



Asian Development Bank & Marshall Islands

FACT SHEET

Table 1. Marshall Islands: 2011 Loan, Technical Assistance, and Grant Approvals (\$ million)

Loans				
Sovereign	Nonsovereign	Technical Assistance	Grants	Total
–	–	0.30	–	0.30

– = nil.

Table 2. Marshall Islands: Cumulative ADB Lending By Sector as of 31 December 2011^a

Sector	Loans (no.)	Amount (\$ million)	% ^b
Agriculture and Natural Resources	1	6.95	7.93
Education	2	14.83	16.92
Health and Social Protection	2	14.95	17.06
Public Sector Management	4	33.50	38.23
Transport and ICT	1	7.00	7.99
Water Supply and Other Municipal Infrastructure and Services	2	9.90	11.30
Multisector	1	0.50	0.57
Total	13	87.63	100.00
Total Disbursements		\$74.1 million	

ICT = information and communication technology.

^a Includes sovereign and nonsovereign loans.

^b Total may not add up because of rounding.

Partnerships

Stakeholder participation and partnership are vital to a successful development program in the Republic of the Marshall Islands. In light of this, the Asian Development Bank (ADB) and the Marshall Islands have implemented a number of public consultation programs since mid-2009. These programs have given the government, civil society, and development partners an opportunity to discuss fiscal and economic reform and development issues. Major findings were reflected in the design of ADB's program loan in 2010, and in the development of the country operations business plan, 2012–2014.

In December 2010, with ADB support, the government held a successful development partners meeting to present and discuss its reform and development priorities and objectives for 2011 and 2012, and to provide an opportunity to identify further areas of development cooperation.

Operational Challenges

Since the Marshall Islands gained independence in 1986, the development scenario has been particularly challenging. Much of the earlier growth directly reflected increased payments from the Government of the United States under the Compact of Free Association. Under the renewed Compact, agreed in 2003, annual grant assistance to the Marshall Islands is set to decline gradually. Given the shrinking grants, current government expenditure is not sustainable unless spending control and revenue mobilization are stepped up. Fiscal consolidation and structural reforms are needed to ensure long-term fiscal sustainability and boost private sector development. Reform measures began with the fiscal year 2011 budget. These will involve substantial adjustment costs, and the Ministry of Finance will require external support to plan and implement them.

After Compact grants expire in 2023, the Marshall Islands is expected to complement its domestic revenues with returns from its Compact Trust Fund, which receives annual savings from fiscal surpluses along with contributions from development partners. However, under current policies, the build-up in government assets in the Compact Trust Fund is projected to fall short of replacing Compact grants in 2023.

Future Directions

The country operations business plan, 2012–2014, prioritizes a program loan and a number of technical assistance projects to support the Marshall Islands' macroeconomic and fiscal management, private sector development, human capacity development, and engagement on the issues of the environment and climate change. These proposed interventions are within the core priority areas identified in the Pacific Approach, 2010–2014, and ADB's long-term strategic framework, Strategy 2020.

The lending program for 2012–2014 comprises one program loan of \$5 million for subprogram 2 of the Marshall Islands Public Sector Reform Program. The program loan will help the government to achieve fiscal sustainability by improving fiscal discipline over the medium term, restraining recurrent spending, increasing tax revenue, improving the performance of selected state-owned enterprises, and ensuring stakeholder participation in public sector reform initiatives. In August 2010, subprogram 1 of the program loan was approved for \$9.5 million.

The nonlending program for 2012–2014 will support the strengthening of economic policy and planning and enhance public sector service delivery.

The country program will be complemented by regional technical assistance and grant programs, particularly in climate change and social protection for the vulnerable.

Context

The Marshall Islands joined ADB in 1990. Since then, ADB has approved 13 loans for \$87.63 million, 48 technical assistance projects for \$19.58 million, and one grant for \$1.76 million. ADB loans have supported development of the education, fisheries, health, water, and transport sectors, and assisted public sector reform and structural adjustment. The technical assistance program has also covered a wide range of sectors and issues, including capacity building in development banking, tourism management, environmental protection, and the formulation of economic policy. The program has also helped privatize state-owned enterprises, develop the private sector, and reform the civil service.

However, the development of the Marshall Islands is constrained by underlying fragile conditions and has been further challenged by the global economic downturn and high food and fuel price rises.

ADB-Supported Projects and Programs

A program loan and associated technical assistance project, approved in 2001, established the country's Compact Trust Fund. With continuing financing under the Compact of Free Association assistance from the United States, the fund helps to secure the country's public finances.

In 2003, technical assistance was provided to prepare a project for youth at risk and led the government to significantly shift its policy toward this group. The government is now providing grants to outsource welfare and vocational training to civil society organizations with a track record of success in helping the youth.

Table 3. Marshall Islands: Development Indicators

Non-MDG	
Population in millions	0.05 [2011]
Annual population growth rate (%)	0.9 [2009–2011]
Adult literacy rate (%)	...
Percent of population in urban areas	71.8 [2010]
MDG	
Population living on less than \$1.25 (PPP) a day (%)	...
Population living below the national poverty line (%)	20.0 [1999]
Under-5 mortality rate per 1,000 live births	26 [2010]
Population using an improved drinking water source (%)	94 [2010]

... = data not available, MDG = Millennium Development Goal, PPP = purchasing power parity.

Sources: ADB. 2012. *Basic Statistics 2012*. Manila; World Bank. 2012. World Development Indicators Online.

Table 4. Marshall Islands: Economic Indicators, 2007–2011

Economic Indicator	2007	2008	2009	2010	2011
Per capita GNI, Atlas method (\$)	3,730	3,720	3,640	3,640	...
GDP growth (% change per year)	3.0	(1.9)	(1.3)	5.2	5.0
CPI (% change per year)	2.6	14.7	0.5	1.6	9.5
Unemployment rate (%)	30.9
Fiscal balance (% of GDP)	0.2	3.7	1.4	4.6	1.4
Export growth (% change per year)	2.5	10.4	2.7	55.2	26.5
Import growth (% change per year)	7.3	2.4	4.5	33.4	(8.8)
Current account balance (% of GDP)	(2.0)	(2.2)	(17.0)	(24.6)	(12.6)
External debt (% of GNI)	57.0	50.3	49.2	54.3	...

() = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2012. *Asian Development Outlook 2012*. Manila; ADB staff estimates; World Bank. 2012. World Development Indicators Online.

Table 5. Marshall Islands: Project Success Rates

Sector	% ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	–	1
Education	50.00	2
Health and Social Protection	50.00	2
Public Sector Management	–	2
Transport and ICT	–	1
Water Supply and Other Municipal Infrastructure and Services	–	1
Total	22.22	9
Year of Approval		
1990s	33.33	6
2000s	–	3

– = nil, ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program performance evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2011.

Table 6. Marshall Islands: Portfolio Performance Quality Indicators for Sovereign Lending, 2010–2011

Number of Ongoing Loans (as of 31 Dec 2011)	2010 (\$ million)		2011 (\$ million)	
	2010 (\$ million)	2011 (\$ million)	2010 (\$ million)	2011 (\$ million)
Contract Awards/Commitments ^{a,b}	–	–	–	–
Disbursements ^a	10.0	–	–	–
Number of Ongoing Grants (as of 31 Dec 2011) ^c				
Contract Awards/Commitments ^{a,b}	–	–	–	–
Disbursements ^a	–	–	–	–
Project at Risk (%)				100.0

– = nil.

Note: Totals may not add up because of rounding. Number of ongoing grants refers to Asian Development Fund and Other Special Fund grants. There is one Japan Fund for Poverty Reduction grant, which is at risk.

^a Includes closed loans that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only ADF and other ADB Special Funds.

Further, a participatory technical assistance project from 2004 to 2008 helped Majuro, the capital of the Marshall Islands, improve the management and disposal of solid waste, a problem that had remained unresolved for more than 2 decades.

In 2007, an ADB technical assistance project improved the development of the environment for the private sector, among others, by helping the government establish a land registration authority. As of October 2008, the volume of registrations and recording stood at 1,105, compared with less than 250 at the start of the technical assistance project.

The funds provided to the government under a program loan in 2010 were used to repay a high-interest loan held by the Marshalls Energy Company. As a result, cash flow has significantly improved at the energy company. The savings have been used to overhaul one of the generators, which now has a higher megawatt output, resulting in reduced fuel usage. Power outages have been reduced and the quality of supply has improved.

Cofinancing

Cofinancing operations enable ADB's financing partners, government or their agencies, multilateral financing institutions, and commercial organizations, to participate in the financing of ADB projects. The additional funds are provided in the form of official loans and grants, and commercial cofinancing, such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under the ADB's Trade Finance Program.

By the end of 2011, cumulative direct value-added official cofinancing for the Marshall Islands amounted to \$1.8 million for one investment project and \$1.9 million for six technical assistance projects.

A summary of projects with procurement from 1 January 2007 to 31 December 2011 is available www.adb.org/countries/marshallislands/cofinancing

Procurement

From 1 January 1968 to 31 December 2011, contractors and suppliers were involved in 197,338 contracts for ADB loan projects worth \$109.78 billion. During the same period, contractors and suppliers from the Marshall Islands were involved in 154 contracts for ADB loan projects worth \$23.06 million.

From 1 January 1968 to 31 December 2011, consultants were involved in 12,179 contracts for ADB loan projects worth \$4.81 billion. During the same period, consultants from the Marshall Islands were involved in 15 contracts for ADB loan projects worth \$0.89 million.

From 1 January 1968 to 31 December 2011, consultants were involved in 24,484 contracts for ADB technical assistance projects worth \$3.42 billion. During the same period, consultants from the Marshall Islands were involved in 23 contracts for ADB technical assistance projects worth \$0.52 million.

Table 7. Marshall Islands: Projects Cofinanced, 1 January 2007–31 December 2011

Cofinancing	No. of Projects	Amount (\$ million)
Project ^a	1	1.76
Grant	1	1.76

^a A project with more than one source of cofinancing is counted once.

Table 8. Marshall Islands: Share of Procurement Contracts

Item	2010		2011		Cumulative (as of 31 Dec 2011)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	1.00	0.02	0.00	0.00	23.06	0.02
Consulting Services	0.05	0.01	0.12	0.03	1.41	0.02

0.00 = less than 0.01%.

Table 9. ADB Assistance to Developing Member Countries, 2010–2011^a

	2010 (\$ million)	2011 (\$ million)	Change (%)
Lending	11,444.53	12,605.46	10.14
ADF, Sovereign	2,212.57	1,954.85	(11.65)
OCR, Sovereign	8,196.96	9,050.61	10.41
OCR, Nonsovereign	1,035.00	1,600.00	54.59
Public Sector	–	600.00	
Private Sector	1,035.00	1,000.00	(3.38)
Equity Investments	235.00	239.00	1.70
Grants ^b	1,052.86	844.14	(19.82)
Technical Assistance Grants	325.00	359.39	10.58

– = nil, () = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

^b Excludes grant cofinancing not administered by ADB.

About the Marshall Islands and ADB

ADB Membership

Joined 1990

Shareholding and Voting Power

Number of shares held: 282 (0.003% of total shares)
Votes: 39,772 (0.30% of total membership,
0.46% of total regional membership)

Overall capital subscription: \$4.33 million
Paid-in capital subscription: \$0.22 million

Gaudencio S. Hernandez, Jr. is the Executive Director and **Siraj S. Shamsuddin** is the Alternate Executive Director representing the Marshall Islands on the ADB Board of Directors.

ADB's operations in the Marshall Islands are managed through ADB's Manila Headquarters. ADB's Pacific Department provides the primary operational link to the government, private sector, and civil society stakeholders in its activities. The Pacific Department engages in policy dialogue and acts as a knowledge base on development issues in the Marshall Islands.

Andrea Iffland is the Director of Urban, Social Development, and Public Management Division, Pacific Department until March 2012.

The Marshall Islands government agency handling ADB affairs is the Office of International Development Assistance within the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2011, lending volume was \$12.61 billion (104 projects), with TA at \$148 million (212 projects) and grant-financed projects at \$614 million (23 projects). In addition, \$7.7 billion was generated in direct value-added cofinancing in the form of official loans and grants and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2007 to 31 December 2011, ADB's annual lending volume averaged \$11.34 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$755.3 million and \$175.0 million in TA over the same period. As of 31 December 2011, the cumulative totals excluding cofinancing were \$179.7 billion in loans for 2,423 projects in 42 countries, \$5.0 billion in 186 grants, and \$3.3 billion in TA grants, including regional TA grants.

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Useful ADB websites

Asian Development Bank
www.adb.org

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

Annual Report
www.adb.org/documents/series/adb-annual-reports