

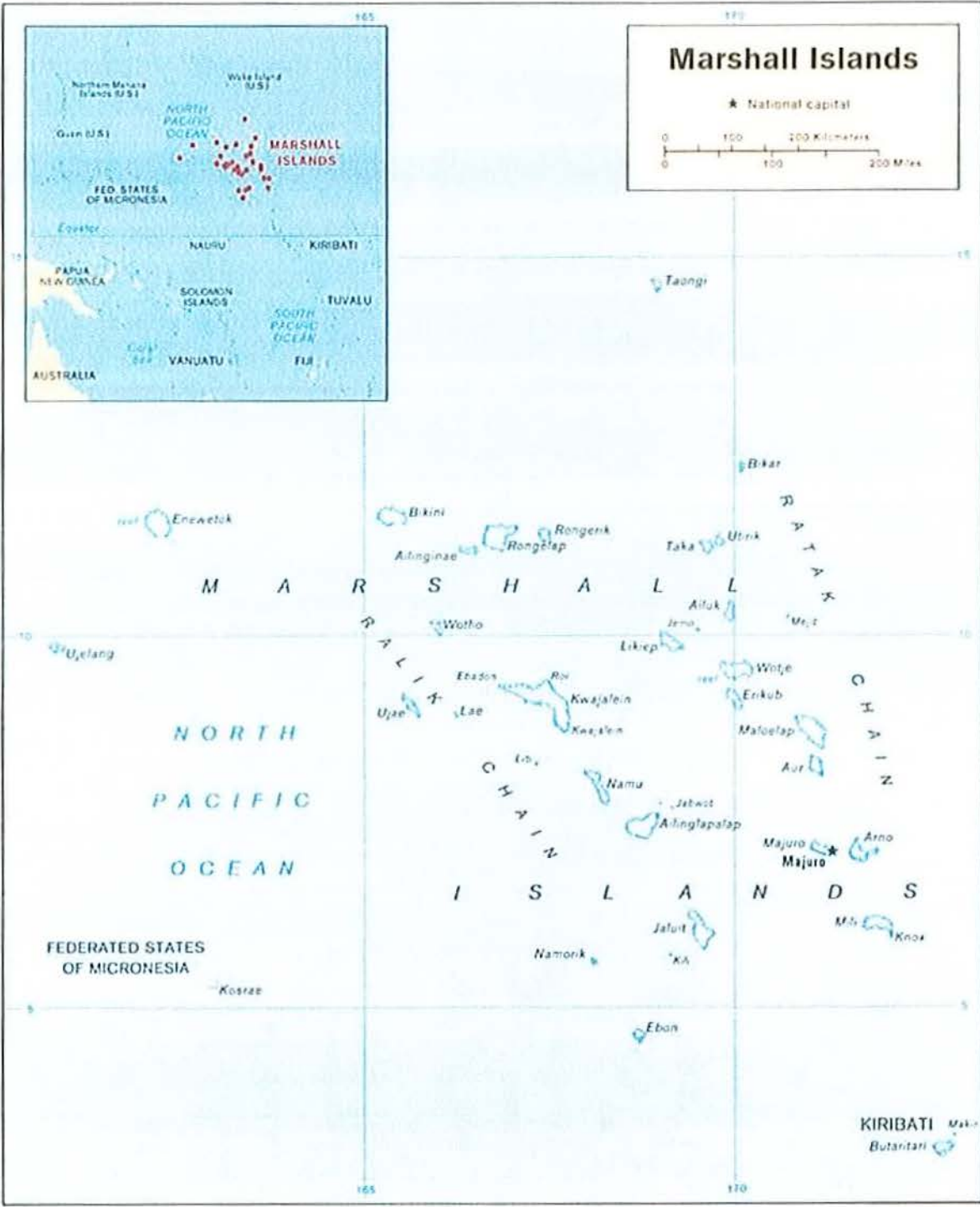
Republic of the Marshall Islands - European Union Cooperation



Republic of the Marshall Islands European Commission

2008 Joint Annual Report

June 2009



Base 601312 (G30752) 5-89

EXECUTIVE SUMMARY

Political Overview: A new administration was inaugurated January 2008 under the banner of “Armej Mokta,” translated “People First.” New political priorities foresee increased activity and focus on renewable energy, capacity building, and efforts towards achieving Millennium Development Goals. New, non-traditional donors such as Italy and Turkey have shown interest in providing bi-lateral development cooperation to the new administration.

Economic Overview & Impact of Global Financial Crisis: In July the government declared a “state of economic emergency” to address problems caused by soaring inflation, which reached 30.1% in September and averaged 16% for the year. The budget has struggled to meet the cost of large electricity subsidies, and considerable difficulties have been faced in securing the government funding needed for the nation’s petroleum shipments. The decline in world commodity prices places copra and fishing revenue, important sources of economic stimulus, at risk. Remittances are likely to ease as source economies face challenging times, and tourism receipts will be adversely affected. The sharp decline in bourses has already resulted in a fall in the value of RMI’s Trust Fund of USD 16.4 million, or 17%. The Marshall Islands Trust Fund is designed to provide a long term replacement for US financial assistance, therefore, the fall in stock prices need not have an immediate effect on government spending. However, lower draw-downs or a higher rate of savings in the funds may now be required if they are to achieve the long-term target value. Government has responded to the Global Financial Crisis in part by eliminating import duties on basic food items and reinvigorating price monitoring and controls in the outer islands where the impact of price escalation is felt the most.

Social and Environment overview: Following the series of tidal surges (15-18 ft high) inundating much of the Marshall Islands in December a second ‘State of Emergency’ was declared. The inundation resulted in considerable damage to property, food crops, livestock, coastal shorelines and the freshwater lens. Over 700 people were displaced and more than 40 homes destroyed. Disaster recovery measures were implemented at both the national and local level. Financial support was provided by Republic of China (Taiwan), United States and Australia. Preliminary damage assessment puts the cost of recovery at \$1.5 million. At the time of writing, an ECHO (European Commission’s Humanitarian Aid Office) field mission was in progress. Within the first 6 months of 2008, about 1,000 persons (2% of the population) migrated overseas. This is by far the highest rate recorded since 1990. Moreover, a significant movement of people migrating from the outer islands to the capital has also been observed.

Development Cooperation & Coordination: There remains no resident EU Member States in RMI. EC Development cooperation continues to be managed from the Suva Delegation – 5,000 km to the south. In November, the HoD met in Manila with ten EU Member States accredited to RMI, all of whom requested the establishment of an EC office in the Northern Pacific to service the future needs of RMI, FSM and Palau. The Head of Delegation & Ambassador for the European Commission for the Pacific presented his credentials to the President of RMI on 12 November 2008. Meetings with Cabinet Ministers, Non State Actors and a courtesy visit on the US Ambassador followed. Non State Actors have been involved in reviewing EC cooperation in RMI in 2008 through regular consultations with the NAO and the EC Delegation.

Government (CSP) Commitments: Good progress is being made with regard to achieving government commitments made in annex 3b of the 10th EDF Country Strategy Paper (2008-2013).

- **Commitment 1:** *"Efforts to effect their removal from list of non-compliant countries with regard to OECD 'tax haven' standards measured by appropriate legislation; constructive communications with OECD; signing of at least two TIEAs by mid-2010"*. In 2008 RMI was removed from list of non-compliant countries with regard to OECD 'tax haven' standards. The government is currently in negotiation with Australia and New Zealand to sign TIEAs (Tax Information Exchange Agreements) (the aim is to sign first with Australia in 2009 and New Zealand in 2010)
- **Commitment 2:** *"Improved effectiveness to administer and implement development assistance initiatives, especially the EDF"*. In November 2008 the recruitment of TA supporting the NAO was a crucial first step in improving government's effectiveness to administer and implement development assistance initiatives, especially the EDF.
- **Commitment 3:** *"A revised national energy policy adopted, with implementation commenced by July 2010"*. A revised national energy policy is currently being prepared.

2. OVERVIEW OF PAST AND ON-GOING CO-OPERATION

In 2008 - eight years after joining the ACP Group - the EDF finally delivered in terms of providing vital Photo-Voltaic systems to outer islands and financial resources to support Non-State Actors. Progress is being made in the identification of 10th EDF focal sector (Renewable Energy and Energy Efficiency) activities and the presentation of an Identification Fiche covering the entire focal sector amount is expected in **March 2009**. Discussions continue with the various stakeholders. The final project design will be guided by the outcomes of the energy policy and energy efficiency action planning work currently in progress.

Financial Performance of EDF resources

The 9th EDF NIP is fully committed with 62% Disbursed. The 10th EDF is 10% committed, but with no funds yet disbursed. Total EDF commitment and disbursement rates are 37% and 21% respectively. Full disbursement of the 9th EDF is not anticipated until 2011.

10th EDF Commitments and Disbursements Actual V Planned (2008) (€mio)

	Commitments	Disbursements
Planned	5.3	0.8
Actual	0.5	0

General and sector budget support

There was no EU-funded general or sector budget support in 2008.

Projects and programmes in the focal and non-focal areas

Table 1: Summary of past, on-going and pipeline projects financed by the EDF

	<i>Title</i>	<i>Amount in € (Million)</i>	<i>Status</i>
1	9th EDF Renewable Energy Programme	3.0	On-going
2	9th EDF Non-State Actors Support Programme (Environmental Protection)	0.5	On-going
3	9th EDF Disaster Risk Reduction and Management Programme ('B' envelope)	1.1	On-going
4	10th EDF Technical Cooperation Facility I	0.5	On-going
5	10th EDF Renewable Energy Programme	4.5	Under-preparation
6	10th EDF Disaster Risk 'B' envelope	0.5	pipeline
7	10th EDF Technical Cooperation Facility II	0.3	pipeline
	TOTAL	10.4	

Source: OLAS

**9-ACP-MH-001: Renewable Energy Programme: Start: 03.06.05: End: 31.12.09
D+3 = 02.06.08 : Maximum Budget: €3 million**

Component 1: All 440 household solar systems were received in March 2008 with 412 systems installed on the target island of Ailinglaplap, 5 on Majuro and the remainder kept in storage for spare parts. The project is implemented with the assistance of the Marshalls Electricity Corporation (MEC), which report no operating difficulties - by all accounts the equipment is of good quality and functions well. Early reports show a marked increase in the level of handicraft production and an improvement in school studies. Previously, handicraft production was undertaken during daylight hours; now at night, in cooler conditions. Likewise, the number of hours available for schoolwork has increased significantly. According to MEC no difficulties are experienced with regard to the collection of monthly service payments. MEC had yet to make a full acquittal of the installation contract at the end of 2008.

Component 2 of the project provides solar PV equipment to electrify six schools on five atolls. Equipment from Germany has been delayed. MEC will undertake installation of the units through a service contract under PE 1.

A service contract for the formulation of a draft energy policy has been awarded under PE 1. The work includes the formulation of an energy efficiency action plan and project proposals designed to facilitate implementation of the policy.

A Technical Assistant to the NAO has been recruited under PE 1 until 31 Dec 2009. The person employed benefited from two-week training in EDF procedures in Nadi. The appointment, and the training, has resulted in a marked improvement in the NAO's capacity to undertake his functions.

9-ACP-MH-002: NSA – MINSAP: Start: 22.12.06 : End: 31.12.09: D+3 = 30.12.09

Maximum Budget: €500,000

Ten grant contracts have been signed with a total value of just under USD520,000. All projects are for 12 months and should be closed by beginning of May 2009 so to allow payout of the final 20% grant amount before the end of the PE later that month. The NSA umbrella organisation, MICNGOs, continues to monitor projects under this programme. In 2008 MICNGOs conducted numerous site visits to the projects, helped build capacity of the NGOs and conducted a project management course tailored to the needs of EC grant beneficiaries. Feedback has been very positive; participants having highly rated the course material, presentation and relevance of the course to their project work.

Throughout 2008 the MINSAP programme was severely hampered due to payment difficulties from the Delegation to the MICNGOs. This was caused by the Commission's procedure of remitting funds in EUR and the recipient bank's inability to receive in that currency. Despite these setbacks, NSA's have strengthened their capacity to operate and support the community through various activities. An external audit of the project is planned for the second semester 2009. The capacity of the NAO, now strengthened through the appointment of Technical Assistance, is expected to play a greater role in project governance, especially in terms of ensuring that MICNGOs organises the required PSC meetings and adheres to reporting requirements under the project.

9-ACP-MH-005: DISASTER RISK REDUCTION – MULTI-COUNTRY B ENVELOPE

Start: 1/10/07 End: 31/12/11 : D+3 = 30/09/10

Maximum Budget: €1.1 million

The project improves access to freshwater by increasing the availability of household storage capacity on the outer islands and urban areas, improving water quality at Laura and improving catchments at the runway at Majuro airport. In 2008 an in-country programme manager was recruited. The project is coordinated by the Office of the President with assistance from SOPAC. The project benefits from being implemented through a Contribution Agreement between the RAO and SOPAC. This has had a very positive effect, streamlining procurement and expediting project implementation. The project is running smoothly, with no problems to report.

10.ACP.MH.001: TECHNICAL COOPERATION FACILITY

Start: awaiting NAO signature: End: +3 years from NAO signature

Maximum budget: €500,000

The project Financing Agreement has been transmitted to the NAO for signature. The first year's Programme Estimate is pending. There are ample funds in the TCF and the NAO has been encouraged to use it to its fullest.

OTHER COOPERATION

RMI continues to benefit from a number of initiatives funded through the 9th EDF Pacific Regional Indicative Programme including those in trade (PACREIP & FACT); education (PRIDE); agriculture (DSAP & PPP); fisheries (COFISH, DEVFISH & SCIFISH); and, risk reduction, water and aggregates (REDUCING VULNERABILITY). The country also benefits from several intra-ACP and budget line programmes including those in the water sector; agriculture/trade; fisheries, economic development; and through certain global initiatives.

Debt relief and FLEX

In 2008, RMI did not seek, nor receive either EDF debt relief or FLEX.

Humanitarian or emergency assistance

At the time of writing, an ECHO (European Commission's Humanitarian Aid Office) field mission was in progress.

EIB interventions

There were no EIB interventions in RMI in 2008

Policy Coherence for Development

The environment and climate change are issues of national survival, particularly for the small atoll nations like RMI. The EU's strong support for the Kyoto Protocol has therefore been much appreciated by the country. The Global Climate Change Alliance adopted by the EU will provide further opportunities for dialogue and exchange as well as practical cooperation to support international negotiations.

As a member of the Pacific Islands Forum RMI was consulted on the PIF-EU Joint Declaration on Climate Change which outlines shared concerns about global warming and a desire to reach a far reaching post-Kyoto climate treaty.

RMI continues to be part of negotiations for a Pacific Economic Partnership Agreement in the framework of the Pacific Islands Forum. However, RMI is unhappy with the negotiations with the EU, suggesting that a more productive dialogue could have been achieved had the region appointed a non-political chief negotiator instead of leaving negotiations in the hands of Ministers. R&D admits that RMI has limited knowledge of trade issues. The country has no trade policy and has no capacity to formulate one. RMI feels it receives little support from PACREIP or from the Intra-ACP funded 'hub and spokes' programme.

During 2008 little progress was made regarding ratification of the core UN human rights conventions. RMI has not yet ratified the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention against Torture and other cruel, inhuman or degrading treatment or punishment and the international convention on the elimination of all forms of racial discrimination.

Signatures:


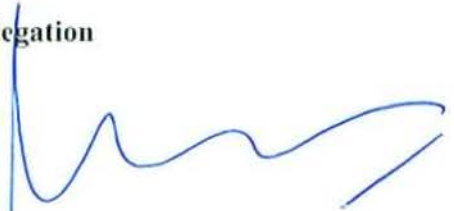
RMI- European Commission 2008 Joint Annual Report	
<p>National Authorising Officer</p>  <p>Jack Ading Minister of Finance & National Authorising Officer</p>	<p>Head of Delegation</p>  <p>Wiepke Van Der Goot Ambassador and Head of Delegation for the European Commission for the Pacific</p>
<p>Date: 6/4/09</p>	<p>Date: 14 July 09</p>

TABLE 1 Data source(s): LINE ITEMS:

1-4: EPPSO

RMI 2007 Statistical Yearbook, EPPSO

RMI Economic Statistics Report, EPPSO

5-15: RMI MoF Customs Office

16: EPPSO

17-20: N/A to JAR08 template (however, notably, #19: in 2004 unemployment was 48.0%; and in 2008

30.9% according to PRISM; line #20 for 1999 Employment in Agriculture was 3% according to ADB National Census Report; all other years, info n/a)

Annex 2: MDG Indicators

Key indicators	1990	2005	2006	2007	2008	Inter m. Targets	2015 goals
1. Proportion of population below 1\$/day in PPP	n/a	n/a	n/a	n/a	n/a	n/a	50% 1990 value
2. Prevalence of underweight children	n/a	n/a	n/a	n/a	n/a	n/a	50% 1990 value
3. Under 5 child mortality	n/a	58	56	46	n/a	n/a	1/3 1990 value
4. HIV prevalence rate of women aged 15-24	n/a	8	8	n/a	n/a	n/a	Halt / reverse rate
5. Proportion of births attended by skilled health personnel	n/a	n/a	n/a	.94	n/a	n/a	100%
6. Proportion of 1 year old children immunised against measles	n/a	86	96	54	n/a	n/a	100%
7. Net enrolment ratio in primary education	n/a	n/a	n/a	66.5	n/a	n/a	100%
8 Ratio of girls to boys in Primary (P) and Secondary (S) Education	P: .90; S: n/a	P: .91; S: .98	P: .94; S: .99	P: .94; S: .99	P: .93; S: .96	P: .94; S: 1.05	n/a
9. Primary school completion rate	n/a	63%	64%	61%	n/a	n/a	
10. Proportion of population with sustainable access to an improved water source	n/a	86	n/a	n/a	n/a	n/a	50% 1990 value
11. Fixed lines and mobile telephone per 1000 inhabitants ¹	112	n/a	n/a	n/a	n/a	n/a	
12. Formal cost required for business start up ¹ (GNI per capita)	n/a	22.4	18.1	17.7			
13. Time required for business start up ²⁵	n/a	17	17	17			
14. Real GDP per capita (USD) and annual change	2228 1.2	2485 0.6	2470 0.2	2466 4.5			
15. Access of rural population to an all season road ¹	100	100	100	100	100	100	
16. Household electrification rate ¹	n/a	n/a	n/a	n/a	n/a	n/a	

TABLE 2 Data source(s): LINE ITEMS:

1-2: N/A to JAR08 template (however, notably, 13% was identified in ADB Data (referencing MDG – year undetermined)

3-6: EPPSO RMI 2007 Statistical Yearbook, EPPSO RMI Economic Statistics Report, EPPSO

#6 ALSO <http://mdgs.un.org/unsd/mdg/Data.aspx>

8-9: Ministry of Education Indicator Report 2007-8

10: N/A to JAR08 template (however, notably 1999 ADB data identifies 84.7 (referencing MDG)

11: <http://mdgs.un.org/unsd/mdg/Data.aspx>

12-13: <http://www.doingbusiness.org/Documents/CountryProfiles/MHL.pdf>