) while there are 21,300 (39.7%) children aged 0-14 years old. The average household size is 8. According to the Republic of the Marshall Islands Demographic Health Survey 2007, the estimated median age is 19.2; with the country having the second youngest population in the Pacific. A high population growth is expected when the young people eventually reach reproductive age.

12. The highest population density on the Marshall Islands is Ebeye island in Kwajalein Atoll where 9,614 people live on 0.31 km, resulting in population densities of 31,013 per km. Population densities of this magnitude, when associated with overcrowding, often entail health and other social challenges of varying severity, which should be of interest to policymakers.

13. Two-thirds of the nation's population live in Majuro and Ebeye. The outer islands are sparsely populated due to lack of employment opportunities and economic development. The Marshallese are of Micronesian origin, which is traced to a combination of people who emigrated from Southeast Asia. The matrilineal Marshallese culture revolves around a complex system of clans and lineages tied to land ownership.

C. Economy

14. The GDP of the Republic of Marshall Islands in 2009 is about \$151.56 million. GDP is derived mainly from payments made by the United States under the terms of the Compact of Free Association. Direct U.S. aid accounted for 61.3% of the budget for the Marshall Islands (\$137.4 million) for FY2010.

15. The economic profile of the Marshall Islands is largely influenced by the U.S. economy with the official currency being the U.S. dollar. The country retained close social, economic and political ties with the United States and in 1986, this relationship was formalized in two subsequent Compacts of Free Association, outlining U.S. assistance and diplomatic ties to the Marshall Islands. As a result of the compacts, the U.S. retains the right to maintain a military missile testing base on Kwajalein, while the Republic of the Marshall Island citizens have free access to the U.S. and certain education, health, welfare services and federal funding.

16. As a result of the Compacts of Free Association, the Marshall Island's national budget and economy are largely dictated by the scope and content of economic assistance outlined within the compacts. The large amount of financial assistance provided under the compacts enabled the national government to provide numerous public services, resulting in public sector and public enterprise expenditures dominating and driving economic growth in direct competition with the private sector. Consequentially, there has been minimal real growth in the private sector.

17. The economy combines a small subsistence sector and a modern urban sector. Fishing and breadfruit, banana, and pandanus cultivation constitute the subsistence sector. On the outer islands, production of copra and handicrafts provides cash income. The modern service-oriented economy is located in Majuro and Ebeye. It is sustained by government expenditures and the U.S. Army installation at Kwajalein Atoll. The airfield also serves as a second hub for international flights.

18. The modern sector consists of wholesale and retail trade, restaurants, banking and insurance, construction, repair and professional services, fisheries, and copra processing. Fish products are the nation's largest exports, with frozen fish exported on large freezer ships to Asia and fresh caught fish exported by air to Japan and Hawaii. A tuna plant that employs 600 workers reopened in early 2008.

19. Copra production, the most important single commercial activity for the past 100 years, now depends on government subsidies. The subsidies, more a social policy than an economic strategy, are intended to help reduce migration from outer atolls to densely populated Majuro and Ebeye. Migration from the outer islands is estimated at 8% annually.

20. Marine resources, including fishing, aquaculture, tourism development, and agriculture, are government development priorities. The Marshall Islands sells fishing rights to other nations as a source of income. Since 1990, the Marshall Islands has offered ship registrations under the Marshall Islands flag. It registers about 2,300 vessels, the third largest fleet in the world, and receives an income of approximately \$4 million annually. As a small nation, the Marshall Islands must import a wide variety of goods, including foodstuffs, consumer goods, machinery, and petroleum products.⁵

21. The Republic of the Marshall Islands Government is highly dependent on other external sources of assistance, particularly from overseas development assistance. Most of the assistance from these sources take the form of technical assistance loans and grants, funding of infrastructure development projects, and supplementation of the national budget. The dependence of the Government on external funding assistance poses significant issues regarding the sustainability of national development efforts, and whether the country can

⁵ Background Note: Marshall Islands. Bureau of East Asian and Pacific Affairs, August 19, 2011 <http://www.state.gov/r/pa/ei/bgn/26551.htm>

coordinate external donor priorities and agendas along with its own national priorities and initiatives⁶.

D. Poverty and Inequality

22. The population living below the national poverty line is 10,700 (20.0%) and the annual per capita poverty line income is \$512 in 2009. According to the MDG Progress Report 2009, the Marshall Islands is not on track in meeting MDG-1 (Eradicating Extreme Hunger and Poverty) with individuals and families, particularly children, experiencing financial hardship. This financial distress is exacerbated by the sharp rise in global food and fuel prices of 2008.

23. However, the Pacific Human Poverty Index (HPI), which uses a set of indicators on the basic dimensions of deprivation such as a short life, lack of basic education and access to public and private resources, shows that the HPI fell from 19.5 in 1998 to 12.4 in 2008, indicating an improvement.

E. Employment and Labor Force

24. The Government is the largest employer, employing 46% of the salaried work force. According to the Economic Policy, Planning and Statistics Office, there are 21,400 (40.0%) employed and 5,400 (10.1%) unemployed or underemployed. Most employment is in the services sector while the agriculture sector is quite small in terms of contribution to total output and employment.

25. The small industry sector is primarily engaged in crop and fish processing. Coconut products and fish are the main exports. These earnings are supplemented by tourism. Almost everything is exported, except for some food products. Without U.S. aid, there would be a significant decrease in imports.

26. The growth of the economy varies every year and is affected by the impact of climatic conditions on agriculture. In recent years, output has declined by 2% to 5% per year, although El Niño weather conditions caused a severe disruption in 1996, when output fell by 13%.

F. Education

27. The level of educational attainment is an important indicator of the degree of development and quality of life standards achieved by countries, as reflected in many demonstrated inter-relationships between education and demographic, economic, and social development. For instance, educated mothers tend to have fewer and healthier children. Higher levels of education also contribute to a better qualified workforce and better educated people have improved chances of finding employment, both domestically and overseas. There are a number of social assistance programs currently being implemented by the Ministry of Education.

28. The Marshall Islands is likely to meet the MDG target of achieving universal primary education by 2015 with primary enrollment rates rebounding, school attendance recovering, classrooms expanding, and fertility rates decreasing. The 1999 Census reports that 97% of household residents (10 years or older) are literate or have the ability to read and write a simple message in any language.

⁶ Millennium Development Goals National Progress Report. A joint RMI-UNDP Publication with the Economic Policy, Planning and Statistics Office and the RMI United Nations Development Program Office, 2005

III. CURRENT SOCIAL PROTECTION PROGRAMS AND ACTIVITIES

29. This chapter presents an overview of the data collection process, objectives, and current social protection activities in the Marshall Islands including challenges and difficulties encountered during the course of the study. The two-fold objective of this chapter is to present the main features of the social protection programs in the country and provide quantitative information that will serve as the basis for the formulation of the Social Protection Index.

A. Data Collection

30. Data for the report was obtained from published reports of the government and public organizations available on the Internet. Difficulties encountered in data collection include lack of data availability in government agencies and ministries.

B. Social Assistance

31. The two social assistance programs currently being implemented by the Ministry of Education include the Food Program and Special Education Program for Disabled Children. The feeding program allows students to receive nutritious meals such as lunch in school while the special education program provides Free Appropriate Public Education (FAPE) to eligible children with disabilities (ages 3-21) that could benefit from specialized instruction.

1. Feeding Program

32. The Feeding Program allows students to receive nutritious meals during lunch while in school. A Ministry of Health survey result confirmed that there continues to be a serious problem of malnutrition among children in the Marshall Islands. Undernourished students have a hard time studying and performing well in school.

33. This program helps many poor families with several children in school. This output directly supports student achievement. Funding is designated for activities designed to improve student achievement. About 83% of households fall below the US poverty level according to the Republic of Marshall Islands 2006 Community Survey. Many students attend school hungry, and this feeding program provides some students with the only hot meal they will receive each day. A hungry student has more trouble concentrating on school work, and the grades suffer as a result.

34. Currently, students through their parents are required to pay 67 cents of the \$2 lunch fee. The parent's contributions are paid through the local school Parent-Teacher Association. In 2007-2008, the Ministry expanded its feeding program to include elementary schools in Majuro and Kwajalein. The amount of \$ 2 million was budgeted for the School Feeding Program, especially targeted at Marshall Islands High School and Laura High School, where lunches were provided to students.

2. Special Education Program

35. The responsibility for disabled children and the provision of their education is recognised as a right, and viewed with great respect at the public and political level. The Ministry of Education continues to work on expanding the coverage of Special Education so that students with special needs can receive the necessary specialized education. The Office of Special

Education provides specialized training for teachers on ways to meet specific needs of all students in their classrooms.

36. In 2008-2009, the Special Education Program continued to provide Free Appropriate Public Education (FAPE) to eligible children ages 3 to 21. Children with disability could benefit from specialized instruction beyond the regular education provided to children. The program continued to be funded by the Government with base support from the Individuals with Disabilities Education Act (IDEA), providing instruction and related services to 722 children with Individualized Education Program (IEP).

37. The number of children served increased slightly between 2006-2007 and 2007-2008. In 2008-2009, the Special Education program continued to provide Free Appropriate Public Education and related services to 735 children with IEP.

C. Social Insurance

38. In terms of social insurance, the Retirement Fund was established to provide a financially sound social security system with pension benefits and early retirement. Benefits include retirement benefits, disability insurance benefits, surviving spouse insurance benefits, surviving child insurance benefits, and lump-sum benefits.

1. Marshall Islands Social Security Trust Fund

39. The Retirement Fund was established to provide a financially sound social security system with pension benefits and early retirement, ensuring a measure of security in workers' old age and in the event of disability. It also ensures support of surviving spouses and children of deceased workers to mitigate the loss of the family's income.

40. Since 2001, there has been a steady increase of about 250 to 350 new beneficiaries each year. At the end of 2008, there were 3,562 beneficiaries receiving an average of \$1 million per month. In 2009, it increased to 3,709 beneficiaries, with average benefit payments of \$1.1 million per month.

41. One of the most important challenges that the Administration is presently facing is the shrinking labor force in the country. This situation is exacerbated by high unemployment rates, increasing claims for disability of workers, and reduced salaries and working hours enforced by certain employers to survive the current financial crisis. These conditions translate to a significant loss of potential social security contributions that would have strengthened MISSA's financial health.

2. Retirement benefits

42. Retirement benefits are computed on the Basic Benefit. The basic benefit is one-twelfth of the sum of the pension element and the social element; the pension element is 2% of indexed covered earnings and the social element is 14.5% of the first \$11,000 of cumulative covered earnings plus 0.7% of cumulative covered earnings in excess of \$11,000, but not in excess of \$44,000.

43. The claimant must be service insured, having attained the age of 55, and filed an application, to be entitled to early retirement benefits. Service insured means having earned at least 80 quarters of coverage.

44. In order to be entitled to normal retirement benefits, a claimant must (i) be fully insured; (ii) have attained the age of 60; (iii) have filed an application; and (iv) have not applied for and received early retirement benefits. To attain deferred retirement benefits, the claimant must be (i) fully insured; (ii) have attained the age of 60 and one month; (iii) have filed an application; and (iv) have not applied for and received early retirement benefits or normal retirement benefits.

3. Disability insurance benefits

45. To be entitled for disability insurance benefits, the claimant must be fully and currently insured; and unable to engage in the continued performance of his duties due to any medically determinable physical or mental impairment. Currently insured means having earned at least six quarters of coverage during the most recent 40 quarters ending with the quarter of the worker's retirement, disability or death (whichever first occurs). Currently, the minimum disability insurance benefit is \$128.99.

4. Surviving spouse insurance benefits

46. The surviving spouse of a worker who is fully insured and dies is entitled to a surviving spouse insurance benefit of 100% of the basic benefit, subject to the maximum and minimum survivor benefits, and earnings test. This benefit is paid until remarriage or death of the surviving spouse, whichever occurs first.

5. Surviving child insurance benefits

47. Each surviving child of a worker fully or currently insured is entitled to a surviving child's insurance benefit of 25% of the basic benefit. However, the provisions indicate that the total monthly survivor's insurance benefits payable to both surviving spouse and children shall neither exceed the basic benefit applicable to the deceased wage earner nor be less than \$128.99. In cases wherein more than one person is entitled to survivor's benefits, the payments shall be made to all such beneficiaries, proportionate to their entitled percentage of basic benefit.

6. Lump-sum benefits

48. A lump sum benefit is given to a worker or self-employed worker having reached the age of 60, disabled or died while the worker has not yet reached the eligibility requirements for retirement or disability benefits.

49. If monthly survivor benefits are not paid because all beneficiaries are disqualified as a result of death; remarriage; adoption; attainment of age 18 or age 22 if a bona fide student; or, recovery from disability; a lump-sum benefit is due provided that the benefits paid under the wage earner's account are less than 4% of his CCE. The amount of lump-sum benefit equals the total CCE multiplied by 4% less the total monthly benefits already received under the wage earner's account.

D. Labor Market Programs

50. There is only one labor market program in Republic of the Marshall Islands implemented by the National Training Council. The Ministry of Education allocates funds for the National Training Council wherein students can learn skills that can enable them to work on commercial fishing vessels under the National Fisheries and Nautical Training Center.

1. National Training Program

51. The National Fisheries and Nautical Training Center trains 75 students per year. Students learn skills that enable them to work on commercial fishing vessels. Several graduates are currently employed on U.S. fishing vessels and reviews from vessel owners and operators regarding these Marshallese fishermen have been positive and encouraging. Vessel owners and operators willing to base their activities in Majuro, including vessels not based in Majuro, have access to highly trained and skilled seamen working on their vessels.

52. The Marshall Islands Marine Resources Authority (MIMRA) has recently undergone some major changes in the areas of development policies, legislation, and organizational structure. The recently adopted National Fisheries Development Plan and revised Marine Resources Act are two of the most proactive national fisheries documents in the region. The Ministry of Education allocates \$174,631 per annum for these purposes under the National Training Council funds.

IV. THE SOCIAL PROTECTION INDEX AND ITS DISAGGREGATION

53. The revised Social Protection Index (SPI) is a unitary indicator that can be disaggregated for analytical purposes.

54. The revised SPI is calculated by **Total Social Protection Expenditures per Total Potential Beneficiaries by 25% of the GDP per capita (representing average poverty line expenditures)**. In other words, the total social-protection expenditures spread across all potential beneficiaries are compared to poverty-line expenditures in each country.

55. The revised SPI index can be disaggregated into two components, one for the 'depth' of coverage and the other for the 'breadth' of coverage of social protection programs. The first indicator is the **Total Social Protection Expenditures divided by the Total Actual Beneficiaries** (i.e., the average size of benefits actually received or 'depth'). The second indicator is the **Total Actual Beneficiaries divided by the Total Potential Beneficiaries** (i.e., the proportion of potential beneficiaries actually reached or 'breadth').

56. The revised SPI can also be disaggregated by the major categories of social protection programs: social insurance, social assistance and labor market programs. When the total expenditures per total potential beneficiaries for each major program are weighted in population terms, the program SPIs add up to the total SPI.

57. Furthermore, the revised SPI can also be disaggregated by expenditures per potential poor and non-poor beneficiaries. Finally, gender-wise data allows the disaggregation of expenditure by gender.

58. The derivation of the SPI for poor and non-poor and the SPI women and men used poverty and gender targeting rates. The rates are based on the results of household surveys; administrative reports of social protection implementing agencies; and in some instances, on the professional judgment of the consultants.

A. Basic Statistics

Table 4.1: Basic Statistics for 2009

Statistic	Unit	2009 Value	Source of Data	Notes
GDP (current prices)	\$,unit	151,560,778	World Development Indicators (WDI)	2009
GDP per capita (current prices)	Units	2,838	WDI	2009
GNI (current prices)	\$,unit	194,476,515	WDI	2009
Total Population	Thousands	53.6	Economic Policy, Planning and Statistics Office (EPPSO)	2009
Number of unemployed/underemployed	Thousands	5.4	EPPSO	Assumed that the share to total employed population is 25%
Population aged 60 years and over	Thousands	2.3	UN data (percent of 60+ years old)	2009. Estimate based on UN data (percent of 60+ years old)
Employed Population	Thousands	21.4	National Census	Used 40% as proxy (the average share of employed population to total population)
Population living below national poverty line	Thousands	10.7	Secretariat of the Pacific Community (SPC)	1999. No National Poverty line. Derived using US\$1/day line; below which 20% of the population is estimated to live.
Disabled population	Thousands	0.9	SPC	Estimate based on the 1999 Census (1.67% disabled)
Children aged 0 to 14 years	Thousands	21.3	UN data (percent of 0-14 years old)	2010. Estimate based on percent of 0-14 years old
Per capita poverty line income (annual)	\$,unit	512.0	SPC	No national poverty line. Extrapolated based on inflation rate since 1993, which is the base year for the \$1 a day calculations.

Statistic	Unit	2009 Value	Source of Data	Notes
Average household size	persons	8	Pacific Regional Information System (PRISM)	1999
Exchange rate	US\$1=	US\$1		Official currency: U.S. dollar

Source: Country Sources

GDP = gross domestic product, GNI = gross national income

59. The analysis is based on the Marshall Islands' Government total spending on social protection during 2008-2009. Table 4.1 shows that the GDP in current prices is approximately \$151,6 million and GDP per capita of \$2,838. Estimates show that the population of the Marshall Islands is very young and people aged 0-14 constitute about 40%.

60. There is no National Poverty line in Marshall Islands, and the figure was estimated based on the inflation rate since 1993, which is the base year for the \$1 a day calculations. About 20% of the population is estimated to live below national poverty line, and the total number is about 10,630 persons.

B. Social Protection Expenditure

61. The total spending on social protection of Republic of the Marshall Islands during 2009 is USD 7.33 million, constituting 4.8% of the country's GDP.

Table 4.2: Social Protection Expenditure by Category

SP Category	2009 Annual Expenditure (million USD)	Percent (%)
<i>Pensions</i>	5.22	71.2
<i>Health Insurance</i>		0.0
<i>Unemployment Benefit</i>		0.0
<i>Other Social Insurance (e.g. maternity, disability benefits)</i>	0.48	6.5
ALL Social Insurance	5.70	77.7
<i>Assistance for Elderly</i>		0.0
<i>Health Assistance</i>		0.0
<i>Child Protection</i>	0.94	12.8
<i>Disaster Assistance and Relief</i>		0.0
<i>Other Social Assistance</i>	0.66	8.9
ALL Social Assistance	1.59	21.7
Labor Market Programs	0.04	0.6
Total SP Expenditure	7.33	100
GDP (million USD)	152	
SP Expenditure Indicator (SPEXP)	4.8%	

Source: Consultant's estimates, 2011

62. As shown in Table 4.2, total expenditure on social protection constitutes approximately 4.8 % of GDP. Social insurance programs account for 77.7% of all programs. Majority of the

expenditure is allotted for pensions (71.2%) and other social insurance such as disability or maternity benefits, constitute the remaining 6.5%. Social assistance (21.7%) is composed of child protection programs (12.8%) and all other social assistance programs (8.9%).

Table 4.3: Expenditures of Social Protection Programs, 2009

Program	Implementing Agency	Detailed Category	2009 Expenditure (USD)
Old Age Pension	Marshall Islands Social Security Administration (MISSA)	PEN	2,238,234.5
Disability Pension	MISSA	OSI	475,199.2
Survivor Benefits Program	MISSA	PEN	2,984,312.6
School - Feeding Program	Ministry of Education	CP	935,480.0
Special Ed Program	Ministry of Education	OSA	655,539.9
National Training Program	Fisheries Nautical Training Centre	LMP	42,766.2
Total Expenditures (2009)			7,331,532

Source: Consultant's estimates, 2011

63. Table 4.3 shows a listing of the social protection programs in the Marshall Islands and their corresponding expenditures. Social insurance programs, mainly pensions, receive the biggest chunk of government social protection expenditure reaching almost USD 6 million; followed by social assistance at about USD 1.6 million; while expenditure on labor market programs is minimal at less than USD 50,000.

Table 4.4: Beneficiaries of Social Protection Programs, 2009

Social Protection Program	Implementing Agency	Detailed Category	2009 Beneficiaries
Old Age Pension	MISSA	PEN	1,446
Disability Pension	MISSA	OSI	307
Survivor Benefits Program	MISSA	PEN	1,928
School - Feeding Program	Ministry of Education	CP	2,570
Special Ed Program	Ministry of Education	OSA	735
National Training Program	Fisheries Nautical Training Centre	LMP	75
Total			7,061

Source: Consultant's estimates, 2011

64. The total number of beneficiaries of social protection programs in 2009 is 7,061. The three programs with the widest coverage are the School Feeding Program that benefited 2,570 children; the Survivors' Benefit Program covering spouses and children of the insured members; and the Old Age Pension benefiting retirees.

V. ANALYSIS OF COUNTRY RESULTS

65. This chapter presents the results of research and previous discussions. This chapter will also describe the SPI's disaggregation into the (i) three categories of social protection programs (labour market programs, social insurance and social assistance); (ii) depth and breadth; (iii) expenditures directed to the poor and to the non-poor; and, (iv) gender focus disaggregation.

A. Disaggregation by Social Protection Category

Table 5.1: Disaggregation by Category

	Social Insurance	Social Assistance	Labor Market Programs	All SP Programs
Total SP Expenditure (Million USD)	6	2	0	7
Beneficiaries (000s)	4	3	0	7
Reference Population (000s)	24	33	5	62
25% of GDP per capita	710	710	710	710
SPI	0.130	0.036	0.001	0.167

Source: Consultant's estimates, 2011

66. The SPI for the Marshall Islands is 0.167. The SPI for social insurance is 0.130; 0.036 for social assistance; and, 0.001 for labor market programs. The overall SPI indicates that the country's average per capita social protection expenditure is about 16.7% of the poverty line expenditure (set at 25% of GDP per capita).

67. The SPI for social insurance is the highest where the average per capita expenditure for social insurance is about 13% of the poverty line; 3.6% for social assistance per capita expenditure; and a meager 0.1% for labor market programs.

B. Disaggregation by "Depth" and "Breadth"

68. Table 5.2 below shows the disaggregation into two components, one for the 'depth' of coverage and the other for the 'breadth' of coverage of social protection programs.

Table 5.2: Disaggregation by Depth and Breadth

	Social Insurance	Social Assistance	Labor Market Programs	All SP Programs
Depth	1.819	0.873	0.804	1.463
Breadth	0.071	0.041	0.001	0.114
SPI	0.130	0.036	0.001	0.167

Source: Consultant's estimates, 2011

69. The depth (1.463) of social protection programs in the Marshall Islands is much higher compared with the breadth (0.114) of coverage. The high depth shows relatively high benefits received by each recipient of social protection programs, about 146% of the country's per capita poverty line.

70. Further disaggregation shows that the depth of social insurance is actually quite high (1.819). However, the breadth of social insurance is quite low at 0.071 which means that only 0.7% of potential beneficiaries of social insurance currently benefit from social insurance

schemes. Currently, social insurance coverage is restricted to formal sector workers employed in the civil service, military and private sector only. Consequently, the breadth of social insurance is very low. In addition, people employed in smaller enterprises, self-employed in the informal economy and the unemployed or aged, rely on government allowances or support from immediate and extended families and the local community.

C. Disaggregation by Poverty

71. The revised SPI is also disaggregated by expenditures per potential poor and non-poor beneficiaries as presented in Table 5.3 below.

72. The poverty focus of social protection expenditures provided the information on the poverty-targeting rate (PTR). This indicates the percentage of social protection expenditure spent on the poor or those living below the poverty line.

Table 5.3: Disaggregation by Poverty Status

	Poor	Non-Poor
SP Expenditure (Million USD)	1	7
Reference Population (000s)	62	62
25% of GDP per capita	710	710
SPI	0.015	0.152

Source: Consultant's estimates, 2011

73. The SPI for the poor is lower at 0.015 compared with non-poor at 0.152. This indicates that social protection programs benefited the non-poor more than the poor target beneficiaries. The reason behind this that most of the beneficiaries enjoy social insurance benefits which cover the employed and the public sector employees, who are not considered poor.

74. However, in the absence of information on social protection expenditure of household surveys in the Marshall Islands, or very outdated information not properly reflecting the current situation, the poverty targeting rates are approximates using the following general assumptions: (i) close to 100% of the beneficiaries are assumed to be poor (e.g., single women's allowance, old age, and disability grant) if the program is exclusively targeted towards identifiable groups of poor; and (ii) the national poverty incidence rate of 40% is used as the proportion of the beneficiaries assumed to be poor (e.g., training for the unemployed, and, care and protection for children) if the program is more general in nature in terms of poverty targeting.

D. Disaggregation by Gender

75. Table 5.4 shows the Disaggregation of social protection by gender. Social protection for women (0.066) in the Marshall Islands is lower compared to the SPI for men at 0.101. The higher SPI for men indicate gender disparity in the targeting of social protection programs.

Table 5.4: Disaggregation by Sex

	Women	Men
SP Expenditure (Million USD)	3	4
Reference Pop (000s)	62	62
25% of GDP per capita	710	710
SPI	0.066	0.101

Source: Consultant's estimates, 2011

76. Gender targeting rate (GTR) is defined as the percentage of program expenditures spent on female beneficiaries in social protection programs. The number of women receiving various social protection benefits are based on (i) the records of relevant agencies wherein gender-disaggregated data is available; (ii) census data with programs that are more general in nature and reach men and women equally (e.g., scholarship program); or (iii) professional judgment wherein such information is not available.

VI. CONCLUSION AND RECOMMENDATIONS

77. The total social protection expenditure for 2009 in Republic of the Marshall Islands is VUV 7.33 million or 4.8% of GDP. Social insurance has the highest share of social protection expenditures of about 78% of the total expenditures. The depth or average size of benefits actually received in Republic of the Marshall Islands (1.463) is higher compared to the breadth (0.114) of coverage. This implies that social protection benefits in the country is about 146% of the poverty line expenditures and these benefits are received by 11.4% of the targeted beneficiaries in 2009. Social protection programs benefited more non-poor than poor, which is due to the coverage of social insurance. The social insurance programs are enjoyed by both public and private employees who are considered not poor. Men received more social protection benefits compared to women beneficiaries in Republic of the Marshall Islands.

78. The SPI results could be attributed to the following reasons: (i) a high level of budgetary support from the United States which enables a high level of social protection expenditure but for selected target groups only (e.g., the elderly, disabled and children); (ii) the bipolar nature of the Marshall Islands economy with a relatively small formal sector and a large, much poorer, and essentially subsistence population; and, (iii) the virtually total absence of programs targeted at the poor population (i.e., a little over 6% of social protection expenditure goes to the poor, which constitute about 20% of the overall population). In the coming years, as the country strives to achieve its MDGs, a clear priority given the current poverty level, is the need to develop a social assistance program that directly targets the poor.

80. Some of these recommendations are in line with ILO, World Bank and the Government's overall vision of improving the social protection system and developing social protection programs. The key beneficiaries of the proposed policy changes would be the extreme poor.

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FORMULATION OF THE SOCIAL PROTECTION INDEX AND ITS MAJOR DISAGGREGATION

A. Structure of the SPI

1. Based from the 2011 SPI Handbook by Baulch' and McKinley, the SPI is described as a simple and unitary indicator rather than a composite index. It is not an abstract index and should provide a "normative" reference such as the magnitude of the impact on people.
2. The formulation of the revised SPI, under the present study, refers to the total SP expenditures divided by the total potential beneficiaries, and relative to a quarter of GDP per capita. This is mathematically expressed in the following equation:

$$SPI = \frac{\left[\frac{\sum E}{\sum PB} \right]}{Z}$$

where

E represents the sum of all SP expenditures;
 PB represents the sum of all potential beneficiaries; and
 Z represents poverty-line expenditures which is 25% of GDP per capita.

3. The term "Total Expenditures per Total Potential Beneficiaries" has two parts:
 - (i) Total expenditures per total actual beneficiaries – this represents the Depth of the SPI;
 - (ii) Total actual beneficiaries per total potential beneficiaries – this represents the Breadth.
4. It is noted that 25% of GDP per capita is roughly the average national poverty line across ADB's sample of countries.

B. SPI's Major Disaggregation

1. Disaggregation by Depth and Breadth

5. The SPI can be disaggregated into measuring the depth of coverage and also, the breadth of coverage. Depth represents the average expenditures that the government spends for every actual beneficiary as a percentage of poverty-line expenditures.

a. Depth

6. The index is measured as

(Total Expenditures divided by Total Actual Beneficiaries);
 Divide by Z or the poverty-line expenditure.

7. The index is represented by the following equation:

$$D = \frac{\left[\frac{\sum E}{\sum AB} \right]}{Z}$$

where

D represents Depth

E represents the sum of all SP Expenditures, and

Z represents the poverty-line expenditures.

b. Breadth

8. The breadth of coverage index is simply the proportion of the total actual beneficiaries receiving government benefits over the total potential beneficiaries. This is computed as

Total Actual Beneficiaries divided by Total Potential Beneficiaries.

9. The index is represented by the equation

$$B = \frac{\sum AB}{\sum PB}$$

where

B denotes Breadth,

AB represents the sum of all actual SP beneficiaries

PB represents the sum of all potential SP beneficiaries.

2. Disaggregation by Component

10. The second major disaggregation involves the three-way distinction between components.

11. Each of the three components for Expenditures per Potential Beneficiaries of SI, Potential Beneficiaries of SA, Potential Beneficiaries of LMP is multiplied by its weight. The mathematical relationship between the three components is based on weighted average.

- (i) SPI for Social Insurance (includes pensions, health insurance, and unemployment benefit)
- (ii) SPI for Social Assistance (includes assistance for the elderly, health assistance, poverty programs and child protection)
- (iii) SPI for Labor Market Programs (include training and public works scheme)

12. The formula for the SPI of each of the three categories can be illustrated by the formula for SPI_{si}. Deriving the SPI for Social Insurance proceeds as

(SI Expenditures divided by SI Actual Beneficiaries) multiplied by

(SI Actual Beneficiaries divided by SI Potential Beneficiaries) multiplied by
(SI Potential Beneficiaries divided by All SPI Potential Beneficiaries) multiplied by
1/Poverty-Line Expenditures.

13. The SPI for SI is expressed in the equation

$$SPI_{st} = \frac{\left[\frac{\sum E_{st}}{\sum AB_{st}} \right] \times \left[\frac{AB_{st}}{PB_{st}} \right] \times \left[\frac{PB_{st}}{PB} \right]}{Z}$$

14. The last expression in the numerator represents the proportion of SI, which is the potential SI Beneficiaries divided by the Total SPI Potential Beneficiaries.

Z represents the poverty-line expenditures.

15. After each of the three components' expenditures per potential beneficiaries (SI, SA, LMP) has been multiplied by its weight, all three are added together. The resulting total is the country's SPI. This is shown as

$$SPI = SPI(SI) + SPI(SA) + SPI(LMP)$$

3. Disaggregation of Expenditures on Poor and Non-Poor Beneficiaries

16. The SPI can be disaggregated by expenditures on poor and non-poor beneficiaries.

a. SPI (Poor)

17. The index is derived at as follows:

SPI_p represents the total expenditures per poor actual beneficiaries as a ratio to all potential beneficiaries both poor and non-poor. The index is computed as:

(Total Expenditures on the Poor divided by the Total Poor Actual Beneficiaries)
multiplied by (Total Poor Actual Beneficiaries divided by Total Potential Beneficiaries).

18. The index is represented by the following equation:

$$SPI_p = \left[\frac{\sum E_p}{\sum AB_p} \right] \times \left[\frac{\sum AB_p}{\sum AB} \right]$$

b. SPI (Non-Poor)

19. SPI_{np} represents the total expenditures per non-poor actual beneficiaries as a ratio to all potential beneficiaries, both poor and non-poor.

20. The index is derived as

(Total Expenditures on the Non-poor divided by Total Non-poor Actual Beneficiaries) multiplied by (Total Non-poor Actual Beneficiaries divided by Total Potential beneficiaries).

21. The index is represented by the following equation:

$$SPI_{np} = \left[\frac{E_{np}}{\sum AB_{np}} \right] \times \left[\frac{\sum AB_{np}}{\sum AB} \right]$$

22. When SPI (Poor) is multiplied to SPI (Non-Poor), the product represents the SPI of the country.