Development Effectiveness Brief
Marshall Islands
Together, Forging a Better Future
Asian Development Bank
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Asian Development Bank
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Marshall Islands
Development Indicators

Non–Millennium Development Goals

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
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</thead>
<tbody>
<tr>
<td>Population in millions</td>
<td>0.05</td>
</tr>
<tr>
<td>(2009)</td>
<td></td>
</tr>
<tr>
<td>Annual population growth rate (%)</td>
<td>0.9</td>
</tr>
<tr>
<td>(2007–2009)</td>
<td></td>
</tr>
<tr>
<td>Adult literacy rate (%)</td>
<td>97</td>
</tr>
<tr>
<td>(1999)</td>
<td></td>
</tr>
<tr>
<td>Population in urban areas (%)</td>
<td>71.1</td>
</tr>
<tr>
<td>(2008)</td>
<td></td>
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Millennium Development Goals

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population living below the national poverty line (%)</td>
<td>20</td>
</tr>
<tr>
<td>(1999)</td>
<td></td>
</tr>
<tr>
<td>Under-5 mortality rate per 1,000 live births</td>
<td>36</td>
</tr>
<tr>
<td>(2008)</td>
<td></td>
</tr>
<tr>
<td>Population using an improved drinking water source (%)</td>
<td>88</td>
</tr>
<tr>
<td>(2000)</td>
<td></td>
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</tbody>
</table>

At the only hospital on crowded Ebeye in the Republic of the Marshall Islands, 23-year-old Jotyla Johnny treats and educates patients suffering from tuberculosis. The resilience and hope of the Marshallese people can be seen in the nurse’s eyes as she speaks of helping those here, many of whom have emigrated from outer islands to seek work at a United States military installation on nearby Kwajalein island.

Many of the medical staff at the hospital, which was built with Asian Development Bank (ADB) funding, are expatriates and she knows they will not be here indefinitely.

“I can be one of those who replace them,” she says.

Johnny’s optimism and drive is not uncommon among the Marshallese people, who face serious economic and social development challenges in the resource-poor nation.

The Marshall Islands consists of 29 low-lying atolls and 5 single islands that cover just 181 square kilometers of land area spread across nearly 2 million square miles of the western Pacific Ocean. The country gained independence in 1979, having been administered by the United States as part of the Trust Territory of the Pacific Islands since 1947.

Today, the estimated population of 61,000 enjoys a strongly traditional culture that coexists with the fledgling institutions of a young democracy. Glimpses of a potentially thriving economy are seen in the tuna purse seiners clustering in the harbor of the capital Majuro, stores selling finely wrought handicrafts appealing to tourists, and the bustle of a workshop where traditional canoes are crafted.

Foreign grants fund more than two-thirds of government expenditure in the Marshall Islands, and the economy, in turn, relies heavily on

ADB has funded projects across an array of sectors, including education, in the Marshall Islands
government spending. Most foreign grants are provided by the United States, which signed a renewed 20-year agreement, known as the Compact of Free Association, with the Marshall Islands in 2004. The grants provided under the Compact will continue until fiscal year (FY) 2023. While grants under the Compact decrease annually, they are offset by increasing contributions to a trust fund that is intended as a source of revenue after the grants end in 2023.

Aside from ADB and the United States, the government works with several external partners, including the International Monetary Fund; the World Bank; and the governments of the European Union, Japan, and Taipei, China, as it strives to achieve the Millennium Development Goals (MDGs).

ADB lending to the Marshall Islands began in 1990 but after the government fell behind in meeting repayments and amid disappointment over some unsuccessful projects, the two parties agreed to suspend ADB’s lending program. No new loans or grants were approved from 2004 to 2009 but ADB continued providing technical assistance aimed at improving the environment for business and government. The government has now caught up on its payments, however, and the loan program resumed in 2010 with

As of 31 December 2010, ADB has approved 13 loans worth $87.63 million and 48 technical assistance grants for $19.58 million. These have supported development of the education, fisheries, health, water, and transport sectors, and assisted public sector reform and structural adjustment

ADB continuing to work with the government to help the nation achieve self-sufficiency.

As of 31 December 2010, ADB has approved 13 loans worth $87.63 million and 48 technical assistance grants for $19.58 million. Two grants approved in 2010 are the first of their kind to the Marshall Islands: one is for improving energy supply to poor households ($1.76 million) and the other is a portion of a Pacific regional grant for the social protection of the vulnerable (of which $1.20 million is specifically allocated to the Marshall Islands).

ADB loans have supported development of the education, fisheries, health, water, and

### Loan and Grant Approvals ($ million)

<table>
<thead>
<tr>
<th></th>
<th>1990–2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF</td>
<td>74.13</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9.50</td>
</tr>
<tr>
<td>OCR</td>
<td>4.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>78.13</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>9.50</strong></td>
</tr>
</tbody>
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### Disbursements ($ million)

<table>
<thead>
<tr>
<th></th>
<th>1990–2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF</td>
<td>59.99</td>
<td>0.10</td>
<td>0.06</td>
<td>0</td>
<td>0</td>
<td>9.50</td>
</tr>
<tr>
<td>OCR</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59.99</strong></td>
<td><strong>0.10</strong></td>
<td><strong>0.06</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>9.50</strong></td>
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*ADF = Asian Development Fund, OCR = ordinary capital resources. Source: Asian Development Bank staff estimates.*
transport sectors, and assisted public sector reform and structural adjustment. One loan assisted typhoon emergency rehabilitation. As of 31 December 2010, of the 13 approved loan projects, in value terms, public sector management accounted for $33.50 million (38%) of the total loan amount. The health and social protection sector followed with $14.95 million while the education sector received $14.83 million (each 17%).

The Marshallese economy grew at an average annual rate of 3.1% from FY2000 to FY2007, though much of this growth was due to external assistance. In FY2008, the economy contracted by 1.6% with a further contraction of 2.1% in FY2009. The election of a new president in October 2009, however, calmed matters and the new government has begun several initiatives to reform the public sector, putting the Marshall Islands on a path of fiscal prudence, economic stability, and sustainable growth. A national election is slated to take place toward the end of 2011.

According to ADB’s Asian Development Outlook 2010, gross domestic product in the Marshall Islands is expected to grow by 0.5% in FY2010, well below the 4.3% aggregate growth projection for 2010 for the Pacific.

ADB’s work in the Marshall Islands is mapped out in both the Country Operations Business Plan 2010–2012 and the Country Strategy and Program Update 2007–2011. ADB’s strategic thrusts are aligned with national priorities and also consistent with the ADB’s Pacific Approach 2010–2014 and ADB’s long-term strategic framework, Strategy 2020. Harmonization with other international development partners has been sought to avoid duplication.

According to ADB’s Asian Development Outlook 2010, gross domestic product in the Marshall Islands is expected to grow by 0.5% in FY2010.
ADB’s Contribution to Development and Poverty Reduction

Health: Protecting a Key Resource

ADB’s health sector program promotes primary health care and targets assistance to high-risk populations, particularly poor children and women of reproductive age. ADB’s support to the Marshall Islands focused on improving in-country health service capability, encouraging community participation, and helping the government to better utilize scarce financial resources in the health sector.

Health Care on the Island of Ebeye

Tereasa Livai recuperates in a clean, orderly ward at the only hospital on the crowded island of Ebeye, home to the second largest urban settlement in the Marshall Islands. The 56-year-old has been treated here for a non-healing wound on her foot, a complication of diabetes that, without treatment, can lead to gangrene and amputation.

Livai was diagnosed as a diabetic in 1987 and comes to the hospital about once a month for a health check. Before the ADB-funded hospital opened in 2003, she was monitored infrequently as she did not like to visit the old facility, which was so run-down that patients had to be shifted around when it rained to avoid leaks.

Diabetes is the island’s number one health issue, and Livai is among many sufferers benefiting from the new hospital and the boosted services it provides, notes Tommy Milne, hospital administrator.

Development Outputs from ADB-Supported Projects in the Marshall Islands

<table>
<thead>
<tr>
<th>Sector</th>
<th>Outputs Achieved 2004–2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td></td>
</tr>
<tr>
<td>Classrooms built or upgraded (number)</td>
<td>14</td>
</tr>
<tr>
<td>Associated facilities built or upgraded (number)</td>
<td>3</td>
</tr>
<tr>
<td>Learning institutions built or upgraded (number)</td>
<td>3</td>
</tr>
<tr>
<td>Teachers trained (number)</td>
<td>58</td>
</tr>
<tr>
<td>Students benefiting (number)</td>
<td>1,220</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
</tr>
<tr>
<td>Installed energy generation capacity (MW equiv.)</td>
<td>6</td>
</tr>
<tr>
<td>Transmission lines installed or upgraded (km)</td>
<td>1</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
</tr>
<tr>
<td>Water supply pipes installed or upgraded/ length of network (km)</td>
<td>15</td>
</tr>
<tr>
<td>Already connected households with improved piped water supply</td>
<td>3,140</td>
</tr>
</tbody>
</table>

Source: ADB.

The 35-bed hospital, which has two operating rooms and maternity and emergency sections, has had a positive impact right across Ebeye, where an estimated 14,000 people live on just a single square mile of land. Funds from the project also went toward improving infrastructure on Ebeye. Water supply and sewerage systems were rehabilitated and expanded, and power generation and
ADB’s Contribution to Development and Poverty Reduction

The hospital buzzes with activity: downstairs, mothers bring their babies in for vaccinations, doctors on a medical mission from the United States perform dental checks on school children, while a woman is treated in emergency; upstairs, a family waits for a relative to emerge from an operating room as inpatients, including mothers nursing their newborn babies, recuperate in clean, hushed, air-conditioned wards.

Irene A. Paul, assistant secretary of health and environment at the Bureau of Kwajalein Atoll Health Care Services, describes how hospital workers were involved in the design of the facility, allowing them to create an arrangement that would have the best impact on the community.

“We decided that we were going to have outpatients, public health services and offices downstairs, and inpatients upstairs. So the distribution was also upgraded, bringing 24-hour power and water supply across the island.

A mother with her newborn baby recuperates comfortably.
Development Effectiveness Brief:
Marshall Islands

setup is really good: when it comes to staffing, we’re always understaffed, but with this setup, we’re still able to carry out all our activities,” she says.

“We are very proud to have this,” says Auston Jelke, 63, one of only two Marshallese doctors working at the hospital. “Far more patients are coming to see doctors for primary health care visits.”

Hospital staff cover other islands, too—the farthest nearly 100 kilometers away—and will collect patients by boat if they cannot get to the hospital themselves.

Missions No Longer Impossible

The new hospital in Ebeye means that not only can more people be treated on the island for their immediate health needs, but specialized surgical teams on visiting missions can provide specialized services more easily and in greater numbers.

The dentists here today are from a charity group called Canvasback Missions, which has been sending medical missions to the Marshall Islands since 1986. The team has used the existing equipment in the dental clinic and set up three more dental chairs in the hallway to accommodate the island’s Grades 3–6 students. A total of 525 patients will eventually be treated in 9 days.

“We choose to work at Ebeye because of the facility and dedicated staff,” says Jacque Spence, Canvasback co-founder and executive vice president.

“Our orthopedic team was able to do total knee replacements because the staff was willing to designate and prepare certain rooms for our patients to ensure a safe environment for recovering patients. Our ophthalmology team did 192 cataract surgeries in 9 days because the staff screened candidates for surgery before we arrived and then vacated their offices so that we could set up our equipment and get right to work,” Spence says.

“Our ophthalmology team did 192 cataract surgeries in 9 days because the staff screened candidates for surgery before we arrived and then vacated their offices so that we could set up our equipment and get right to work”

According to Tommy Milne, hospital administrator, the new hospital means “now we’re able to bring in medical missions that before were just dreams.”

Hospital figures show that, in 2009, 1,590 patients were admitted, 8,869 outpatients seen, with the total number of encounters at 32,413. There were 372 outreach users seen 576 times.

The 2004 project completion report found that the Ebeye hospital project, with approved funding of $9.25 million, was highly relevant in meeting its objectives and was consistent with both ADB’s country strategy and the Government of the Marshall Islands’ development priorities. It was also rated highly successful.
Impacts elsewhere on the island included improved living conditions that meant, for instance, a lower incidence of waterborne diseases due to availability of safe water, and less truancy as children no longer need to make trips to the United States army base to fetch water. Improving the quality of life in Ebeye also improved understanding between the people of Majuro and Ebeye, enhancing the climate for political reconciliation, the report found.

ADB assistance to Ebeye also improved living conditions that meant, for instance, a lower incidence of waterborne diseases due to availability of safe water, and less truancy and enhancing the climate for political reconciliation.

Waste Management: Clearing a Way Forward

ADB provided technical assistance totaling about $260,000 to plan a sustainable solution for urban waste management on Majuro Atoll after the issue was prioritized during participatory preparations for the ADB’s country strategy and program update during 2003 and 2004.

“Even when the bin was empty, it would attract flies,” recalls shopkeeper and father of three, Francis Erra, referring to a large dumpster that used to be located near his modest grocery shop. It was one of many spread across the island.
ADB technical assistance to urban waste management on Majuro has improved the environment, reduced risk of diseases, and facilitated recycling
capital that were irregularly collected before the Majuro Atoll Waste Company (MAWC) was set up in 2007, the direct result of an ADB-funded study. Majuro’s citizens are uniformly pleased with their improved environs since MAWC distributed residential and commercial bins and instigated regular collections.

Erra recalls seeing dogs scattering rubbish across the ground. “Now the rubbish isn’t there anymore. It’s cleaner now.”

The result of the ADB-funded independent report, which was completed after much public consultation in 2006, was to prioritize the creation of a single waste management authority for Majuro, which led to the establishment of MAWC. Other recommendations were to establish a recycling program and residential and commercial waste collection systems—the latter to provide revenue—and to consider incineration as a means of final disposal.

Roger Cooper, MAWC general manager, says progress has now been made on the first four recommendations, while a waste energy plant is under consideration for the future.

“We’re pleased with the support and interest they’ve given us,” he says of ADB.

ADB funded the purchase of commercial waste bins as part of a pilot, while other donors included the United States Department of the Interior and Japan.

Aside from the transformation of Majuro’s streets, Cooper describes how the oceanside dump itself has been overhauled. Before MAWC began work, “there was no consistent covering going on, there was no separation of anything.”

MAWC workers go about their work on the streets of the Marshall Islands’ capital, Majuro
Roger Cooper is the general manager of MAWC, which collects more than 100 tons of waste per day.

Rodents were everywhere. You’d walk out into the dump and you’d be climbed on. We don’t have any rodents now.”

MAWC staff now separate organic waste, metals, glass, and other recyclables.

When MAWC and its 23 full-time staff began work, it collected about 40 tons of waste a day; they now collect more than 100 tons. An expansion project will see the dump extended 30 meters out to sea and 300 meters along the coast, extending its life by three to four more years, by which time a waste energy power plant may be under construction.

The longer-term impact of improved waste collection may be that the cleaner atoll encourages tourism, as well as foreign investment.

The western part of Majuro is yet to have its own collection service, and plans for a waste incinerator have only just reached the drawing board. Although the ADB study suggested incineration, Cooper notes that by spending 30% more at the construction phase, an incinerator that can also generate electricity could be built, which would lead to an income stream that would more than cover the company’s operational costs.

Meanwhile, workers at the site also see vast improvements.

Winda Lemeout, 26, says the dump was a mess when she began work: waves would break on the reef and into the dump due to a broken seawall, sweeping rubbish across the road nearby. “Now it’s clean. It’s much better than at the start.”

And Iaokiri Barai, MAWC operations supervisor, says that the people of Majuro have really learned the importance of managing their waste properly, and are supportive of the company workers.

The technical assistance completion report assessed the study that led to MAWC’s creation as “successful, bordering on highly successful.”

Tourism: Preparing to Attract the World

ADB recognized that tourism was one of the Marshall Islands’ few potentially large foreign income earners when it approved technical assistance to the Marshall Islands Visitors Authority (MIVA) in 1995. Across 1996–1997, approximately $475,000 was disbursed.

At the Happy Hands handicrafts store, pandanus leaves, young coconut palm leaves, and shells are among the materials woven into intricate wall hangings, baskets, bags, and jewelry for sale. Fifty-year-old Erine Ailun, a mother of eight children, is one of the artisans whose works are available here. And, she smiles and says shyly, of course she wishes there were more tourists to snap up her work and boost her income.
Ailun is among the many Marshallese who benefit from tourism to the Marshall Islands—a country boasting uninhabited palm-fringed islands, turquoise waters teeming with marine life that is perfect for both divers and game fishers to enjoy, and a fascinating World War II and Cold War history.

Among the key outputs of ADB support, according to the 1998 completion report, were a MIVA comprehensive business plan and budget, a draft of a Tourism Amendment Bill that was passed in 1997 and enhanced the independent status of MIVA as a statutory authority, and increased involvement of the private sector in tourism. In addition, main tourism markets for the Marshall Islands were identified. An inventory of tour operators and travel agents, a visitors’ guide, and a travel agents’ manual were also prepared.

The report assessed the assistance as generally successful in meeting its objectives and recommended that ADB provide further technical assistance to MIVA to develop its capacity. But as current MIVA general manager Dolores de Brum-Kattil recounts, the government then decided to focus on developing the health and education sectors. No further ADB assistance was sought for MIVA’s activities.

Nevertheless, since then, on a modest budget of about $250,000 a year and now with five staff, MIVA has accomplished a range of tasks: assisting in training hospitality staff, creating a promotional website, and working with regional tourism bodies and travel agents in a bid to encourage tourists.

Land: Securing Prosperity

The Government of the Marshall Islands and ADB recognized in 2002 that the lack of a land market was curtailing national economic growth. ADB approved technical assistance that aimed to (i) assist the government in creating the Land Registration Authority (LRA); (ii) develop procedures for registering land interests and recording land transactions; and (iii) create public awareness of the LRA.

In the modest, air-conditioned offices of the LRA, Helkena Anni, registrar, describes the uphill battle the relatively new authority has faced in conveying the importance of its activities to the deeply traditional Marshallese people.

“When I started off, the feeling was: What do we need this project for? We’ve got the iloij (traditional chiefs), we’ve got the alap (traditional landowners). We have a system that’s been here for so many years. So why do
we need a new system?” Anni recounts. “That was the most difficult thing to do, to convince people that these days, everything’s got to be black and white.”

With land so scarce in the tiny Marshall Islands, the people here adhere to a complex land tenure system in which *iroij*, *alap*, and commoners jointly agree on whether a land transaction can occur. In a practical sense, this has made it difficult to make land available for private investment in the country. But easily transferring temporary or permanent ownership of land is required to help create a dynamic economy attractive to foreign direct investment that would drive growth and reduce poverty.

The implementation of this technical assistance, which saw a disbursed amount of nearly $367,000, plus a further $100,000 provided by the government, was rated as successful in its 2005 completion report. A follow-up technical assistance was approved, aiming to further create an environment conducive to private investment. This saw further technical assistance approved in 2004 for a project that was rated highly satisfactory.

As of October 2010, 24 parcels of land have entered the registration process, a slow but important start, says Anni. In addition, more than 4,000 documents have been recorded with the LRA for safekeeping.

It has been much easier to convince people that the latter is important. Anni says: “If you lose your documents, what are you going to do? Without documents, you can’t prove anything is yours.”

The registration process for land, on the other hand, has proved to be far more complex. Once land is registered, the titleholders can do anything they like with the land: sell, lease, or give it away.

“If someone wants to register their land, there will always be someone else who objects to their application. Always!” Anni says of the LRA’s experience so far. “Here, everyone

The lack of a land market in the Marshall Islands has, in the past, curtailed national economic growth
is connected to the land.” This means that, typically, three traditional owners will need to agree on who now has the right of transferable ownership, although a draft amendment to the laws in place proposes that more than one name be allowable on titles, Anni notes.

When somebody applies to be recognized as the registered owner of a plot of land, this is advertised on the radio, in the local paper, and in the Marshall Islands embassies. If there is no objection from any other parties within 3 months in Majuro, or 6 months for land parcels elsewhere, the registration proceeds. But if an objection is lodged, the registration process is halted and the parties must settle the dispute themselves—or take it to the traditional rights court. (And for almost all of 2010, there was no traditional rights court judge, which halted most work at the LRA.)

Anni expects that eventually, the younger generation will want to use the registry to avoid confusion about land ownership and secure their own futures. “People will try to get their interests straightened out,” he says.

Stephen Philip, president of the Marshall Islands’ Chamber of Commerce, says of the registry: “I think it’s the right time to establish it now. It may be a long process, but we’ll come to see that it’s an opportunity for us to create business.”

His belief is echoed by Marshall Islands Chief Secretary Casten Nemra, who notes the sensitivity of the land issue in the country.

“But what’s important is that it’s established and operating,” he says.

**Public Sector Reform: Helping Government Work Better**

At the root of any well-functioning society is a healthy, efficient government.

ADB recognized this in 1997 when it approved a $12 million loan to the Marshall Islands to implement a Public Sector Reform Program.

The Marshall Islands had found itself in a difficult fiscal situation by the mid-1990s. The government signed its first Compact of Free Association with the United States in 1986, under which the country received a generous package of economic assistance. But with the end of the original compact looming, the Marshall Islands had made poor investments and employed a large civil service with wages out of proportion to the productivity of its workers. The situation was exacerbated by the government having borrowed against the future income streams in the Compact.

The ADB loan focused on four areas: civil service, fiscal policies, privatization, and transport, all of which are instrumental in supporting private sector growth. The loan funds were to compensate employees retrenched from the civil service, liquidate the high-interest debt of Air Marshall Islands, and establish a trust fund.

The number of government employees was reduced by a massive 30% over the life of the project, from 2,303 to 1,484. Those who left were given a lump-sum payment followed by 3 years of monthly payments.

“In a sense, there was some achievement made as far as targets are concerned and it eventually helped the government, at least in the medium
term, be more stable,” reflects Chief Secretary Casten Nemra. “For a government, especially an island government out here where the dominant employer is the public sector, that cut was significant.”

While the project was assessed as being successful, with government finances stabilized in the short run, structural problems, however, have persisted.

More than a decade later, the government is going through a similar exercise. ADB approved $9.5 million in loan assistance in August 2010 to again help achieve long-term fiscal sustainability and to improve the efficiency and effectiveness of the public sector. The Public Sector Program, backed by the loan, supports the Marshall Islands’ broad-ranging expenditure and tax reforms, including state-owned enterprise reform.

The budget for this year (FY2011) will see a 5.5% cut per line ministry and agency.

“We were looking at other options, a top-down approach, but other consultations and discussions led us to allow the ministries and agencies to come up with their own proposals, provided that they meet the reduction target,” Nemra says, in an indication of how both ADB and the government have shifted to a more bottom-up approach in reform wherever possible.

The focus of public sector reform in the Marshall Islands is now on expenditure and tax reform under the ADB Public Sector Program approved in 2010
Operational Effectiveness: Improving Efficiency and Performance

Of the nine rated projects/programs in the Marshall Islands, two have been declared successful, as of 31 December 2009; two loans were not completed; and one loan approved in 2002 was canceled. The remainder were not given successful ratings. Disappointment with the outcomes of projects, coupled with the government falling behind in repaying its loans, led ADB to suspend its lending program with the Marshall Islands in 2002. No loans or grants were approved from 2004 to 2009.

The partnership was re-energized by the Marshall Islands’ clearance of arrears with ADB in March 2009. Ongoing repayments since then indicate that the Government is firmly committed to ADB as a key development partner. In mid-2010, the lending program resumed.

The early setbacks saw numerous lessons learned and action is being taken by both the government and ADB to ensure repeat errors do not occur. In fact, many of the issues and concerns raised in evaluation reports are not unique to the Marshall Islands.

A lack of ownership, identified by evaluators as weakening the outcomes for some projects, including the original public sector reform program, was partly responsible for leading ADB and the government to implement a number of public consultation programs from mid-2009. Wide-ranging discussions between representatives from the government, civil society, and donor partners have provided significant insights, which were incorporated into the Country Operations Business Plan 2010–2012.

Other issues that are not unique to the Marshall Islands include, the failure of some competitive bidding attempts for the Ebeye hospital project, as few international bidders expressed interest due to its remoteness. This led to the project’s delay and a recommendation that, in future, using domestic contractors would be preferable, or negotiated bids with international contractors experienced in working in the Marshall Islands. Evaluators noted that materials and equipment should be suited to the harsh external environmental conditions in the Pacific, where high humidity and salt content in the air and water, can take a high toll.

ADB has worked to systematically improve its operational effectiveness not just in the Marshall Islands but in all of its developing member countries. The Pacific Approach 2010–2014 sets out the overarching framework for ADB’s operations in its 14 Pacific developing member countries. It shifts the emphasis of ADB’s work to pay attention not only on the type of development assistance ADB provides, but also on how best such assistance is delivered on the ground. It focuses on promoting consensus and ownership of initiatives by governments, civil society organizations, and local communities.

Today, despite the setbacks, the Marshall Islands still views ADB as a key development partner and is ready to move the relationship forward again.

As Finance Minister Jack Ading says: “In previous years, there may have been some misperceptions about ADB from the general public and, to some extent, some of our parliament leaders, especially due to some projects that were not successfully carried out. However, over time, this view has completely changed. The recent loan agreement and the Marshall Islands’ commitment to fulfill its debt obligation have significantly contributed to this positive change.”

He adds: “Strategies are now more locally driven and mutually agreed and perceived by both parties as forward progress.”
The Marshall Islands has a vulnerable economy that is heavily dependent on grants, particularly from the United States, and there is significant apprehension among the population about what will happen when funding under the 20-year Compact of Free Association signed with the United States in 2004 draws to a close.

What the Government of the Marshall Islands has made clear is that it must reform while, at the same time, encouraging the development of the private sector. This is essential to harness potentially lucrative resources, such as fishing and tourism, and to diversify the country’s extremely narrow economic base. At the same time, the Marshall Islands faces an uncertain future due to the impact of climate change. It also faces an urgent need to cut energy costs and provide a reliable supply of electricity.

The government’s desired focus aligns closely with the work that ADB is doing in the country. ADB’s approach for the Marshall Islands is to promote economic and social development through inclusive and environmentally sustainable growth and good governance. ADB has a long-standing relationship with the government and the Marshallese people.
The Marshall Islands is a vulnerable economy heavily dependent on assistance from its development partners, including ADB. Its future growth and stability must come through the growth of the private sector that high tides may threaten waterways used for water supply, with high salinity and potential droughts leading to poor food crop harvests. Infrastructure needs to be improved countrywide, while getting services to and creating employment among the population living on the outer islands in the sprawling nation remains a challenge.

“There are tough times ahead. But we’ll continue to engage and work with partners like ADB,” he concludes.
Development Effectiveness Brief: Marshall Islands

The Government and people of the Republic of the Marshall Islands (RMI) have been working together with the Asian Development Bank (ADB) since 1990. ADB has supported developments in health, education, fisheries, water, waste management, and transport sectors. ADB has provided, and will continue to provide, economic and public policy advice to enhance the country’s sustainable and equitable growth. Up to 31 December 2010, RMI had received $87.63 million in loans and $19.58 million in technical assistance since becoming a member.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.