



# MARSHALL ISLANDS

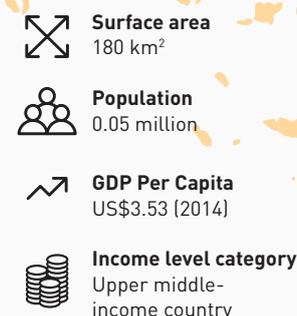
## 1. Country Context

Composed of 29 coral atolls and five single coral islands, the Republic of the Marshall Islands is an upper middle-income economy whose population of 53,000 enjoys a GDP per capita of US\$3,530 (2014). Growth has been modest in the past years, achieving 1.4% in 2015. According to the Asian Development Bank, 52.7% of Marshall Islanders live below the national poverty line, the highest rate among all Pacific countries.

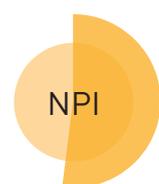
Apart from the support provided by the United States of America as part of the Free Association Compact, the economy relies on fisheries, agriculture and an incipient tourism sector. Due to its limited public sector capacity, the Marshall Islands are classified by the World Bank as suffering from a fragile situation.

This monitoring round has captured a total development co-operation of US\$92 million, amounting to roughly half of GDP. Only four development partners reported for this survey. Thanks to the Compact, the United States is by far the most important provider, financing 79% of all development cooperation. China-Taiwan contributes 15%, Japan 6% and the WHO a minor share of 0.1%.

### Quick Facts



### Key Development Indices:



National Poverty Index  
52.7% (2014)



GDP Growth  
1.5% (2015)

ODA per Capita \$1,054 (2014)



Doing Business Rank (2015)  
(Best rank: Position 1)



Anti-corruption Index: -0.1 (2014)  
(Highest anti-corruption: +2.5)

### Domains Where Country Systems Have Been Strengthened

	2009	2015
Budget Support	Strengthened	Strengthened
PEFA Assessment	Strengthened	Strengthened
PFM Roadmap	Strengthened	Strengthened
Aid/Dev. Co-op. Policy	Strengthened	Strengthened
Dialogue with Donors	Strengthened	Strengthened
Peer Reviews	Strengthened	Strengthened
Medium Term Plans	Strengthened	Strengthened

### Key Development Challenges

Record-high fishing license and ship registry fees have generated substantial income for the public sector in the past years, opening a window of opportunity to build an autonomous economic drive by the time the Compact with the United States expires (2023). Achieving sustainable development encounters a number of critical challenges related to generating a domestic economic base, addressing poverty and basic needs, as well as managing environmental and climate vulnerability.

## 2. Efforts to Implement the Effectiveness Principles

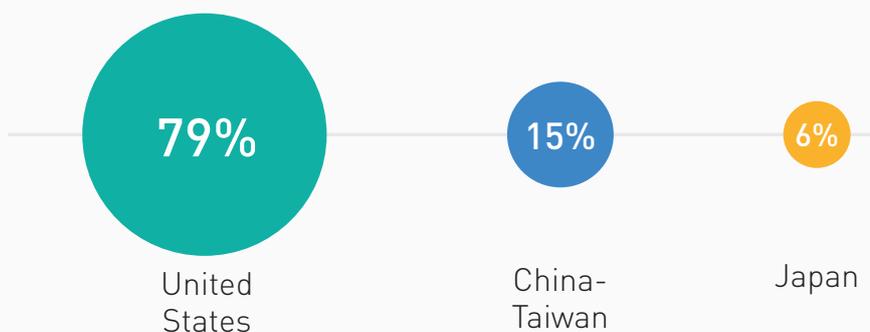
### A. Policies and Tools for Partners' Alignment

Development efforts in the Marshall Islands are framed by the current National Strategic Plan (NSP) 2015-2017, which is further operationalized

in sector plans, as for health, education, infrastructure, trade, energy and climate change. Results frameworks are available for the Compact sectors (co-

operation with the United States), being consequently budgeted and reported on annually.

#### Major Development Partners of this Round (by Reported Disbursements)



**Participation in 2014 Monitoring**



**Existence of a National Co-operation Policy**

### B. Governance and Management of Development Finance and Co-operation

At this stage, development is being managed on a bilateral basis with a strong focus on the Compact with the US, which takes the form of general budget support agreed upon and reviewed by a Joint Economic Management and Financial Accountability Committee (JEMFAC), which meets biannually. More occasional joint development partner roundtables were held with resident partners in 2010 and 2014, but there is no official development finance policy yet. Drawing lessons from its rather unique development co-operation system, the Marshall Islands already participated in the 2013 monitoring exercise and the

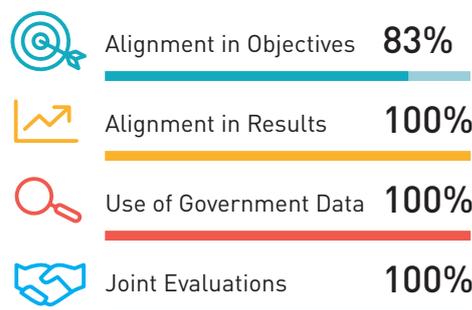
Global Partnership indicators provide a valuable reference for further dialogue and joint action with the country's relatively small group of partners. The main institutional arrangement for managing development co-operation is hosted at the Ministry of Finance through its Economic Planning Policy & Statistics Office (EPPSO), which coordinates with sector ministries and captures relevant international public development finance. In the future, looking into a phasing out of the Compact with the United States, attention might also be paid to other finance, particularly migrant remittances and private foreign direct investments

## 3. Country Ownership

### Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

In 2015, 83% of all development co-operation was aligned to national objectives outlined in the NSP 2015-2017 and related joint government development partner strategies. All reported official development finance (100%) is aligned to country-led results and national monitoring systems, which are particularly relevant at the sector level. Where evaluations are planned,

the government takes a proactive stake by not only defining the scope, but also contributing technical and financial resources. These results reflect not only high and consistent government ownership, but also the widespread use of budget support and programme-based approaches under the direct leadership of respective ministries.

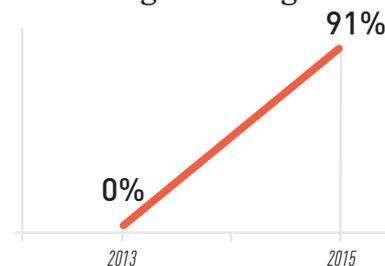


## Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Ninety-one percent of development co-operation captured in this monitoring round is recorded in the government budget, a substantial improvement since the last round, where none of the financial flows were on budget. This outstanding progress showcases the efforts by government and development

partners to enhance the quality and effectiveness of financial flows to the national public sector, highly dependent from international official development finance, particularly for recurrent costs in social sectors such as education and health.

### Percentage on Budget



## Indicators 9 and 10. Use of Country Systems

There is a radical improvement in development partners using national Public Financial Management (PFM) systems, starting from a 0% use in 2013. In 2015, 93% of all reported development co-operation was channelled through national procedures for budget execution, final reporting and auditing, while 87% used national procurement. This favourable outcome

is largely rooted in the use of general budget support for the contributions of the United States and Taiwan. The proportion of untied official development finance has decreased at a high level, from 97% in 2013 to 93% in 2014. These very positive figures need to be read in a context of still profound capacity gaps in the public sector. Indeed, in the past years, the Marshall Islands have

achieved only a 2.5 value in the Country Policy and Institutional Assessment (CPIA), which indicates a fragile situation according to the definition of the World Bank. In the near future, the government and partners might discuss and agree on potential ways to strengthen national PFM capacities, not only with a view to effective development co-operation, but to development finance as a whole.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	93% ▲	93% ▲	93% ▲	87% ▲		
INDICATORS 9A & 10.					2.5 ▶	93% ▶

\* Country Policy and Institutional Assessment

## 4. Inclusive Partnerships for Development

### Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society organizations (CSOs) are consulted by the government regarding implementation and monitoring of the National Strategic Plan (NSP). The stakeholder consultation process is institutionalized and focuses on specific sectors. CSOs are invited to participate and provide inputs in each relevant sector. All effort is made by the government

to ensure that the consultations are inclusive and accessible to all stakeholders, including CSOs. The private sector in Majuro has formed a Chamber of Commerce (CoC). The primary function is to be the voice of business, whether at the local, regional, national or sector level. The CoC also plays an important service role, providing member companies

with advice, information and knowledge about the business environment. The CoC Executive Board expressed a desire and intent during the NSP stakeholder consultations to work and coordinate with the government on private sector development, and more specifically job creation, as a top priority for government and the private sector.

### Indicator 8. Gender Empowerment

At this stage, there is no system to track budget allocations for gender equality and women's empowerment, nor are

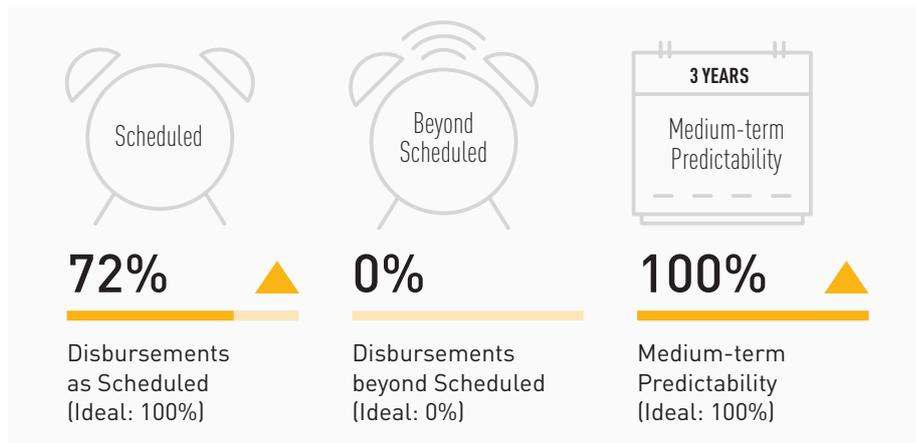
there specific plans to address this pending task. Future investments in the national PFM system might be an

opportunity to design gender-sensitive practices and procedures in line with national priorities.

## 5. Transparency and Accountability

### Indicator 5. Development Co-operation is More Predictable

In 2015, 72% of development co-operation was predictable on an annual basis, while all development co-operation partners reported their forward expenditures for the next three years. It is apparent that predictability will remain high, based on a comprehensive flow of data and information through the EPPSO at the Ministry of Finance.



### Indicator 7. Mutual Accountability

As discussed above, development co-operation relations are primarily bilateral, with a particular focus on the Free Association Compact with the United States. The government plans to develop an official development finance policy with the support of the Asian

Development Bank. While the Marshall Islands might further diversify its portfolio of providers in the future, more comprehensive arrangements could help address remaining key issues, such as joint work on national capacity for public financial management and overall public

sector management, including public policies urgently needed to expand the country's economic basis and to accelerate the provision of basic services and opportunities to the large groups of Marshall Islanders still living in poverty.

## National Priorities Going Forward

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The Republic of the Marshall Islands (RMI) has recently established a Division of International Development Assistance at the Ministry of Finance to serve as the Point of Contact for the EU, World Bank and Asian Development Bank that provides funding to the Government of RMI. In addition, RMI is working closely with the Asian Development Bank to bring in an aid coordination specialist to assist in developing a national aid coordination mechanism, including a structure design with the support of a policy and strategy framework. Currently, RMI does not have a clear, national and centralized coordination mechanism for official development co-operation to prioritize and monitor the finance that the RMI receives from development partners.

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**Dahlia Kaneko, National Coordinator  
Economic Policy, Planning and Statistics Office (EPPSO), Government of the Marshall Islands**

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