

**REPUBLIC OF THE MARSHALL ISLANDS –
EUROPEAN COMMUNITY
EDF 10**

**Country Strategy Paper
and
National Indicative Programme
(For the period 2008 – 2013)**

The Government of Republic of the Marshall Islands and the European Commission hereby agree as follows:

- (1) The Government of Republic of the Marshall Islands, represented by the Honorable Brenson S. Wase, Minister of Finance and National Authorising Officer, and the European Commission, represented by Mr Roberto Ridolfi, Head of the Commission Delegation for the Pacific, hereinafter referred to as the Parties, held discussions from March 2006 until August 2007 with a view to determining the general orientations for cooperation for the period 2008 –2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Republic of the Marshall Islands were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in the Republic of the Marshall Islands. The Country Strategy Paper and the Indicative Programme are annexed to this document.

- (2) As regards the indicative programmable financial resources which the Community plans to make available to the Republic of the Marshall Islands for the period 2008-2013, an amount of €5.3 million is scheduled for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of €0.5million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Republic of the Marshall Islands benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of this Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF Multi-annual Financial Framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of the Marshall Islands within the limits of the A- and B-allocations referred to in this document Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article

4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of this Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex 1b of the ACP-EC Partnership Agreement regarding the 10th EDF Multi-annual Financial Framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.

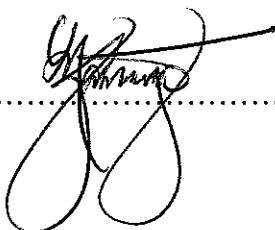
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of needs and performance at the time.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

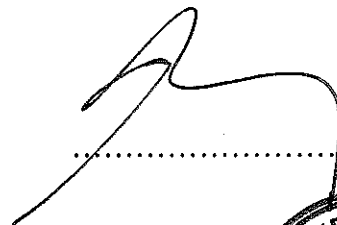
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF Multi-annual Financial Framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

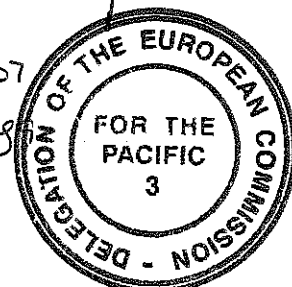
For the Government of
Republic of the Marshall Islands



For the Commission



Date: 18 October 2007
at Nuku'alofa Tonga



SUMMARY

The RMI is composed of 29 coral atolls and low-lying islands located in the Central Pacific Ocean. The land area is 181 square kilometers spread over 1.94 million square kilometers. Neither the EU nor its member states has permanent representation in RMI; the country is served by the EC Delegation in Suva (over 5,000 km to the south). In 1986, the RMI became an independent nation and established a bilateral agreement with the USA, known as the Compact of Free Association. RMI has maintained a stable and democratic government since independence. RMI has a small population (56,417¹) living on tiny low-lying atolls and islands scattered over a large part of the central Pacific, with few accessible natural resources to sustain the population. This combination of limited accessible resources and vast distances results in high economic and development costs. The principal feature of the small RMI economy is the predominance of a semi-subsistence sector, still based primarily on copra production, alongside a limited, modern service-oriented sector which is mainly sustained by the expenditures of the government and the U.S. military base on Kwajalein. Recent statistics indicate no real growth in national income per capita since independence and little change in the structure of the economy. In 2005 GDP was estimated at US \$ 2,441 per capita.

Despite having one of the highest per capita GDP among the Pacific ACP, the RMI has some of the worst social indicators. Among other things, infectious and lifestyle diseases are at close to epidemic proportions, the rate of infant and child mortality is high albeit improving slowly, teenage pregnancies are increasing, alcohol and tobacco use are high, and the rate of suicide is alarming. The national budget is highly dependent on foreign assistance to sustain even basic administrative and operational costs. Current estimates are that grants comprise approximately 60% of the national budget.

Addressing the basic energy needs of the outer islands through a sustainable, environmentally sound and secure energy supply can supplement the long-term energy needs of the country and further reduce the dependence on imported fossil fuels. The RMI government, in its commitment to the global effort to reduce GHG emission while ensuring sustainable development for its people believes that for the remote and scattered outer islands populations, stand alone solar systems represent the best technical and economic solution to supply electricity on the outer islands. For this reason **renewable energy** has been selected the focal sector in support of outer island development. The chosen sector reaffirms government's support of rural development and poverty reduction and compliments both the Pacific Plan and the European Union's green/blue strategy for the Pacific. This objective is consistent with the *sustainable management of natural resource* focal sector of the Regional Strategy Paper, and falls within the **Water and Energy** sector as defined in the *European Consensus, June 2006*.

It is proposed to allocate 85 percent of the A-envelope or €4.5 million for the development of the energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent (€0.8 million) will be to establish a Technical Co-operation Facility from which necessary local Technical Assistance, studies and essential

¹ 2005 estimate

EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues, in particular the government's commitments in this area.

PART 1: STRATEGY PAPER

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY

I.1.1. General Objectives of the EC's external policy

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role as a **global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

I. 1.2. Strategic objectives of cooperation with the partner country

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and RMI shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the Millennium development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, keeping into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In May 2006 the European Commission adopted a proposal to deepen the EU's relations with the Pacific Islands, in particular the 15 Pacific ACP countries. This is the first formal strategy in 30 years of EU-Pacific relations, and it aims to strengthen political dialogue, provide greater focus to development cooperation and improve the effectiveness of aid delivery. The Commission's proposal reflects the growing environmental, political and economic importance of the Pacific region. The strategy makes three main proposals:

1. Building stronger political relations on interests of common concern such as global political security, trade, economic and social development and the environment;
2. Focusing development cooperation on areas where the Pacific has important needs and where the EU has a comparative advantage and a good track record, such as the sustainable management of natural resources, regional cooperation and good governance (for example, addressing the root causes of instability in the region, reducing corruption); and
3. Increasing the efficiency of aid delivery including using more direct budgetary aid and working more closely with other partners, in particular Australia and New Zealand.

I.1.3 Main bilateral agreements

REPUBLIC OF THE MARSHALL ISLANDS became signatory to the Cotonou Agreement on 23 June 2000. Under the first financial protocol of the Cotonou Agreement the Country Strategy Paper and National Indicative Programme (NIP) for the Republic of the Marshall Islands (RMI) were signed in Majuro on 8th April 2003. There are no other bilateral agreements binding RMI to the EU.

CHAPTER II: COUNTRY DIAGNOSIS

II.1. Analysis of the political, economic, social and environmental situation in the recipient country

II.1.1 Political and institutional situation

In 1986, the RMI became an independent nation and established a bilateral agreement with the USA, known as the Compact of Free Association, which outlines the economic and political ties between the two countries. Additionally the Compact grants the U.S. exclusive military access to Kwajalein atoll for the U.S. Army strategic missile test range. It also provides for settlement of all claims for nuclear injury compensation following the nuclear testing programme, which the U.S. conducted from 1946 to 1958. By treaty, the national currency is the US dollar. Compact 'Two' was approved in 2003 and will last through to 2023.

RMI has maintained a stable and democratic government since independence. The present government, under the leadership of President Kessai Note, the first President who is not a traditional chief, was re-elected in November 2003, with a slightly larger Parliamentary majority than in his first administration. This has replaced the former Kabua government, which reigned uncontested for 18 years. Traditionally there have been no formally organised political parties. The Marshall Islands Constitution provides for a parliamentary system with legislative, executive, and judiciary branches. Legislative power is vested in the *Nitijela* (parliament) with thirty-three senators, elected every four years and representing 24 atoll/island districts. Larger districts are assigned additional senate seats. The Executive comprises the President and the Cabinet. The President, elected by majority vote from the membership of the *Nitijela*, appoints the ministers who are also member of the *Nitijela*, forming the Cabinet. There is a traditional council of chiefs known as the Council of *Iroij* that acts mainly as an advisory body on wide matters pertaining to customary practices. There are also twenty-four local governments overseeing local affairs and ordinances, most of them relying on the national government for support and assistance. The judiciary consists of the Supreme Court, the High Court and the Traditional Court.

Corruption has been an issue in the past, but the present administration is making efforts to bring about greater transparency and accountability in the government operations. To the administration's credit, it has been receptive to the desire of a number of donors and lenders – including the EU – to channel a portion of development funds to RMI through non-governmental organisations and community groups – particularly for initiatives in the social sectors. Nevertheless, the RMI ranks poorly in international governance assessments,

including in the World Bank's Governance Index which places the RMI in the lowest quintile (out of 200-plus countries) for control of corruption.

Weak rule of law and low levels of public service productivity remain priority concerns. The Government has to overcome a lack of systems of accountability, traditions of gift-giving as a means of social cohesion, a culture of welfare from the United States (US) over the past 50 years, a political structure that has integrated traditional customary leadership with the legislature, low skill levels, and a lax business environment.

The increased majority among members of the legislature for the Government of President Note in 2003 demonstrates support for steps taken toward improved accountability, transparency, and community participation in government. Despite some adverse political pressure, the Government's commitment to reform remains. The Government is now expected to make further difficult, and sensitive, decisions to improve government, including impartial personnel management, improved fiscal and trust fund management, law enforcement, and securing private competition in support of improved private sector productivity.

The Marshall Islands has ratified a large number of international conventions (cfr Annex 7). It has not yet acceded to several core UN human rights conventions, namely the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention against Torture, and the Convention on the Elimination of all forms of Racial Discrimination.

II.1.2 Economic and commercial situation

The principal aims of the Compact – political sovereignty and exclusive military access by the U.S. – have been achieved, but the economic and social outcomes for the Marshall Islands differ significantly from RMI expectations. The country continues to strive for a self-sustaining economy in view of the natural constraints imposed by its small size, its remote location from major international markets, occasional natural disasters, and limited land resources, notwithstanding the challenge in balancing the effort to preserve its culture, to adapt to modern society and to promote a free market economy. Marshallese can live, work and study in the U.S. visa-free. This has provided a social safety valve for the country, but it has probably also undermined sustained efforts at attaining economic self-reliance.

The principal feature of the small RMI economy is the predominance of a semi-subsistence sector, still based primarily on copra production, alongside a limited, modern service-oriented sector which is mainly sustained by the expenditures of the government and the U.S. military base on Kwajalein. During the long period in which the Marshall Islands, as part of the Trust Territories of the Pacific Islands (TTPI), were administered by the USA on behalf of the UN, economic development was not assigned a high priority and local productive capacity has remained relatively undeveloped. The economy is driven by the public sector that has received funding through successive Compact Agreements. A significant proportion of the budget remains externally funded, primarily by the United States (US). For some key sectors, reliance on US funding has even increased in recent years, especially with new funding under the amended Compact. For example, the US funded 68 percent of the recurrent Education budget in FY1999 and in FY2006 this will increase to 88 percent. For Health, the US' share has increased from 42 to 53 percent over the same period.

RMI must diversify its resource base if economic self-reliance, including fiscal sustainability, is to be achieved. The Compact trust fund will likely not be able to provide for the current

level of per-capita budgetary outlays come 2023 and the only sustainable source of growth and resources will be the domestic economy. Private sector development has suffered in the past from bureaucratic regulations and subsidies to state-owned enterprises, though efforts are now being made (notably with ADB assistance) to remove obstacles to foreign investment. Efforts are also being taken to improve the line of communication between different sectors in the country.

Recent statistics indicate no real growth in national income per capita since independence and little change in the structure of the economy. GDP stood at US \$ 127m in 2005. Growth has on average been poor since 1995. In 2005, GDP per capita was estimated at USD2,441. Inflation has been largely contained, due to cheaper imports arising from the strengthening of the US dollar (although weakening recently) and sluggish demand, the combination of which more than offset the impact of the sharp rise in fuel prices. Expenditure on imports from the U.S. exceeds the annual value of Compact revenues. The labour force is growing faster than the number of jobs being created and unemployment, which is currently estimated at 30.9% (1999 statistical level) continues to increase. The present government seems more convinced than previous ones of the need to improve the business climate, and through such improvement, the economy as a whole, but bringing about needed changes will not be a quick or easily-accomplished task.

The traded goods sector of commercial agriculture, local handicrafts, black pearls and niche tourism contribute minimum input, but continue to gain steady growth.

Agricultural production is relatively limited but important to the livelihood of people and the economy. Copra remains the most important – almost the only – source of earned income for people in the rural areas.

With an Exclusive Economic Zone of more than 2 million km², RMI has an abundance of fish and other marine resources. The fishery resources are exploited through licensing of vessels from distant water fishing nations to fish in RMI's EEZ. RMI has a Multilateral Fishery Treaty with the USA and bilateral fisheries agreements with Japan, Korea and Taiwan. In 1997 the National Fisheries Policy was approved in order to improve the economic benefits from the fisheries sector, promote responsible private sector-led fishery development and strengthen the institutional capacity to facilitate development and management of fishery resources, within sustainable limits. Part of these efforts resulted in the establishment of a private tuna loining plant in Majuro with a processing capacity of 50 tons per day and employing some 600 people, of whom 80% are women. In 2003 the plant closed but plans to reopen are currently under consideration.

Annual receipts from fisheries access agreements and trans-shipment fees range between US \$2 to US \$5 million. This represents a significant contribution to the government's General Fund. Apart from the multi- and bilateral fisheries agreements, an important strategy of RMI is to make Majuro an attractive port for trans-shipment, not only to derive additional revenues from trans-shipment fees, but also to inject spending into the local economy.

Tourism at present is a very small sector, employing less than 10% of the labour force, but may have development potential in certain niche markets. Tourism infrastructure, hotels and restaurants are located mostly in Majuro with some small facilities on the outer islands. Development aims at niche markets in Japan and the USA for outer island/atoll cultural experience, diving and fishing. In the longer term, the plan is to shift to the development of self-contained, private island resorts.

The public sector in RMI plays a dominant role in the economy, and is by far the country's main employer. The Government recognises the challenges that this poses, and has been focusing on economic reform, greater accountability and improved performance, as well as on increasing NSA involvement in a country where the expectation has long been that government should take care of everything. The establishment of the council of NGOs – the Marshall Islands Council of Non-Government Organisations - an umbrella for about 600 NSA members - is an indication of the increased role of NSAs in society and vis-à-vis the Government. There are efforts to improve domestic capacity to administer Government more efficiently and promote private sector growth by further streamlining the requirements for new business, particularly foreign investors.

In terms of long-term fiscal policy, RMI has established the Marshall Islands Intergenerational Trust Fund (MIITF), with an initial deposit of US\$18 million, to set aside maximum savings so as to generate uncommitted future income. The aim is that a proportion of Compact transfers (and potentially other external contributions) will be saved and invested in the Intergenerational Trust Fund to create post-Compact income and enhance self-reliance. Currently, the fund is worth US\$60 million, about half the annual budget.

Since the 1990s Government attempted to introduce structural adjustment as a means to stimulate economic development and contain budgetary deficits. Overall, RMI's performance under the PSRP has been positive, particularly in improving the policy environment for the private sector and strengthening the financial sector for growth and achieving an economy which is less dependent on external aid flows. Recent actions taken include anti-corruption and good governance measures. Despite improvements, however, RMI remains on the OECD list of uncooperative countries in regard to the issue of 'tax havens'

Compact assistance is scheduled to last through to 2023, but in order to advance the cause of economic self-reliance, and to reduce the increasing social problems associated with the high unemployment, or under-employment rate, it is vital that the authorities devise and implement policies capitalising on the potential for economic growth. This is likely to involve a degree of privatising of areas at present in the public sector and, more generally, to create a more enabling environment for private sector development, reducing dependence on imports and government subsidies.

Trade/EPAs

All Pacific ACP states, including RMI, continued their participation throughout 2005 in the EPA regional negotiation process through the established negotiating machinery. Progress in the Pacific negotiations was, however, slower than might have been hoped for, a reflection both of the very limited capacity of certain PACP states and of the varying levels of interest on the part of the states in a EPA (only a small number of smaller PACP perceive an interest in an agreement on goods). Discussions focussed on the architecture of the Agreement, as well as on investment promotion and protection and on certain sectors of importance to most PACP – including some of the smaller countries – such as fisheries, tourism and services in general. There was little in the way of discussions on goods in 2005: Such discussions have been back-loaded for fear of triggering free trade discussions with Australia and New Zealand under PACER.

Support to EPA preparation efforts, including in-country stakeholder meetings and participation in EPA-related meetings at all levels, was provided for RMI through PACREIP, the € 11.2m 9th EDF regional programme.

II.1.3 Social situation, including decent work and employment

Despite having one of the highest per capita gross domestic products (GDP) among the Pacific ACP, the RMI has some of the worst social indicators. Among other things, infectious and lifestyle diseases are at close to epidemic proportions, the rate of infant and child mortality is high albeit improving slowly, teenage pregnancies are increasing, alcohol and tobacco use are high, and the rate of suicide is alarming. A lack of employment opportunities is leading to a sense of futility and is eroding people's self-worth. In recent years poverty and hardship appear to have worsened in RMI, in both urban and rural areas. The United Nations Development Programme (UNDP) 1999 Pacific Human Development Report ranked RMI 9th (down from 4th in 1994) among the 14 Pacific developing member countries (DMCs), with a human development index (HDI) of 0.563. The RMI also ranked 9th in terms of poverty, with a human poverty index (HPI) of 19.5. In 1999 35 an estimated 20% of all households fell below the international poverty benchmark of \$1-a-day.

Declining social conditions, including environmental hazards related to poor housing and waste disposal, as well as weakening social organization in the expanding urban centres of Majuro and Kwajalein Atolls, are evident. Other pressing environmental concerns are the quality and security of supply of drinking water and accelerated rates of coastal erosion. RMI is highly vulnerable to extreme climatic events and to sea-level rise. These can have an adverse impact on socioeconomic development, with resources diverted to support emergency response and disaster rehabilitation. Future changes in climate will likely worsen social and economic conditions and increase social and economic costs, particularly in climate-sensitive sectors such as water and sanitation, infrastructure and access to inshore marine resources.

The population grew by an annual average of 1.5 percent in the inter-census period of 1988 to 1999. Without emigration to the US, made possible via the Compact, the population would have grown at a much higher rate. The estimated population for 2005 stood at 56,417, with some 43 percent of the population below 15 years of age.

Overall population density has increased by a factor of five over the past half a century. Majuro and Kwajalein atolls are now home to some 70 percent of the total population (based on the 1999 census). Majuro saw a doubling in its density from just 1980 to 1999, from just over 1,200 to over 2,400 persons per square kilometre. Ebeye, reportedly the most densely populated in all the Pacific, saw its density rise steadily from 17,000 to nearly 26,000 persons per square kilometre in the same 19-year period. Reversion to subsistence living, therefore, is simply not possible for most Marshallese.

The poor are not uniformly distributed across the atolls and islands. ADB (2002) drawing on census data for 1999, reports that some two-thirds of the outer-island population had an income level that was below the \$1/day (purchasing power parity adjusted at 1993 prices). However, there are pockets of extreme poverty within the two major urban centres.

The education sector is recipient of a large proportion of donor funds (32%), while health services will receive 20%, but despite the higher budgets the effect of long years of neglect will be felt for a number of years to come. Recent analyses have illustrated serious deficiencies within the public education system that contribute to continued underperformance and poor educational attainment among Marshallese students. School enrolment, completion, and testing trends have not improved despite large amounts of resources invested in education.

There has been some improvement in the health status over the past years, with infant and child death rates considerably reduced. However, life expectancy has decreased from 69 for women and 63 for men to 65 and 61 respectively, possibly due to high incidences of TB and outbreaks of cholera in the outer islands, due to lack of clean water. Apart from radiation-related health problems caused by the nuclear testing, much ill health in RMI is lifestyle-and nutrition-related.

The primary enrolment rate was 84% in 1999, but retention rates, secondary enrolment and educational achievement need to be improved, particularly in the outer islands. In 2002, 80% of the population had been vaccinated against measles, compared to 70% in 1998. Access to clean water and sanitation is low, with significant differences between urban and outer islands areas. RMI has a young population with a median age of 18 years old. Unemployment is running at 30%, with unemployment rates highest among the youth, in the age group between 15-19, and the job market is limited, as population growth exceeds economic growth. The working-age population is under-employed, especially the women, who make up 30% of the labour force. Ironically, semi-skilled workers are sometimes brought into the country from other countries to work on e.g. construction projects.

The government upholds the principles of democracy and is generally respectful of human rights and the rule of law. However, there are problems in a few areas, including poor prison conditions, government corruption, violence against women and child abuse. According to the general audit report of 2003, performed by an independent accounting firm, government corruption was a problem, including instances of misuse of public funds and irregularities in the collection of certain taxes. The attorney general's office is responsible for investigating cases of alleged corruption, but only a few cases have been prosecuted. In 2003 the finance minister was replaced and the Finance Ministry reorganized in an effort to increase accountability. The law does not prohibit specifically trafficking in persons; however, there were no reports that persons were trafficked to, from, or within the country. The government has showed commitment to children's welfare through its programs of health care and free education, but these have not been adequate to meet the needs of the country's sharply increasing population. Human rights groups generally operated without government restriction, but few local groups have been formed. The government was not always responsive to NGOs' concerns. The women's NGO WUTMI worked on women's, children's, and family issues and played a significant role in social issues. The inheritance of property and of traditional rank is matrilineal, with women occupying positions of importance in the traditional system. Many educated women hold prominent positions, particularly in government.

II.1.4 Environmental situation

In common with its close neighbours, the Federated States of Micronesia and Kiribati and Tuvalu, the RMI has a small population living on tiny atolls and islands scattered over an immense expanse of the central Pacific, with few accessible natural resources to sustain the population. This combination of limited accessible resources and vast distances results in high economic and development costs.

As an atoll nation, the very existence of the RMI is dependent on the continued health of ecosystems and uninterrupted functioning of the biological and oceanic processes that lead to atoll formation and modification. Atolls lie precariously on the tops of live coral reef systems. These highly dynamic landforms are created and survive as a result of coral rubble and animal exoskeletons washing up above the water line and providing fill. The islands become more

stable when seeds of trees and other plants wash ashore and grow in ways that retain the soil and land around them. Thus a high priority for economic and development planning in RMI is to ensure that there is minimal impact on the natural ecosystems and oceanic processes that sustain the fragile atoll- and island-associated marine systems. This means not only sustainable harvesting of living resources and extraction of non-living resources, but also ensuring that the discharges of wastes to land, sea and the air are at a rate, and of a form, that is well within the assimilative capacity of the environment. Regrettably in recent decades neither of these requirements has been met. Environmental quality has declined, many living terrestrial and marine resources have been depleted, and there has been unsustainable and environmentally unsound extraction of non-living resources.

The vulnerability and degraded quality of RMI's environment and natural resources clearly places constraints on economic, social and cultural activities. But these assets also provide important opportunities for economic development and social progress, including poverty alleviation. The challenge is to use these assets in an efficient and sustainable manner.

Sustainability in economic and environmental management involves reconciling the present and future needs of the interlinked natural, social and economic systems. For RMI it is critically important to restore integrity to the damaged natural ecosystems, and to develop effective responses to new threats and changing circumstances, particularly climate variability and change. Sustainability of the nation also involves: (i) the security of income, skills and outside support; (ii) the efficiency with which RMI converts inputs to outputs; and (iii) the social, inter-island and inter-generational equity of distribution of the costs and benefits of that process.

The vulnerability to waves and storm surges is at the best of times precarious. The Marshallese would become among the first of many environmental refugees should climate change predictions prove accurate. This would be a devastating disruption not only for the culture and the people of the island countries, but also for the countries that would need to accommodate the refugees. For these reasons, the RMI has participated actively in negotiations for the United Nations Framework Convention on Climate Change and its protocols.

In RMI the precariousness of low-lying coral atolls is exacerbated by poor management of solid and other waste. The marine environment in close proximity to the major urban centres is increasingly polluted with some of these areas becoming unfit for recreation or as a source of food supply. Environmental degradation, moreover, affects the poor most directly.

The RMI has in place a commendably comprehensive and appropriate array of policy, legal, institutional and budgetary frameworks for environmental management and sustainable development. However, despite some recent notable improvements in environmental performance, in many areas and respects practical reality falls far short of the potential the above frameworks allow and should facilitate.

At the national level, RMI has legislation related to environmental protection, coastal conservation, planning and zoning, management of marine resources, and preservation of cultural and historic properties, protection of public health and safety and of endangered species. In most cases the legislation allows for Ministries to pass and enforce regulations, usually on approval of a representative authority or council. In addition to the Environmental Protection Agency (EPA) and the Marshall Islands Marine Resources Authority (MIMRA), other important environmental and resource management institutions have been established by

legislation, including the Office of Environmental Protection and Policy Coordination (OEPPC) and EPPSO.

In March 2006 RMI joined Palau, FSM, Guam and NMI in adopting the Micronesian Challenge – a unique programme which aims to conserve 30 percent of near-shore marine resources and 20 percent of forest resources by 2020. This ambitious challenge far exceeds current goals set by international conventions and treaties, which call for countries to conserve 10 percent of marine and terrestrial resources by 2012. The challenge also emphasises the need for Micronesian leaders to work together to confront environmental and sustainable development issues.

The government of RMI recognizes that the provision of a cost-effective and a sustainable source of electricity to its outer islands is a key to the improvement of the standard of living of its people. Providing good public services such as clean water, power and telecommunications to these populations is also viewed as a major tool to reduce urban drift from the outer islands into Majuro and Ebeye and its impact on the countries welfare. The RMI government, in its commitment to the global effort to reduce GHG emission while ensuring sustainable development for its people believes that for the remote and scattered outer islands populations, stand alone solar systems represent the best technical and economic solution to supply electricity on the outer islands.

II.1.5 The country in the international context

RMI participates in regional efforts on economic integration through membership of the Pacific Islands Forum and a number of regional trade agreements. The Government has contributed to ongoing EPA negotiations. In 2005 RMI endorsed the Pacific Plan. The RMI has diplomatic ties with over 70 countries and has embassies in Taiwan, Japan, USA, Fiji and the UN in New York. It also has a Consular General in Honolulu.

II.2. Poverty reduction analysis

Progress toward the Millennium Development Goals (MDGs) in RMI is slow. Education indicators have slightly improved, though retention rates, secondary enrolment, and learning outcomes are poor. One in four of the population is illiterate. The target of eliminating gender disparities in primary and secondary education has almost been achieved. Access to safe water and improved sanitation facilities has increased slightly but there are significant differences between urban and rural or outer islands areas. Child mortality rates (both under-5 and infant mortality rates) have fallen significantly and the country is likely to meet the target of reducing child mortality by two thirds by 2015. Almost one child in five is underweight, and almost one household in five does not have access to safe water. The disease profile is transitional, combining lifestyle diseases (which are usually associated with affluence) and infectious diseases (which are usually found in poor countries). However, life expectancy at birth increased from 60 to 65 years, and the gross primary school enrolment ratio rose from 54% to 72% during 1980–2000. Poverty seems to have worsened over the last 5 years in both urban and rural areas.

The population of the nineteen outer islands was 14600 in 1999, 30% of the total population. The people of the outer islands have the lowest incomes in the country and least access to basic services and economic opportunities. Outer island populations are relatively small,

averaging only 770, and with only four of the atolls registering more than 1,000 people. Annual household incomes are relatively low in the outer islands and reflect the largely subsistence nature of rural livelihoods. The imbalances in levels of employment and reliance on self-employment between the outer islands and the rest of the country are reflected in the high level of income inequality being experienced.

The degree of inequality in income distribution being experienced in the different parts of the country has also been derived from the 1999 Census Income data². The census data records only cash incomes and therefore does not take account of the value of subsistence production which is consumed by producers. In the outer islands this would likely be substantial in relation to cash income. At the national level data indicate that the first three quartiles (75%) of households receive only about 35% of the total income. Taking the urban and compensation islands alone indicates the first 75% of households receive about 43% of the income. The patterns in these two is therefore is quite similar indicating the dominance of urban and compensation incomes in the overall national household income distribution. However, there is also a very high level of inequality in the outer islands where the data indicates that the first 75% of households receive only about 30% of the income. Indeed the data suggests that the lowest 40% of outer island households receive only 7% of the income. This effectively confirms the likely high level of income poverty experienced in the outer islands.

In order to provide a broad indication of the extent of income poverty in RMI a calculation of a Poverty Line for Marshall Islands has been made using the UNDP's internationally recognised standard Poverty Line of US\$1 per day in 1993 PPP³ terms. In 1999, US\$1/day in 1993 PPP would have been equivalent to \$1.19 per day or \$435 per annum⁴ in RMI. At this level some two-thirds of outer island households would have fallen below the poverty line.

In 2002 the Government signed a poverty partnership with ADB. This commits both the Government and ADB to monitor progress in reducing poverty against the MDGs and other critical poverty reduction indicators. Progress is monitored annually.

II.3. The recipient country's development strategy

The government's national policy framework and development strategies are set out in the Strategic Development Plan Framework 2003-2018 (Vision 2018). Vision 2018 sets out in very broad terms the goals and objectives over 15 years and how the RMI will go about achieving them. Vision 2018 is the result of the Second National Economic and Social Summit held in 2001.

Vision 2018 identifies ten key goals.

1. A sound system of governance with political stability and commitment to Vision 2018, and a competent and honest public service;
2. High investment in education and research;
3. Foster a culture of high savings, investment and productivity;

² 1999 Census Table H.18.

³ Purchasing Power Parity of US\$1 per day in 1993 prices adjusted to RMI 1999 prices. Given by the formula:
$$PPP = \text{US\$ Exchange Rate 1993} * (\text{1998 US CPI}/\text{1993 US CPI}) / (\text{1999 RMI CPI}/\text{1993 RMI CPI})$$

⁴ This estimate of the international poverty line should be treated with caution since it does not fully take account of the level of subsistence production which is consumed by outer island households. A full analysis needs to await the availability of full income and expenditure data from the 2002 HIES.

4. Ability to take advantage of emerging global trends;
5. Effective and responsible economic and financial institutions;
6. Facilitating equitable development of the Outer Islands;
7. Strengthening the spirituality of the Marshallese people;
8. More harmonised development in the context of healthy lifestyles, and the prevailing culture and sustainable environment;
9. Fostering fundamental change in the attitudes and behaviour of all citizens, government, local governments, businesses, public corporations and NGOs, and
10. Effective "Partnership and Co-ordination" among National Government, Atoll Local Governments, NGOs, the Private Sector, Civil Society, and the Citizens.

II.4. Analysis of the viability of current policies and the medium-term challenges

The national budget is highly dependent on foreign assistance to sustain even basic administrative and operational costs. This poses significant issues on whether the national government can sustain current fiscal and other development policies if and when foreign assistance is no longer available.

The RMI has made progress in a number of areas. Under the amended Compact, government has established a national trust fund that should help provide some stability to the long-term fiscal balance. Second, the RMI successfully reformed its social security administration, transforming it from one of the worst run social security programs in the Pacific to one that is now healthy and performing well. Third, the RMI has made strong improvements to its health management system, improving on-island diagnostic capabilities and significantly reducing its off-island referrals costs. Fourth, the establishment of the Economic Policy, Planning, and Statistics Office (EPPSO) has strengthened policy and planning capabilities, including improved collection, analysis and dissemination of data.

Above and beyond these specific accomplishments, the RMI has maintained strong political and social stability. Moreover, independent media in the country has improved, and now consists of a weekly newspaper, several new private radio stations and one private television station.

However, linkages between social, economic and political development are weak, with economic development efforts often deliberated in isolation of social and environmental considerations.

Compounding these concerns is the lack of a national poverty reduction alleviation strategy that is built into the policy and decision-making framework of the government and affiliated agencies. Consequentially, there are no specific national and local plans to focus government efforts on poverty assessment and reduction. This, in large part, may explain why meeting/targeting the MDGs has and continues to be slow, with some areas reflecting marked improvements, while little or no improvements are reflected in other areas.

The development of the rural, outer-islands must be considered and advanced. This is crucial not only for the benefit of the rural communities to prevent poverty and to improve quality of life, but also to relieve social and economic pressures in the urban centres due to increasing urban drift.

The national government must begin to re-evaluate its role in the development processes of the country. Current fiscal policies such as the provision of services other than education and health, heavy subsidization of major industrial and private sector companies, and numerous administrative and legislative barriers, have created a highly inefficient economic system that inhibits real economic growth and is unsustainable in the long-run if foreign assistance is no longer received. The overbearing role of the public sector in the economy has provided a disincentive for many would-be small business owners as they are unable to compete. As a result, people of the RMI are not only increasingly perceiving themselves as experiencing hardship and poverty, but are actually experiencing key aspects of poverty; deprivation, marginalization, and unequal/lack of access to quality education and health services.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

Overview of past and present EC cooperation (lessons learned)

III. 1.1 Focal sectors (and macroeconomic support)

Renewable energy is the principal focal area of the 9th EDF. Total 9th EDF investment in the sector is €2.3 million, which amounts to 65% of envelope 'A'. In July 2005 the Financing Agreement for the multi-country Renewable Energy Programme (covering also Palau, Nauru, Niue and FSM) was signed by the Secretary General of the Pacific Island Forum Secretariat on behalf of all five countries concerned. The tender award procedure for the recruitment of the Programme Management Unit (PMU) was completed late 2005 and implementation began in January 2006. The PMU opened offices in Pohnpei and Suva during the first quarter of 2006. Tender specifications will be drawn-up and contracts let in 2007.. In RMI the programmes focuses on providing household solar systems to outer island communities, principally on Ailinglaplap.

III.1.2 Projects and programmes outside focal sectors

Significant delays were experienced in formulating proposals for NSA capacity building (€500,000) and HRD development (€700,000) (the remaining areas of funding under the 9th EDF). These delays were due largely to the lack of in-country EC representation, no dedicated TA attached to the NAO office and difficult communication links with the Suva-based Delegation.

Consequently, it was not until 2006 that a financing proposal for the NSA programme was finalised and forwarded to HQ for a financing decision. The Financing Agreement was signed in early 2007.

Because of significant Compact II funding for the renewal and refurbishment of Outer Island schools it was considered appropriate that EDF involvement in this sector be aligned to renewable energy. For the practical purpose of expediting funding and to take advantage of available expertise the whole project was subsumed into the REP5 programme by way of amendment to the Financing Agreement in early 2007.

Given the slow start to the 9th EDF the main lesson learnt is that project design and formulation needs to begin well in advance and that the number of projects and financing proposals should be kept to a minimum. In this context a contract agent based in Suva has been engaged for the purpose of expediting current and future programmes. Additionally, programme delivery can be enhanced with the engagement of local TA support to the NAO.

III.1.3 Utilisation of Envelope B

RMI has not been subject to disasters, and is not eligible for FLEX or HIPC, so the B envelope remained untouched in 2005. A multi-country programme on disaster preparedness is being developed for CROP implementation and RMI has indicated its interest in using its B envelope to join and benefit from this programme. In August 2006 RMI mandated the Regional Authorising Officer (PIFS) as contracting authority for its 9th EDF 'B' envelope.

It should be noted as regards disaster preparedness that all current and future programmes should include reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies.

III.1.4 Other instruments

The 9th EDF Pacific Regional Indicative Programme funded and extended a number of existing projects to the six new Pacific ACP countries, including RMI. These consisted of:

Pacific ACP Regional Economic Integration Programme (PACREIP)

Development of Sustainable Agriculture in the Pacific (DSAP)

Pacific Regional and OCT Fisheries Programme (PROCFISH)

Plant Protection Programme (PPP)

Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)

Reducing Vulnerability in PACP States – SOPAC

Development of Fisheries in the Pacific (DEVFISH)

Pacific Environmental Information Network (PEIN)

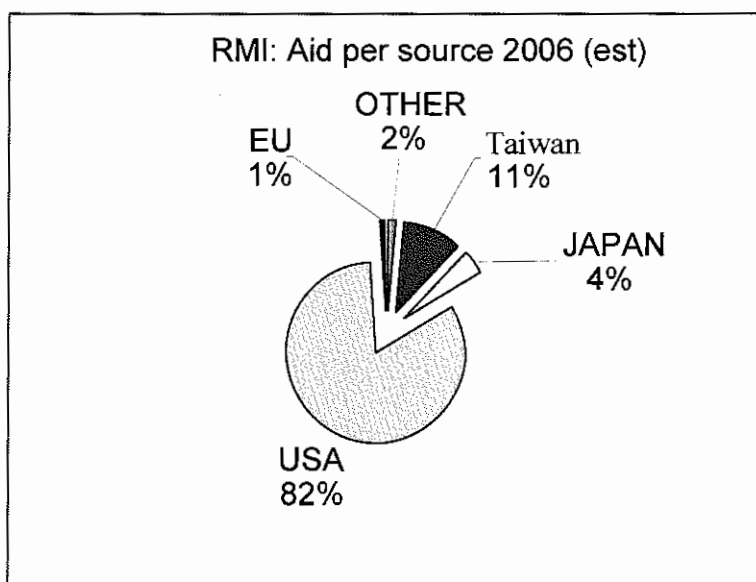
Additionally, RMI has benefited from training provided through the Technical Support to RAO Project and EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

The Ministry of Resources and Development currently acts as antennae for the Centre for Development and Enterprise, however, communications between the antennae and CDE have not been particularly strong.

Future regional programmes likely to support RMI include those in Human Resource Development, Fisheries and Natural Resources. Additionally, the Regional Technical Cooperation Facility, recently signed, offers RMI the opportunity of short-term EDF assistance in sectors linked to its CSP/NIP.

III.2 Information on the programmes of the Member States and other donors (complementarity)

No member states are currently active in RMI. In the past France has funded renewable energy projects on some outer islands. The US is by far the largest contributor to the national budget providing on average 82% of total annual ODA. These funds are made up of Compact II disbursements and various Federal Grants. The majority of these funds are directed at supporting Health and Education but in recent years a significant amount has been used to upgrade the airport on Majuro. Next comes Taiwan which provides about 11% of total ODA mostly direct budget support with a smaller amount financing a range of national programmes. Japan currently provides around 4% of total ODA for water and sanitation projects. Total EU support (bilateral) amounts to around 1% of total ODA. Other international donors include Australia, ADB, UN, IWP and Palau.



Source: Ministry of Finance/ EPPSO, RMI

III.3 Other EC policies

There are two important links to be mentioned. The first one is with the European environmental policy and the active role of EU and the Commission in implementing this as the Kyoto Protocol, and the Commission's Green – Blue Strategy for the Pacific.

The second area of exchange and interaction is linked to cooperation on tax matters. The need for transparent corporate information mechanisms plays a vital role when countering terrorism, its financing, tax evasion, tax avoidance and corruption. It assumes and increasing importance in small open economies that have developed an offshore financial sector. Of all Pacific ACP countries RMI is alone in not yet declaring its willingness to fully comply with international standards and practices in the area of 'tax havens'. For detailed commitments on the part of the GoRMI in this context refer to Annex 3B. RMI has indicated some willingness to revisit international taxation issues.

Coherence between development co-operation policy and other EC policies (trade, fisheries, agriculture, and environment) relevant for RMI will be assessed on a continuing basis. Coherence with cross-cutting issues referring to gender mainstreaming, environmental considerations and principles of good governance will be observed in all future projects.

III.4 Description of the political dialogue with the partner country

RMI is a relatively new member of the ACP group having joined on signature of the Cotonou Agreement in June 2000. Neither the EU nor its member states has permanent representation in RMI; the country is served by the EC Delegation in Suva (over 5,000 km to the south). Accordingly, opportunities for political dialogue have been few, mainly taking place on the margins of regional meetings such as the annual Forum meeting, or during the course of periodic missions to the country. Relations between the EU and RMI are cordial with no contentious issue to note.

III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation

None of the EC member states have active or planned programmes in RMI. In the past France has provided some funding for renewable energy but not on a large scale. The largest single donor - the U.S - provides resources through the Compact II agreement, largely in Health and Education sectors. The extent of EU funding in RMI is of such a scale that a single focal area, not addressed by Compact funding, will be targeted. Therefore, the issue of harmonisation and common programming is not as significant or as pressing as is experienced in other countries.

CHAPTER IV: RESPONSE STRATEGY

IV.1

The response strategy takes into consideration the basic principles of EC's Development Policy, as well as the results of the preceding analysis of the political, economic and social situation in the RMI, the longer-term development goals, the government's own priorities and the management capacity and staff resources of the EC Delegation in Fiji. Past experience of other donors activities are also included in the strategy. The future co-operation between RMI and the EC in the context of the Cotonou Agreement has been designed to contribute in particular:

- to ensure that EC funded projects have a positive impact on living conditions of all beneficiaries, in particular the people in the outer islands, without a distinction according to social, ethnic, political, religious or gender criteria;
- to ensure that the operations can be sustained in order to guarantee a long-lasting flow of benefits to the target groups and to the country as a whole;
- to ensure that the projects and programmes funded under the present Agreement are in areas where the EC is perceived to have a comparative advantage, compared to other donor organisations, and where it is possible to operate in close partnership with established and reputable regional agencies that have already established networks in RMI.

The Government of RMI and the European Commission jointly recognize that important environmental issues and the sustainable management of natural resources form an essential

part of the country's development priorities, to which the European Commission wants to align its response strategy. Issues related to the reliable provision of water and sanitation, management of solid waste and renewable energy are therefore topics of central relevance for any discussion on the future partnership.

In October 2005 the European Commission proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the *sustainable management of natural resources*, a sector of strategic importance to all Pacific Island Countries, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion in 2005. The above-mentioned new EU strategy for the Pacific, which was approved by the General Affairs Council of the European Union on 17 July 2006, refers to the sustainable management of natural resources as one of the priority areas for more focused development cooperation.

The Government recognises the need to spread the benefits of growth more widely and equitably across the country and to improve the living conditions in the outer islands. Addressing the basic energy needs of the outer islands through a sustainable, environmentally sound and secure energy supply can supplement the long-term energy needs of the country and further reduce the dependence on imported fossil fuels. To redress the imbalance and achieve a more equitable distribution of resources to the outer islands, the Government has selected the *Water and Energy sector*⁵, and in particular **new and renewable energy sources** as the focal sector in support of outer island development. This objective is also coherent with the CSPs of most other small Pacific Island countries, which also feature renewable energy and/or water particularly for outer island development, and is consistent with the *sustainable management of natural resource* focal sector of the Regional Strategy Paper. The chosen sector reaffirms government's support of rural development and poverty reduction and compliments both the Pacific Plan and the European Union's green/blue strategy for the Pacific.

The Government proposes to allocate 85 percent of the A-envelope or €4.5 million for the development of the energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent (€0.8 million) will be to establish a Technical Co-operation Facility from which necessary Technical Assistance, studies and EDF-related travel will be funded. The TCF may also be used to finance necessary measures in support of governance issues, for example in the area of financial and fiscal transparency (see annex 3B).. The improvement of Statistical reporting may be supported through the TCF. The latter may have particular benefit for monitoring and evaluating the consequences of EPA, should one be signed.

It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a regional basis (for example the multi-country programme under the 9th EDF B-envelope).

The programme is complementary to RMI's own efforts to improve the living conditions in the outer islands and redress the imbalance between urban and outer island development by spreading the benefits of growth more evenly across the country as well as to observe the

⁵ As defined in the European Consensus on Development, June 2006

sustainable use of the natural environment. It is co-ordinated with and complements the support for outer island development of other donors, in particular France and Australia (alternative energy programmes), the USA (education) and the ADB (social services).

Given the small size of the EU programme relative to the US, the choice of sector is appropriate, particularly because few other donors are involved in renewable energy. US assistance focuses primarily on Health and Education and infrastructure. EU focus on renewable energy, especially on the outer islands complements current US assisted sectors. That said, there is no regular donor coordination mechanism in place in RMI. At the regional level there is an annual donor roundtable on the margins of FEMM, but this is rather broad focussing more on regional rather than national cooperation. Regular in-country donor coordination is difficult due to there being no resident EU mission in RMI. Another factor inhibiting donor coordination is because those donors who do not have resident missions in RMI are usually located in Manila, not Suva.

The chosen sector corresponds closely with the Sustainable Development strategy of the Pacific Plan, in particular section 5.4 which is to "*Implement the Pacific Island Energy Policy and associated Strategic Action Plan to provide available, reliable, affordable and environmentally sound energy for the sustainable development of all Pacific island communities*".

The results of evaluations of regional programmes tend to support the EU's continued involvement in renewable energies. A recent study of PRIDE (Pacific Regional Initiatives for the Development of Basic Education) reaffirmed the importance of access to household lighting for students. A renewable energy programme in RMI will address this problem directly as it will solar electricity systems for schools. Evaluations of regional Agricultural and Fisheries programmes also support the development of renewable energy systems; solar beacons marking passage to open sea; and household lighting for the production of handicrafts will serve to boost local economies. Future regional programmes likely to support RMI include those in Human Resource Development, Fisheries and Natural Resources. Thematic area budget lines such as those in energy and water are also likely to provide support.

Expected results in this sector will be defined in detail once the specific intervention has been identified. In broad terms, increased access to affordable electricity on outer islands will result in;

- qualitative improvements in education
- increased economic activity
- a cleaner environment

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

Climate change is also an important cross-cutting issue, in particular for the Pacific region and SIDs as a whole. Major regional initiatives are being considered in the context of the

forthcoming 10th EDF Regional Indicative Programme. SPREP is also very active in this field, as is UNDP. Under the 10th EDF, due consideration needs to be given to the likely exacerbation of potential problems such as epidemics and famine due to water contamination, loss of arable land, and population displacement (the latter linked also to disaster response planning). For RMI, some specific issues should also be borne in mind, for example the possible need for watershed management, and alternative production systems in agricultural activities (eg agro-forestry) - these issues should also be addressed during the identification process and the feasibility studies which will determine the specific interventions and accompanying measures of the focal sector programme.

It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a country and regional basis (for example the multi-country programme under the 9th EDF B-envelope).

IV.2 Implementation mechanism

As discussed at the Regional Seminar in March 2006 and if deemed feasible and desirable by partner governments, a multi-country programme approach is proposed as the preferred modality for implementing the 10th EDF. This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10th EDF assistance.

Nevertheless a degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional agencies for technical assistance, such as the South Pacific Geosciences Commission (SOPAC), should remain an option.

The specific actions to be addressed within the focal area will be determined on conclusion of a project design study to be undertaken in 2007. The countries involved in this multi-country programme approach are, Cook Islands, FSM, RMI, Palau, Nauru, Niue, Kiribati, Tuvalu and Tonga.

PART 2: INDICATIVE PROGRAMME

1 Indicative Programme⁶

1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2 Financial instruments

The implementation of the EC's cooperation strategy with the Republic of the Marshall Islands will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

1.2.1 *10th EDF*, A envelope, € 5.3 million: this envelope will cover long-term programmable development operations under the strategy, and in particular

Energy	<i>€4.5 million</i>	<i>85% of total</i>	<i>EDF</i>
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The specific areas to be addressed within the focal area will be determined on conclusion of a project design study to be undertaken in 2007. Programme Implementation will be through a multi-country approach where a centrally located Project Management Unit will service a number of participating countries. The countries involved in this approach are, Cook Islands, FSM, RMI, Palau, Nauru, Niue, Kiribati, Tuvalu and Tonga. A degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional agencies for technical assistance, such as the Secretariat of the Pacific Community, (SPC), should remain an option.

Non-focal	<i>€800,000</i>	<i>15% of total</i>	<i>EDF</i>
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<of which:

- the Technical Cooperation Facility €800,000

⁶ The sentences in italics should be completed or deleted in the final version of the document.

- 1.2.2 **10th EDF, B envelope, €0.5million:** this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

- 1.2.3 **Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the Centre for the Development of Agriculture (CTA).

- 1.2.4 **10th EDF Pacific Regional Indicative Programme (amount to be confirmed):** this allocation will cover long term programmable development operations under the regional strategy for the Pacific. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of the Republic of the Marshall Islands in the programmes proposed under the regional framework.

- 1.2.5 **Other financial instruments:**

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

1.2.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with RMI implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3 Focal sector

Water and Energy

Renewable Energy

The following specific objective will be pursued:

- to increase power production from renewable energy sources and
- to improve the overall policy framework of the energy sector

As an indicative amount, approximately **€4.5 million** will be set aside for this field.

The main actions proposed are: **the supply and installation of household renewable energy systems in the outer islands and the construction and the possible establishment of a Renewable Energy Centre on Majuro.**

The main implementing instrument will be: **project support**

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are: **Cabinet endorsement of an Outer Island Electrification Strategy by 31 December 2008.**

The main commitments by the Government to ensure mainstreaming of the crosscutting issues are:

When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

1.4 General budget support

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

1.5 Other programmes

An indicative amount of €0.8 million is set aside for the following actions:

The Technical Cooperation Facility; €0.8 million. The TCF will primarily fund the cost of local technical assistance and training and capacity building of the NAO office. It will also be used to fund necessary technical studies and activities related to EDF implementation, future programming and /or regional integration and EPA

The TFC can also be used to finance measures which improve overall governance, in particular, actions that are directly linked to the governance commitments (see Annex 3b).

The main policy measures to be taken by the Government as a contribution to the implementation of the response strategy in the non focal areas are:

- Government agrees to assign full-time staff and operating budget to the office of the NAO
- " 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".

By this, the Commission understand that RMI complies with the OECD principles and standards, non-compliance of which gave rise to their being on the OECD black list in the first place. Also signature of TIEAs can be interpreted as negotiations commenced, and that the other partner should be an OECD/EU member state.

1.6 Intervention Framework & Performance Indicators

1.6.1 First Focal Sector – Water and Energy - REWABLE ENERGY

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objectives	To improve social and economic development and reduce poverty in the outer islands	Reduction in poverty Increased employment Improved HDI rankings	Poverty assessments Government records HDI index	N/a
Programme Purpose	To provide cost effective and reliable renewable energy and promote energy efficiencies	All RE systems supplied and in use by 2012 Increase in demand for RE systems Increase in private sector involvement in RE technologies	Government records Independent reviews Independent surveys	World demand for oil continues at current or higher levels Government policies continue to support private sector growth
Results	Cheaper electricity costs Cleaner environment Educated public (in energy efficiencies) Qualitative improvements in Education Improved Outer island Economies	Reduced dependency on fossil fuels Improved Household income Diesel imports reduced Improved exam results Increased no. of children attending secondary school Increased no. of business registrations	Independent survey Inter-island shipping records Household income surveys DOE reports DOE reports Local council records	RE equipment properly maintained User pay system accepted Battery disposal system applied Standards of education do not fall

Below are some proposals for sector indicators for MCP in the energy sector which could be used when defining future activities

1. User benefits and costs

- Proportion of population using solid fuels (*MDG 7 indicator*)
- Proportion of population with access to electricity from a grid, urban and rural areas separately
- Connection fees and unit costs for electricity, relative to household income
- Share of household income spent on electricity and fuels, urban and rural separately
- Average time spent on collecting and preparing fuel, urban and rural separately
- Proportion of population with access to modern fuel services (e.g. LPG) or improved stoves, urban and rural areas separately

2. Sector performance

Economic and financial

- Costs of oil imports relative to GDP
- Energy use (kg oil equivalent) per \$1 GDP (*MDG 7 indicator*)
- Percentage of GDP allocated to energy investments
- Technical and non-technical losses in power and fossil fuel generation, transmission, distribution and end-use
- Share of government budget allocated to energy spending

- Share of financial contributions from international financing institutions and donors to the energy sector

Institutional

- Percentage of energy services delivered by the private sector, such as electricity, petrol, coal, charcoal, paraffin etc, and other non-state actors, such as e.g. community based organisations
- The level of decentralisation of energy decision making power and capacity, to e.g. local authorities
- Cost of operating the electricity utilities, relative to amount of units (kWh) delivered to end-users
- Maintenance conditions and cost recovery for different energy systems

Environmental

- Extent of incorporation of environmental concerns in guidelines and standards for energy systems and energy investments
- Carbon dioxide emissions per capita (*MDG 7 indicator*)
- Ambient air pollution related to energy usage, e.g. for power generation, transport, heating etc
- Indoor air pollution related to the use of fuels for cooking and heating (e.g. wood, charcoal, coal, LPG, kerosene, paraffin)

1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1st FOCAL SECTOR – WATER AND ENERGY (RENEWABLE ENERGY)	M €4.5						
- Project 1 : MULTI-COUNTRY PROGRAMME	M €4.5	0	4.5				
	M €						
2nd FOCAL SECTOR – NONE	M €						
- Project 1	M €						
- Project 2	M €						
NON FOCAL SECTORS	M €						
- Institutional support for non state actors.	M €						
- Technical cooperation facility	M €0.8	0.8					
- Contribution to regional programmes	M €						
-<optional> Support for EPA	M €						
-<optional> Support for Governance	M €						
-Other	M €						
Total Commitments:	M €	0.8	4.5				
Total Cumulative Commitments :	M €	0.8	5.3				

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1ST FOCAL SECTOR – WATER AND ENERGY (REWABLE ENERGY)	M€4.5						
- Project 1 : MULTI-COUNTRY PROGRAMMING	M€4.5		0.1	0.1	0	4.0	0.3
- Project 2 : NONE	M€						
2nd FOCAL SECTOR – <name>	M€						
- Project 1	M€						
- Project 2	M€						
NON FOCAL SECTORS	M€						
- Institutional support for non state actors.	M€						
- Technical cooperation facility	M€0.8	0.1	0.1	0.05	0.2	0.2	0.15
- Contribution to regional programmes	M€						
-<optional> Support for EPA	M€						
-<optional> Support for Governance	M€						
-Other	M€						
Total Commitments :	M€	0.1	0.2	0.15	0.2	4.2	0.45
Total Cumulative Commitments :	M€	0.1	0.3	0.45	0.65	4.85	5.3

1.8 Chronogram of activities

1 st FOCAL AREA	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €4.5		AF	FD	#	#	#	#	#	#	#	#	#
- Project 2	M €												
2 nd FOCAL AREA		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €												
- Project 2	M €												
NON FOCAL AREAS		2008				2009				2010→			
Same schedule as above		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Institutional support for non state actors.	M €												
- Technical cooperation facility	M €0.8				#	#	#	#	#	#	#	#	#
- Contribution to regional programmes	M €												
-<optional> Support for EPA	M €												
-<optional> Support for Governance	M €												
-Other	M €												

FS: Feasibility Study

AF: Action Fiche

FD: Financing decision

: Project implementation

Annex 1 : Country at a glance : RMI

Marshall Islands Data Profile			
Click on the indicator to view a definition	2000	2004	2005
People			
Population, total	52,821.5	61,218.0	63,266.1
Population growth (annual %)	3.7	3.7	3.3
Life expectancy at birth, total (years)	65.2	..	..
Fertility rate, total (births per woman)	..	..	..
Mortality rate, infant (per 1,000 live births)	55.0	52.0	..
Mortality rate, under-5 (per 1,000)	68.0	59.0	..
Births attended by skilled health staff (% of total)	..	..	..
Immunization, measles (% of children ages 12-23 months)	..	94.0	70.0
Primary completion rate, total (% of relevant age group)	..	..	..
School enrollment, primary (% gross)	100.6	..	..
School enrollment, secondary (% gross)	..	..	..
School enrollment, tertiary (% gross)	..	..	..
Ratio of girls to boys in primary and secondary education (%)	..	..	..
Environment			
Surface area (sq. km)	180.0	180.0	180.0
Agricultural land (% of land area)	77.8	..	..
Improved water source (% of population with access)	..	87.0	..
Improved sanitation facilities, urban (% of urban population with access)	..	..	93.0
Economy			
GNI, Atlas method (current US\$)	134.2 million	171.9 million	185.1 million
GNI per capita, Atlas method (current US\$)	2,540.0	2,810.0	2,930.0
GDP (current US\$)	111.0 million	135.4 million	144.4 million
GDP growth (annual %)	0.9	0.4	3.5
Inflation, GDP deflator (annual %)	15.4	5.3	3.0
Agriculture, value added (% of GDP)	..	..	..
Industry, value added (% of GDP)	..	..	..
Services, etc., value added (% of GDP)	..	..	..
States and markets			
Time required to start a business (days)	..	22.0	22.0
Fixed line and mobile phone subscribers (per 1,000 people)	..	84.2	..
Internet users (per 1,000 people)	15.1	32.7	..
Global links			
Merchandise trade (% of GDP)	67.5	73.8	103.2
Official development assistance and official aid (current US\$)	..	57.2 million	51.1 million
Source: World Development Indicators database, April 2006			

ANNEX 2: DONOR MATRIX

Natural Resource	Agriculture & Forestry		FAO 430,000 Taiwan 250,000 EU Regional	0.6
	Marine			0
	Environment		JICA (water) 4,500,000 : UNDP 60,000 GEF 150,000 : Palau 50,000 : ADB IWP 50,000 : EU Reg:	4.7
HRD and Social Development	Governance		USA 40,000 :	0
	Law & Justice		USA 40,000 AUSAID 150,000 (PATROL BOAT)	0.2
	Disaster Mitigation		EU 300,000 (B ENV)	0.3
	Health		USA 21,000,000 : AUSAID 30,000 Taiwan 50,000 : JICA 50,000	19.9
	Culture			0
	Community Development		UNDP 133,000 (SLP) ; USA: 387,000	0.5
	Basic Education		USA 17,000,000 EU REGIONAL	16.0
	Secondary Education		USA 6,000,000	5.7
	Tertiary Education		USA 13,000,000 AUSAID 200,000	12.4
	Non-Formal Education		USA 360,000	0.3
Other	Budget Support		Taiwan 4,000,000	3.8
	Miscellaneous		Taiwan 6,000,000 USA 5,000,000	10.4
Economic & Private Sector	Private Sector		USA 60,000 (SBA)	0.1
	Tourism		USA 100,000	0.1
	Industry & Trade		EU REGIONAL : NZ REGIONAL AUSAID REGIONAL	0
	Energy		EU 800,000 : Taiwan: 1,000,000 UNDP 40,000	1.7
	Transport & Communication		USA 24,000,000 (AIRPORT)	22.6
	Economic Reform & Finance		ADB: 370,000 : AusAID 125,000 USA 200,000 (CUSTOMS & REV)	0.7
				100
		Civil Society (including Churches and NGO)		
		Private Sector		
		Multilateral & Bilateral Institutions		
				Percentage of total ODA

Annex 3:

RMI COUNTRY ENVIRONMENT PROFILE SUMMARY

This Marshall Islands country environment profile provides the background information and suggests possible areas for intervention with EDF 10 resources.

Marshall Islands is situated between 4° and 19° North latitude and 160° and 175° East longitude and comprises 29 low-lying coral atolls and five islands. The atolls and islands have a combined land area of 181 km² situated in an exclusive economic zone (EEZ) encompassing 1.2 million km² of the central Pacific Ocean.

The atolls are scattered in an archipelago made up of two roughly parallel island chains – the western Ralik and eastern Ratak chains. The country's highest point above sea-level is only 10 metres with the mean height being around two metres. Climate change and sea level rise could therefore potentially have profound consequences for the whole country and in particular urban centres. Marshall Islands has an abundance of marine resources including fisheries and deep-sea minerals. It is home to a wide variety of species of flora and fauna.

With a growing population, rising material expectations and demands for economic growth, the countries' natural resources and their habitat are under increasing pressure, resulting increasingly in resource depletion and environmental degradation. Waste and pollution issues are some of the priority environmental issues requiring urgent attention. Marshall Islands has several laws controlling environmental use and protection and the challenge will be to implement these to ensure the sustainable use of these resources while protecting the unique biodiversity and natural ecosystems.

Marshall Islands has faced a challenging decade since the publication of its National Environment and Development Management Strategy (NEMS) in 1993, which is based upon the principles agreed to at the Earth Summit on Environment and Development held in Rio, 1992.

The NEMS states that for the Marshall Islands, *"in recognition of the new world order which calls for all nations to take responsibility for their environmental impacts, and to cooperate in finding global solutions to global problems, our nation presents this document as an affirmation of its commitment to integrating the principles of sustainable development into national policy"*.

The NEMS described the main environmental challenges facing Marshall Islands to include the;

- potential for a devastating rise in average sea level;
- accumulation of solid and hazardous wastes;
- contamination of freshwater supplies;
- destruction of coral reefs;
- eutrophication and pollution of coastal waters;
- coastal erosion; and
- potential for over exploitation of renewable resources.

Root causes identified in the NEMS as underlying the environmental challenges were a lack of:

- infrastructure;
- planning and coordination;
- regulation enforcement;
- managerial capabilities; and
- human resources development.

These root causes were further exacerbated by:

- limited interagency coordination and managerial capabilities;
- inadequate public support stemming from a lack of public awareness of environmental problems;
- and
- ineffective enforcement of existing environmental regulations.

The NEMS described five programme areas for strengthening environmental management capability:

- maintaining clean water, land and air;
- conserving renewable resources;
- ensuring environmentally sensitive decision-making;
- protecting special spaces and species; and
- minimising the impacts of environmental emergencies.

The progress of the Marshall Islands over the last decade has laid the platform for necessary mechanisms to implement all its environmental obligations under international and regional environment conventions since the Barbados Programme of Action in 1994. Despite progress over the years, new concerns have emerged together with imperative issues of special needs that require immediate assistance from the international community on the sustainable management, protection and conservation of the natural, ecological, cultural and human resources of the Marshall Islands. These emerging concerns are seen as the next stepping stone for the Marshall Islands to consider in the coming decade if it is to fully realise a balance between development and natural resource management.

Climate Change and Sea Level Rise

The following are issues identified as major national concerns in regard to climate change and sea-level rise:

- Limited human resources and skills amongst government sectors as well as NGOs and other institutions.
- Financial constraints to carry out climate change adaptation activities.
- Institutional and infrastructure strengthening
- Develop and strengthen public awareness strategies.

Natural and Environmental Disasters

As with climate change and sea-level rise the following are issues identified as major national concerns in regard to disaster risk reduction:

- Limited human resources and skills amongst government sectors as well as NGOs and other institutions.
- Financial constraints to carry out disaster risk reduction activities.
- Institutional and infrastructure strengthening
- Develop and strengthen public awareness strategies.

Management of Wastes and Provision of Water and Sanitation Service

The following overarching constraints impact on improving the management of waste.

- Lack of financial resources.
- Limited human resources and capacity in technical issues and planning.
- Lack of coordination between government agencies.
- Limited land for landfill infrastructure.

Coastal and Marine Resources

Similar to the land resources sector, the main constraints cutting across many sectors are the following.

- Better understand and reduce the impacts of coastal erosion.
- Develop alternate and sustainable sources of sand and gravel especially adjacent to Urban Majuro and Ebeye, to avoid the adverse impacts of the current reef mining practices.
- Lack of expertise or limited human resource in key areas such as adaptation planning.
- Limited, or lack of, financial resources to address key issues.
- Political will and support should be strengthened.
- Develop and strengthen awareness programmes.
- Improve effective coordination of information between government departments.

Freshwater Resources

- Several areas which have been neglected to date and that require attention include: incorporating and enforcing rainwater harvesting into building design, promotion of water efficient appliances, training and capacity building of the Environmental Protection Authority (EPA) and water supply operator on Majuro and Ebeye (financial and human resources), assessment, management and protection of the Laura groundwater lens on Majuro, promotion of large scale and household rainwater harvesting, and sanitation on Ebeye.
- Procedures to monitor and respond to the impacts on water resources of natural and environmental hazards, in particular the impacts of climate change and climate variability, including drought and sea level rise is minimal and is therefore an area that needs to be further developed.

Land Resources

Similar to the coastal and marine resources sector, the main constraints cutting across many sectors are the following.

- Lack of expertise or limited human resource in key areas such as adaptation planning.
- Limited, or lack of, financial resources to address key issues.
- Political will and support should be strengthened.
- Develop and strengthen awareness programmes.
- Improve effective coordination of information between government departments.

Energy Resources

Issues and constraints in the energy sector include the following.

- Improve energy conservation and efficiency.
- Increase the use of affordable renewable options including the use of biofuels in the Outer Islands.
- Serious financial constraints.
- Limited human resources and expertise.
- Serious transportation constraints from island to island.
- Limited public understanding.

Tourism Resources

- Lack of adequate infrastructure, including internal transportation.
- Lack of political commitment, and poor funding for the visitors bureau, and promotion.
- Inadequate manpower/education, and weak industry oriented curriculum in the community college.
- Poor hospitality and service, underdeveloped attractions and sites, and inadequate health and safety.

Biodiversity Resources

• There is a need for the Marshall Islands Government to develop a legislative framework on biological diversity that would include access to genetic resources, benefit sharing, the protection of traditional knowledge and intellectual property rights.

The conclusions and recommendations of the Marshall Islands Country Environmental Profile are as follows.

Conclusion 1: It should be highlighted that this Marshall Islands environmental profile has been compiled as a desk study. Nonetheless, it has benefited from access to reporting on environmental issues by Marshall Islands produced over the past decade, since 1992 at UNCED in Rio (Agenda 21), and in 1994 at the Barbados International Meeting on Sustainable Development for Small Island Developing States (BPoA). Most recently, Marshall Islands has had the opportunity to produce national assessment reports for the 10-year review of both Agenda 21 (the World Summit on Sustainable Development in 2002), and the BPoA (the International Meeting on SIDS in 2005). Furthermore, the first 5-year national report of progress on achieving the MDGs was due for completion in September 2005.

Conclusion 2: The EU has supported Marshall Islands along with all Pacific ACP countries during recent global environmental processes, and in particular in regard to environmental issues such as climate change, water and sanitation, renewable energy, food security, and how to improve livelihoods of island people by addressing the “special case for SIDS” in regard to vulnerability and addressing poverty through establishing poverty reduction strategy papers and national sustainable development strategies, or the like. Marshall Islands needs support for implementation from the EDF 10.

Conclusion 3: Notwithstanding the current Country Support Strategy (refer Section 4.1) for EDF 9, together with assistance being provided through the Regional Indicative Programme, it should be noted that along with other Pacific ACP countries, Marshall Islands has agreed to the new Strategy for Strengthened Partnership between the EU and the Pacific Islands which has a *“blue-green” theme within the context of sustainable management of natural resources and environmental challenges*. Within this broad theme specificity is needed to ensure the activities to be supported by the NIP deliver tangible and concrete benefits at national level that demonstrably contribute to strengthening the environmental pillar of national sustainable development and poverty reduction. In this context also, improved and strengthened links need to be demonstrated with the activities to be carried out at national level by the regional organisations supported by the Regional Indicative Programme.

Conclusion 4: Marshall Islands’s environment is no exception to the reality that it provides the basic goods and services, such as water, energy and food security, upon which people live. Improvements and sustainability in these areas are essential to underpin generation of economic wealth. Marshall Islands acknowledges that environmental considerations are inextricably linked across their national development planning efforts, but there is a need to strengthen these interlinkages to ensure improved decision-making supports efforts to achieve sustainability.

Conclusion 5: The state of the Marshall Islands environment over the past decade has deteriorated and remains highly vulnerable. Over the past decade much has changed with internal shocks from increasing population, concentration of that population through urbanisation and urban drift, and external shocks such as globalisation, HIV/AIDS, climate change and most recently increasing fuel prices. All are putting increased stress on the environment. Key examples of improvements needed are; secure safe water supply and sanitation; developing access to affordable renewable energy resources; food security from fishing and agriculture, to support sustainable development, improve lifestyles and reduce poverty. The urban and rural population, urban centres and outer islands must be targeted. Improvements in these “sectoral” areas will also have a positive impact on reducing Marshall Islands' vulnerability to climate change and natural disasters (many of which are weather-related).

Conclusion 6: Over the past decade some progress in many areas has been made in improving environmental sustainability through institutional strengthening. Although not as significant as Marshall Islands would have liked. Much of the progress has been at the initiative of the Marshall Islands and with its own financial resources. But much remains to be done to improve the efficiency and effectiveness of the national environmental machinery including strengthening the role of the NGOs. Development partners, including regional organisations, need to harmonise and coordinate their assistance more closely with Marshall Islands needs and efforts, and amongst themselves. This will make both existing and new resources more efficient and effective.

Conclusion 7: In order to provide a platform to facilitate closely cooperation with its development partners, and improve governance, Marshall Islands needs to develop an overarching planning policy/regulatory and institutional arrangements such as NSDS (or to embed the principles of sustainable development in revisions of existing national development plans, including issues of environment concern). There is much room for supporting capacity building and technical assistance in this context.

Conclusion 8: Marshall Islands' capacity needs to be strengthened to manage its large marine environment compared with the generally small island land areas. In reality, as the marine “blue

environment” and land “green environment” are an environmental continuum across the coastal zone. Marshall Islands needs a spatially integrated management approach, similar to “island system management” promoted by the EU through one of the EDF8/9 regional projects.

Conclusion 9: Marshall Islands, like many other of its neighbours, recognises the opportunities of improved information and communication technologies, in particular in regard to getting more up to date data and making it readily available to support the decision-making process.

Conclusion 10: Marshall Islands needs to develop and strengthen its own national setting of indicators and targets, and monitoring arrangements to track progress, and link these to international development goals agreed at for example the WSSD, the Mauritius International Meeting on SIDS, and contained in all relevant MDGs and targets, not just MDG7 on environmental sustainability.

Recommendation 1: Concerning the selection of the focal sectors and response strategies for Marshall Islands, within the overarching “blue-green” theme of sustainable management of natural resources and environmental challenges, key areas to consider are: securing safe water supply and sanitation; developing access to affordable renewable energy resources; and improving food security from fishing and agriculture.

Recommendation 2: As a governance issue in regard to national institutional capacity to improve the management of natural resources and the environment, consideration needs to be given to supporting Marshall Islands address institutional capacity assessment and needs for all its line ministries.

Specifically:

- there is an immediate need to promote the participation and involvement of NGOs at the national and community level and be supported through capacity building;
- additional financial assistance is required to implement priority human capacity building needs of the country; and
- the recognition of integrating environmental consideration into national economic planning is a critical issue that requires priority attention. The development of a national policy on economic growth and sustainable development must include the integration of environmental issues into economic planning.

Recommendation 3: Improve Marshall Islands' national environmental information systems, and ensure environmentally-relevant indicators to be used in the implementation of the EDF 10 National Indicative Programme, are integrated into these systems.

Recommendation 4: Marshall Islands access to the use of EC horizontal budget lines (such as Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF), and the EU/ACP Natural Disaster Fund are limited by national capacity constraints. Each of these opportunities of additional financial resources are important and should these funds/facilities be ongoing consideration needs to be given to assisting Marshall Islands prepare the bulky and complex applications.

Recommendation 5: In order to ensure effective and efficient support to Marshall Islands, it is important for the EU to develop new and strengthen existing opportunities for co-ordination on natural resources and environmental issues with other donors (including regional organisations) seeking to achieve complementarities and synergies.

– **Annex 4 – Migration profile**

This is not an issue for the Marshall Islands. (most migration is intra-island)

– **Annex 5 – Involvement of NSAs**

– *Programming dialogue*

Does the government involve Parliament, non-state actors and local authorities in the programming dialogue?	NSAs are involved in the discussions surrounding selection of focal areas and Parliament is kept informed of key decisions.
Was the programming exercise effectively a joint and open process? Did the Government actively promote co-ordination and harmonisation with other donors?	It was as joint and as open as could have possibly have been, however, RMI contributions to the written text were confined to the role of reviewer.
<i>Other relevant information, overall appreciation and summary of the main problems identified in this area</i>	<i>RMI is a new member of the ACP group; negotiations and dialogue within the EU are ongoing for comprehensive agreements at the national/regional level to be effective. The EU is involved in political dialogue in other areas as such the Non State Actors Support Program specifically for the energy sector.</i>

– **Non State Actors**

Participatory approaches to development: does the government involve non-state actors and local authorities in the PRS process (preparation, follow-up)?	To some extent and increasingly so. The present government shows are particular desire to engage with NSAs and the private sector.
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Annexes 6 and 8: Harmonisation road map and debt sustainability

Do not exist.

Annex 7
List of Treaties Signed/Ratified by the Marshall Islands

Name of Treaty	Done at	Date	Status
REGIONAL AGREEMENTS			
Nauru Agreement Concerning Cooperation on the Management of Fisheries of Common Interest (PNA)	Nauru, 02/11/1982	02/11/1982	Signed
South Pacific Regional Trade & Economic Cooperation	Tarawa, 07/14/1980	04/28/1989	Ratified
South Pacific Forum Fisheries Agency Convention (FFA)	Honiara, 07/10/1979	03/27/1987	Signed
Treaty on Fisheries between the Government of Certain Pacific Island States and the Government of the United States of America (US Treaty)	Port Moresby, 04/2/1987	04/02/1987	Signed Ratified
Amendments to the Treaty on Fisheries between the Government of Certain Pacific Island States and the Government of the United States of America	Kiribati, 03/24/2002		Ratified
Convention for the protection of natural resources & environment in the South Pacific (SPREP Convention)	Noumea, 11/25/1986	05/04/1987	Ratified
Protocol for the prevention of pollution in the South Pacific by dumping	Noumea, 11/25/1986	05/04/1987	Ratified
Protocol on cooperation in combating pollution emergencies in the South Pacific	Noumea, 11/25/1986	05/04/1987	Ratified
Convention on long drift nets in the South Pacific (Wellington Convention)	Wellington, 11/24/1989	11/29/1989	Signed
Niue Treaty on Cooperation in Fisheries Surveillance & Law Enforcement in the South Pacific Region (Niue Treaty)	Honiara, 07/09/1992	07/09/1992 01/10/1995	Signed Ratified
Palau Agreement for Management of the Western Pacific Purse Seine Fishery (Palau Agreement)	Palau, 10/28/1992	10/28/1992 11/28/1994	Signed Ratified
Agreement establishing South Pacific Regional Environmental Programme (SPREP)	Samoa, 06/16/1993	06/16/1993 01/13/2003	Signature Accession
Agreement establishing the Pacific Islands Forum Secretariat	Kiribati, 10/03/2000	10/03/2000 02/5/2002	Signed Ratified

Name of Treaty	Done at	Date	Status
Basic agreement concerning assistance by UNDP to Marshall Islands	Majuro, 01/14/1994	01/14/1994	Signed
Constitution of the Asia-Pacific Telecommunity	Bangkok, 03/27/1976	01/25/2005	Accession
Convention on the Conservation & Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (MHLC)	Honolulu, 09/5/2000	09/05/2000 03/30/2001	Signed Ratified
Agreement establishing the South Pacific Forum (SPF)	Pohnpei, 07/29/1991	04/15/1993	Ratified
Pacific Agreement on Closer Economic Relations (PACER)	Nauru, 08/18/2001	08/18/2001	Signed
2 HEALTH			
WHO & Marshall Islands: Basic agreement establishing technical advisory cooperation relations	Manila, 08/08/1995	08/08/1995	Ratified
Constitution of the World Health Organization	New York, 07/22/1946	06/05/1991	Accepted
WHO, Amendments to art. 24 and 25	Adopted 05/28/1959	06/05/1991	Accepted
WHO, Amendments to art. 24 and 25	Adopted 05/23/1967	06/05/1991	Accepted
WHO, Amendments to art. 24 and 25	Adopted 05/17/1976	06/05/1991	Accepted
WHO, Amendments to art. 24 and 25	Adopted 05/12/1986	06/05/1991	Accepted
WHO, Amendments to art. 34 and 55	Adopted 05/22/1973	06/05/1991	Accepted
WHO Framework on Tobacco Control	Geneva 05/21/2003	06/16/2003 12/08/2004	Signed Ratified
2.1 FOOD & AGRICULTURE			
FAO & Marshall Islands: Basic agreement establishing technical cooperation relations		09/17/1991	Signed
FAO membership		11/12/1999	
International Treaty on Plant Genetic Resources for Food and Agriculture	Rome, 2001	6/13/2002	Signed

Name of Treaty	Done at	Date	Status
2.2 NARCOTIC & PSYCHOTROPIC SUBSTANCES			
Convention on Psychotropic Substances	Vienna, 02/21/1971	08/09/1991	Accession
Single Convention on Narcotic Drugs	New York, 03/30/1961	08/09/1991	Accession
Single Convention on Narcotic Drugs, 1961, as amended by the Protocol amending the Single Convention on Narcotic Drugs, 1961	New York, 08/08/1975	08/09/1991	Accepted
3 LAW OF SEA			
UN Convention on the Law of Sea (UNCLOS)	Montego Bay, 12/10/1982	08/09/1991	Accession
Agreement relating to the implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982	New York, 07/28/1994	11/16/1994	Provisional application by virtue of signature, adoption, or accession thereto
Implementing Agreement, UNCLOS Straddling Fish Stocks	New York, 08/04/1995	12/04/1995 03/19/2003	Signed Ratified
3.1.1			

Name of Treaty	Done at	Date	Status
3.1.2 DIPLOMATIC & CONSULAR RELATIONS			
Vienna Convention on Consular Relations	Vienna, 04/24/1963	08/09/1991	Accepted
Vienna Convention on Diplomatic Relations	Vienna, 04/18/1961	08/09/1991	Accepted
Convention on Abolishing the Requirement of Legislation for Foreign Public Documents	UN/Hague, 10/05/1961	11/18/1991	Accession
3.2			
3.3 ENVIRONMENT			
Convention on Biological Diversity (CBD)			
UN Convention to Combat Desertification (UNCCD)	Paris, 06/17/1994	06/02/1998	Accession
UN Framework Convention on Climate Change (UNFCCC)	New York, 05/09/1992	06/12/1992 10/08/1992	Signed Ratified
Kyoto Protocol to the UNFCCC	Kyoto, 12/11/1997	03/17/1998 08/11/2003	Signed Ratified
Montreal Protocol on substances that deplete the Ozone Layer	Montreal, 09/16/1987	03/11/1993	Accession
Amendment to the Montreal Protocol on Ozone depletion	London, 06/29/1990	03/11/1993	Accession
Vienna Convention for the Protection of the Ozone Layer	Vienna, 03/22/1985	03/11/1993	Accession
Amendment to the Montreal Protocol on Ozone depletion	Copenhagen, 11/25/1992	05/24/1993	Accession
Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer adopted by the Ninth Meeting of the Parties	Montreal, 09/17/1997	01/27/2003	Accession

Name of Treaty	Done at	Date	Status
Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer	Beijing, 12/03/1999	05/19/2004	Accession
Cartagena Protocol on Biosafety to the Convention on Biological Diversity	Montreal, 01/29/2000	01/27/2003	Accession
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	Basel, 03/22/1989	01/27/2003	Accession
Stockholm Convention on Persistent Organic Pollutants (POPs)	Stockholm, 05/22/2001	01/27/2003	Accession
Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	Rotterdam, 09/10/1998	01/27/2003	Accession
3.4			
3.5 HUMAN RIGHTS			
Convention on the Rights of the Child (CRC)	New York, 11/20/1989	10/04/1993	Ratified
Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)	New York, 1979	03/02/06	Accession
3.6			
3.7 EDUCATION & CULTURAL MATTERS			
Constitution of the UN Educational, Scientific, and Cultural Organization (UNESCO)	London, 11/16/1945	06/30/1995	Accepted
United Nations Educational, Scientific and Cultural Organization Convention concerning the Protection of the World Cultural and Natural Heritage	Paris, 11/23/1972	04/24/2002	Accession

Name of Treaty	Done at	Date	Status
3.8 TRANSPORT & COMMUNICATIONS			
Constitution and Convention on the International Telecommunication Union (ITU)	Geneva, 12/22/1992	02/22/1996	Accession
The Tampere Convention on the Provision of Telecommunication Resources for Disaster Mitigation and Relief Operations	Finland, 06/18/1998	11/11/1998	Signed

3.9 DISARMAMENT

Convention on Chemical Weapons (CWC)	Paris, 01/13/1993	01/13/1993 05/19/2004	Signed Ratification
Comprehensive Nuclear-Test-Ban Treaty (CTBT)	New York, 09/10/1996	09/24/1996	Signed
Convention on Anti-Personnel Mines (Ottawa Treaty)	Oslo, 09/18/1997	12/04/1997	Signed
Treaty for Non-Proliferation of Nuclear Weapons (NPT)	London, Moscow, D.C. 07/01/1968	01/30/1995	Accession
Agreement between the Marshall Islands and the IAEA for the Application of Safeguards in Connection with the Treaty on the Non-Proliferation of Nuclear Weapons	New York, 05/03/2005	05/03/2005	Signed
Protocol Additional to the Agreement between the Marshall Islands and the IAEA for the application of Safeguards in connection with the Treaty on the Non-Proliferation of nuclear weapons	New York, 05/03/2005	05/03/2005	Signed

Name of Treaty	Done at	Date	Status
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3.10 INTERNATIONAL CRIMINAL COURT			
Rome Statute of the International Criminal Court (ICC)	Rome, 07/17/1998	09/06/2000	Ratified
Agreement between the Government of the U.S.A and the Government of Marshall Islands Regarding the Surrender of Persons to the International Criminal Court (ICC Article 98)	Majuro	09/18/2002	Signed
3.11 INTERATIONAL TRADE & DEVELOPMENT			
Cotonou Agreement (Agreement between ACP-EU)	Benin, 06/23/2000	11/15/2000	Ratified
ILO		2007	
IMO (International Maritime Organisation)			
Convention on the International Maritime Organization (IMO)	Geneva, 03/06/1948	03/26/1998	Accepted
IMO Convention Amendments (1991)	London, 11/07/1991	09/07/1998	Accepted
IMO Convention Amendments (1993)	London, 11/04/1993	09/07/1998	Accepted
	London, 09/28/1965	03/26/1998	Accepted
3.11.1.1 IMO, amendment to article 28			
<i>IMO, amendment to articles 17 and 18</i>	London, 09/15/1964	03/26/1998	Accepted
<i>IMO, amendment to articles 10,16,17,18,20,28,31, & 32</i>	London, 10/17/1974	03/26/1998	Accepted
<i>IMO, amendment to articles 17,18,20, and 51</i>	London, 11/15/1979	03/26/1998	Accepted
<i>IMO, amendment to Committee on Technical Cooperation</i>	London, 11/17/1977	03/26/1998	Accepted
<i>IMO, amendments to the title & substantive provisions</i>	London, 11/14/1975 and 10/09/1977	03/26/1998	Accepted
International Convention for the Safety of Life at Sea	London, 11/01/1974	04/26/1988	Accession

Name of Treaty	Done at	Date	Status
Protocol of 1978 Relating to the International Convention for the Safety of Life at Sea (SOLAS)	London, 02/11/1978	04/26/1988	Accession
Protocol of 1988 Relating to the International Convention for the Safety of Life at Sea (SOLAS)	London, 11/11/1988	10/16/1995	Accession
International Convention on Load Lines (1966)	London, 04/05/1966	04/26/1988	Accession
Protocol of 1988 Relating to the International Convention on Load Lines (1966)	London, 11/11/1988	11/29/1994	Accession
International Convention on Tonnage Measurement of Ships (1969)	London, 06/23/1969	04/25/1989	Accession
Convention on the International Regulations for Preventing Collisions at Sea (COLREGS 1972)	London, 10/20/1972	04/26/1988	Accession
International Convention for Safe Containers (1972)	Geneva, 12/02/1972	11/29/1994	Accession
1993 Amendments to the International Convention for Safe Containers (1972)	London, 11/04/1993	10/16/1995	Accession
International Convention on the Standards of Training, Certification and Watchkeeping for Seafarers (STCW 1978)	London, 07/07/1978	04/25/1989	Accession
Convention on the International Mobile Satellite Organization, as amended (INMARSAT C)	London, 01/19/1989	05/12/1997	Accession
1998 Amendments (INMARSAT C)		12/03/1999	Signatory
Operating Agreement on the International Mobile Satellite Organization (INMARSAT) as amended (INMARASAT OA)	London, 01/19/1989	05/12/1997	Signatory
1998 Amendments Relating to the Operating Agreement on the International Mobile Satellite Organization, as amended (INMARSAT OA)		12/03/1998	Signatory
Convention on Facilitation of International Maritime Traffic (FAL 1965)		11/29/1994	Accession
International Convention for the Prevention of Pollution from Ships (1973) as amended by the Protocol of 1978 (MARPOL 73/78)	London, 02/17/1978	04/26/1988	Accession
Annex III to MARPOL 73/78		04/26/1988	Signatory
Annex IV to MARPOL 73/78		04/26/1988	Signatory

Name of Treaty	Done at	Date	Status
Annex V to MARPOL 73/78		04/26/1988	Signatory
MARPOL Protocol 1997 (Annex VI)	09/26/1997	03/07/2002	Accession
International Convention Relating to Intervention on the High Sea in Cases of Oil Pollution Casualties	Brussels, 11/29/1969	10/16/1995	Accession
Protocol relating to Intervention on High Seas in Cases of Pollution by Substances Other than Oil (1973)	London, 11/02/1973	10/16/1995	Accession
Convention Relating to the Carriage of Passengers and their Luggage by Sea (PAL 1974)	Athens, 12/13/1974	11/29/1994	Accession
Protocol to the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea (PAL PROT 76)	London, 11/19/1976	11/29/1994	Accession
Convention on the Limitation of Liability for Maritime Claims (1976)	London, 11/19/1976	11/29/1994	Accession
*Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (SUA 1988)	Rome, 03/10/1988	11/29/1994	Accession
*Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf (SUA PROT 1988)	Rome, 03/10/1988	10/16/1995	Accession
International Convention on Salvage (1989)	London, 04/28/1989	10/16/1995	Accession
International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC 1990)	London, 11/30/1990	10/16/1995	Accession
Protocol to the International Convention on Civil Liability for Oil Pollution Damage (1976)	London, 11/19/1976	01/24/1994	Accession
International Convention on Civil Liability for Oil Pollution Damage	Brussels, 11/29/1969	1/24/1994	Accession
Protocol amending International Convention on Civil Liability for Oil Pollution (1992)	London, 11/27/1992	10/16/1995	Accession
International Convention on the Establishment of an International Fund for Compensation for Oil Pollution	Brussels, 12/18/1971	11/30/1994	Accession

Name of Treaty	Done at	Date	Status
Protocol to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (FUND PROT 76)	London, 11/19/1976	10/16/1995	Accession
Protocol of 1992 to Amend the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (FUND PROT 92)	London, 11/27/1992	10/16/1995	Accession
Convention on the Statute on International Regime of Maritime Ports	Geneva, 12/09/1923	02/02/1994	Accepted
3.12 NAVIGATION			
*Convention on Offences & Certain Other Acts Committed on Board Aircraft	Tokyo, 09/14/1963	05/15/1989	Accession
*Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation	Montreal, 09/23/1971	05/31/1989	Accession
Convention on International Civil Aviation	Chicago, 12/07/1944	03/18/1988	Adherence
*Convention for the Suppression of Unlawful Seizure of Aircrafts	Hague, 12/16/1970	05/31/1989	Accession
*Protocol on the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against Civil Aviation	Montreal, 02/24/1988	06/23/1988 05/30/1989	Signed Ratified
3.13 ANTI-TERRORISM CONVENTIONS (*)			
Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, including Diplomatic Agents	New York, 12/14/1973	01/27/2003	Accession
International Convention Against the Taking of Hostages	New York, 12/17/1979	01/27/2003	Accession

Name of Treaty	Done at	Date	Status
3.14 International Convention for the Suppression of the Financing of Terrorism	New York, 12/09/1999	01/27/2003	Accession
International Convention for the Suppression of Terrorist Bombings	New York, 12/15/1997	01/27/2003	Accession
Convention on Physical Protection of Nuclear Material	Vienna, 10/26/1979	02/07/2003	Accession
Convention on the Marking of Plastic Explosives for the Purpose of Detection	Montreal, 03/01/1991	02/06/2003	Accession
1949 GENEVA CONVENTIONS			
Geneva Convention for the Amelioration of the Condition of the wounded and sick in Armed Forces in the Field (the First Convention)	Geneva, 08/12/1949	06/01/2004	Accession
Geneva Convention for the Amelioration of the Condition of Wounded, Sick, and Shipwrecked members of Armed Forces at Sea (the Second Convention)	Geneva, 08/12/1949	06/01/2004	Accession
Geneva Convention relative to the Treatment of Prisoners of War (the Third Convention)	Geneva, 08/12/1949	06/01/2004	Accession
Geneva Convention relative to the Protection of Civilian Persons in time of War (the Fourth Convention)	Geneva, 08/12/1949	06/01/2004	Accession

Annex 8a: Table of macroeconomic indicators

	2000	2001	2002	2003	2004	2005	2006	2007	
Basic data									
1	Population	51,730	52,635	53,556	54,493	55,447	56,417	57,405	58,403
	- annual change in %	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
2a	Nominal GDP (in millions US\$)	107	110	121	126	133	137		
2b	Nominal GDP per capita (in US\$)	2084	2101	2260	2324	2406	2441		
2c	- annual change in %	1.7	0.8	7.5	2.9	3.5	1.5		
3	Real GDP (annual change in %)	5.6	2.6	4.5	4.2	4.7	1.4		
4	Gross fixed capital formation (in % of GDP)								
International transactions									
5	Exports of goods and services (in % of GDP)	6.8	7.9	8.6	9.2	11.1	11.6	11.4	
	- of which the most important: ... (in % of GDP)								
6	Trade balance (in % of GDP)	-58.5	-67.1	-59.6	-47.7	-49.4	-42.4	-48	
7	Current account balance (in % of GDP)	10	14.6	14.4	20.5	12	6.2		
8	Net inflows of foreign direct investment (in % of GDP)	0.1	0.1	0.1	-1.5	0.1	1.5		
9	External debt (in % of GDP)	83%	71%	72%	73%	72%	67%	69%	
10	Service of external debt (in % of exports of goods and non-factor services)								
11	Foreign exchange reserves (in months of imports of goods and non-factor services)								
Government									
12	Revenues (in % of GDP)	65.2	68.4	62.7	63.7	55.1	57		
	- of which: grants (in % of GDP)	43.7	48.6	41.1	41.8	30.9	32.4		
13	Expenditure (in % of GDP)	57.2	60.3	71.2	65.3	56.4	59.7		
	- of which: capital expenditure (in % of GDP)	10.7	16.2	13.4	10.5	8.1	8.5		
14a	Deficit (in % of GDP) including grants								
14b	Deficit (in % of GDP) excluding grants								
15	Debt (in % of GDP)								
	- of which: external (in % of total public debt)								
Other									
16	Consumer price inflation (annual average change in %)	0.9	1.9	-0.4	-0.9	2.0	3.5		
17	Interest rate (for money, annual rate in %)								
18	Exchange rate (annual average of national currency per 1 €)								
		As per USD							
19	Unemployment (in % of labour force, ILO definition)								
20	Employment in agriculture (in % of total employment)								

Annex 8b: National Accounts

RMI GDP Aggregates	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Thousands of US dollars									
	Fiscal Year (October to September)								
Nominal GDP (Gross)	106,106	107,427	104,201	107,817	110,609	121,020	126,664	133,393	137,713
Annual change		1.2%	-3.0%	3.5%	2.6%	9.4%	4.7%	5.3%	3.2%
Memo item: excl. offshore fishing surplus	103,526	104,660	101,165	104,186	107,056	116,675	122,764	129,449	133,437
Annual change		1.1%	-3.3%	3.0%	2.8%	9.0%	5.2%	5.4%	3.1%
Population	49,348	50,089	50,840	51,730	52,635	53,556	54,493	55,447	56,417
GDP per Capita (US\$)	2,150	2,145	2,050	2,084	2,101	2,260	2,324	2,406	2,441
Annual change		-0.3%	-4.4%	1.7%	0.8%	7.5%	2.9%	3.5%	1.5%
Real GDP (2000 dollars)	109,538	105,299	102,089	107,817	110,567	115,492	120,346	126,012	127,738
Annual change		-3.9%	-3.0%	5.6%	2.6%	4.5%	4.2%	4.7%	1.4%
Implicit GDP Price Deflator	96.9	102.0	102.1	100.0	100.0	104.8	105.2	105.9	107.8
Real GDP per Capita (US\$ 2000)	2,220	2,102	2,008	2,084	2,101	2,156	2,208	2,273	2,264
Annual change		-5.3%	-4.5%	3.8%	0.8%	2.7%	2.4%	2.9%	-0.4%
<i>Memo Item: Labour Income from Kwajalein base and foreign embassies</i>	13,353	14,113	15,628	17,743	18,566	17,814	18,720	18,619	19,624

RMI GDP by Income component over Financial Years

Thousands of US dollars (\$000)	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Compensation of employees	61,568	61,508	62,056	65,335	69,696	73,364	76,561	79,995	83,809
Operating surplus (Gross before depreciation)	21,205	24,028	20,467	23,076	22,575	29,477	29,113	30,894	27,386
Household mixed income	3,684	2,540	2,773	2,996	2,828	2,382	2,946	3,179	3,276
Indirect taxes less Subsidies	11,009	11,350	10,786	9,340	8,252	9,611	11,073	11,898	15,567
Less bank service charge	-4,888	-5,198	-5,516	-6,594	-7,033	-8,251	-7,383	-7,476	-8,017
Total Monetary	92,579	94,229	90,566	94,155	96,319	106,583	112,311	118,491	122,022
Percentage Monetary	87.3%	87.7%	86.9%	87.3%	87.1%	88.1%	88.7%	88.8%	88.6%
Household subsistence	6,662	6,750	7,027	6,878	7,259	7,312	7,172	7,447	7,841
Owner occupied housing	6,865	6,449	6,608	6,784	7,031	7,125	7,181	7,456	7,850

Total Non-Monetary	13,527	13,199	13,635	13,662	14,290	14,437	14,353	14,903	15,691
Percentage Non-Monetary	12.7%	12.3%	13.1%	12.7%	12.9%	11.9%	11.3%	11.2%	11.4%

Source: EPPSO

RMI GDP by Institutional Sector and Income component over Financial Years

Thousands of US dollars (\$000)	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Private Enterprise									
Compensation of employees	16,951	16,866	17,210	18,266	20,060	19,849	18,853	18,452	18,123
Operating surplus (gross)	12,541	11,979	11,495	13,442	12,971	13,313	15,091	18,099	16,893
Offshore fishing surplus (1)	3,184	2,840	0	879	926	3,399	4,338	4,822	5,209
Public Enterprise									
Compensation of employees	7,780	7,763	7,455	7,940	8,069	8,098	9,180	9,125	9,271
Operating surplus (gross)	2,900	6,443	5,936	5,124	5,126	8,420	5,783	4,029	1,007
Less Subsidies	-2,308	-2,639	-1,368	-1,993	-2,609	-3,531	-3,190	-2,488	-1,800
Finance (Banks)									
Compensation of employees	1,520	1,614	1,758	1,833	2,108	2,354	2,265	2,487	2,907
Operating surplus (gross)	2,580	2,767	3,035	3,631	3,553	4,346	3,901	3,945	4,277
Government (compensation of employees)									
RMI Government	22,041	20,736	19,204	19,446	20,779	23,523	26,842	30,385	33,396
Government Agencies	4,720	5,774	7,112	7,828	8,568	9,358	9,507	9,192	9,342
Local Government	6,891	7,114	7,574	8,234	8,175	8,164	7,846	8,221	8,634
NGOs (compensation of employees)	1,664	1,642	1,744	1,789	1,937	2,018	2,069	2,134	2,137
Households									
Mixed Income									
Copra production	2,062	821	1,007	1,183	949	478	1,027	1,186	1,178
Fishing	523	556	571	586	607	615	620	644	678
Handicrafts	899	954	980	1,006	1,042	1,056	1,065	1,105	1,164
Other	200	209	216	222	230	233	235	244	257
Subsistence	6,662	6,750	7,027	6,878	7,259	7,312	7,172	7,447	7,841
Home Ownership	6,865	6,449	6,608	6,784	7,031	7,125	7,181	7,456	7,850
Indirect taxes									
Import and fuel taxes (REPMAR)	7,810	8,335	6,227	4,523	4,451	6,323	7,040	6,681	8,830
Other Indirect taxes (REPMAR)	2,756	2,672	2,569	3,227	2,980	3,100	3,528	4,133	3,981
Indirect taxes (Local Government)	2,751	2,981	3,359	3,583	3,430	3,719	3,696	3,573	4,556
Less bank service charge	-4,888	-5,198	-5,516	-6,594	-7,033	-8,251	-7,383	-7,476	-8,017

Annex 9

Millennium Development Goals

Goal 1: Eradicate extreme poverty and hunger	Indicators	Status in Marshall Islands
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	Proportion of population below \$1 per day (PPP values) Poverty gap ratio (incidence x depth of poverty) Share of poorest quintile in national consumption	- National 20%; Rural 65%, (1999) - N/A - <5% (1999)
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	Prevalence of underweight children (under five years of age) Proportion of population below minimum level of dietary consumption	19% (1991); 27% (1997), National Nutrition Pilot Survey N/A, but small (2002 survey indicates 43% of population obese and further 35% overweight)
Goal 2: Achieve Universal Primary Education		
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Net enrolment ratio in primary education 1999 Proportion of pupils starting Year 1 who reach Year 6 Literacy rate of 15-24 year olds (completing primary 1999)	- 84.1% (enrolled children in 6 – 13 age group) - 90% (1999 est) - 98.3%; Females, 98.4%; Males, 98.3%
Goal 3: Promote gender equality and empower women		
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005, and to all levels of education by 2015	Ratio of girls to boys in primary, secondary and tertiary education Ratio of literate females to males of 15-24 year olds Share of women in wage employment in the non-agricultural sector Proportion of seats held by women in national parliament	- Primary: 97%; Secondary: 97%; Tertiary: 82% 1:1 31% one in 33
Goal 4: Reduce child mortality		
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	Under-five mortality rate Infant mortality rate	- 93 (1988); 48 (1999) Infant mortality rate has fallen from 63/1000 live births in 1988 to 37 in

	Proportion of 1 year old children immunised against measles	1999 80% (2001) up from 70% (1998)
Goal 5: Improve maternal health		
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate	Maternal mortality ratio (per 100,000 live births) Proportion of births attended by skilled health personnel	- N/A - Urban 100%; Rural: not available
Goal 6: Combat HIV/AIDS, malaria and other diseases		
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	HIV prevalence among 15-24 year old pregnant women Contraceptive prevalence rate Number of children orphaned by HIV/AIDS	- Nil - Estimated 37% (2001) up from 25% (1996) - Nil
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	Prevalence and death rates associated with malaria Proportion of population in malaria risk areas using effective malaria prevention and treatment measures Prevalence and death rates associated with tuberculosis, rate per 100000 population Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)	- Nil Nil - 133.7 (2001, up from 107.3 (1995)) - 82%, (2001)
Goal 7: Ensure Environmental Sustainability		
Target 9: Integrate principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	Proportion of land area covered by forest Land area protected to maintain biological diversity GDP per unit of energy use (as proxy for energy efficiency) Carbon dioxide emissions (per capita)	- Nil - No national parks but a number of protected areas N/A - N/A
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water	Proportion of population with sustainable access to an improved water source (piped to household or village standpipe) (1999 census)	- national, 14.3%; urban, 20.4%; outer island, <1%
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	Proportion of people with access to improved sanitation (flush, water seal or VIP) (1999 census) Proportion of people with access to secure tenure	- national, 75.6%; urban, 90.3%; outer island, 42.3%, - Almost all land is held under customary land tenure by hereditary

		chiefs, who provide most people with access to land for subsistence purposes under a tithe or rental system.
Goal 87: Develop a Global Partnership for Development		
Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system – includes a commitment to good governance, development and poverty reduction – both nationally and internationally	Official development assistance Net ODA as percentage of DAC donors' GNI (targets of 0.7% in total and 0.15% for LDCs) Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation) Proportion of ODA that is untied Proportion of ODA for environment in small island developing states Proportion of ODA for transport in land-locked countries	- N/A N/A - N/A - N/A - N/A
Target 13: Address the Special Needs of the Least developed Countries – includes tariff and quota-free access for LDC exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction	Market access Proportion of exports (by value and excluding arms) admitted free of duties and quotas Average tariffs and quotas on agricultural products, textiles and clothing Domestic and export agricultural subsidies in OECD countries Proportion of ODA provided to help build trade capacity	- N/A - N/A N/A - N/A
Target 14: Address the Special Needs of land-locked and small island developing states (through Barbados Programme and 22nd General Assembly Provisions)		- N/A
Target 15: Deal comprehensively with the debt problems of developing countries	Debt Sustainability Proportion of official bilateral HIPC debt cancelled	- N/A

⁷ The selection of indicators for Goals 7 & 8 is subject to further refinement

through national and international measures in order to make debt sustainable in the long term	Debt service as percentage of exports of goods and services (2000/01) Proportion of ODA provided as debt relief Number of countries reaching HIPC decision and completion points	- 160% - but budgeted to decrease to < 7% in medium term - None - N/A
Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth	Unemployment rate of 15-24 year olds (1999)	- 62.6%; male 59.8%; female 67.0%
Target 17: In co-operation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	Proportion of population with access to affordable essential drugs on a sustainable basis	- National 75%
Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications	Telephone lines per 1000 people Personal computers per 1000 people	- 78 (2001) – fixed plus mobile lines - N/A but 472 internet subscribers to ISP in 2001

Annex 10
Summary Poverty Profile

1. Poverty Measures) <ul style="list-style-type: none"> • National Poverty Line Head Count Index % • US\$1 day 1993 PPP in 1999 Head Count Index - Outer Islands % • Poverty Gap Ratio • Poverty Severity Index 	Not yet available US\$1.19 65% Not yet available	6. Vulnerability Indicators <ul style="list-style-type: none"> • CVI • PDMC Rank • Foreign Grants % of GDP – 2000/01 • Exports % of GDP - 2000/01 • Imports % of GDP - 2000/01 • Import: Export ratio - 2000/01 • Out-migration Significant • Remittances Significant 	N/A N/A 59.9 10.0 48.1 4.8 : 1 Yes No
2. Development Progress Indicators <ul style="list-style-type: none"> • HDI • PDMC Rank • HPI • PDMC Rank 	0.563 8 18.7 8	7. Basic Education <ul style="list-style-type: none"> • Adult Literacy Rate % 1999 • CGER Primary % 2001 • Secondary % 2001 • Expenditure on Education (2000/01) % of GDP • Per Pupil all schools (2000/01) 	98.3 105.0 47.1 11.3 US\$52 2
3. Inequality Measures (1999) <ul style="list-style-type: none"> • GINI Coefficient • Household Income Ratio (H25/L25) • National • Outer Islands • Average HH Income – National • H25 • L25 • Average HH Income – Outer Islands • H25 • L25 	N/A 22:1 20:1 US\$27,8 21 US\$1,25 8 US\$9,87 6 US\$499	8. Primary Health and Nutrition (1999) <ul style="list-style-type: none"> • Life Expectancy at Birth • Male:Female • Infant Mortality Rate (1000 births) • Pop'n with access to safe water % • Population per Doctor (2002) • TB cases per 100,000 pop (2001) • Immunization Coverage (DPT) (2000) • Expenditure on Health (2000/01) % of GDP • Per capita 2000/01 	67.5 65.7:69 .4 37 82 1770 134 80 5.8 US\$20 4
4. Population and Households (1999 Census) <ul style="list-style-type: none"> • Population 1999 • 2002 est • Population Net Growth Rate • Annual average % 1988 - 99 • Dependency Ratio: National • Outer island • Average Household Size • (census) • Urban Areas • Outer islands • Average Household Size 	50,900 53,100 1.5 0.8 1.0 7.8 8.1 7.4 11+	9. Gender Issues <ul style="list-style-type: none"> • GDI • PDMC Rank • Total Fertility Rate (1999) • Contraceptive Prevalence % (2000) • Maternal Mortality Rate (per 100000 births, 2000) • Life Expectancy Gender Gap (F-M) • Female Literacy Rate % • Female CGER % (1999) • Women in paid employment % 	N/A N/A 5.7 37 N/A 3.7 years 98.4 72 30.6 1

Poor Non-Poor	< 8	▪ Women in Government (# of seats)	
5. The Economy		10. Governance	
▪ Real GDP Growth 97/98–00/01 % pa	0.6	▪ % of Formal Employment (1999)	24
▪ GDP per capita 2000/01 Constant 1991 Prices	US\$1187	▪ Public Service	
Current Prices	US\$1945	▪ Current Expenditure % (2000/01)	21.0
▪ Sectoral Shares (as % of GDP 2000/01)	13.8	Education	10.8
Agriculture & Fishing	16.0	Health	4.7
Secondary	69.0	Agriculture & Fishing	43.0
Tertiary	1.7	▪ Primary Education expenditure (2000/01) % of total	64.0
▪ Inflation end 2001 %	US\$1	▪ Private Sector % of GDP	No
▪ US\$ Exchange Rate (31/12/01)	20.0	▪ Participation in Local Govt Budget	Yes
▪ % of Labour Force in subsistence (1999)	25.5	▪ Published Economic Strategy/Plan	Yes
▪ Debt Servicing % of GDP (2000/01)		▪ Democratically Elected National Govt	No
		▪ Democratically Elected Local Govt	
		▪ Ombudsman	

Annex 1a: List of acronyms

ACP	Africa, Caribbean, Pacific
ADB	Asian Development Bank
AusAID	Australia Agency for International Development
CEDAW	(UN) Convention on the Elimination of all forms of Discrimination Against Women
CSP	Country Strategy Paper
EC	European Community
ECHO	European Commission's Office for Humanitarian Assistance
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FSM	Federated States of Micronesia
HDI	Human Development Index
kWh	kilo Watt hours
MDG	Millennium Development goals
NCD	Non-communicable diseases
NIP	National Indicative Programme
NSA	Non State Actors
NZAID	New Zealand Assistance for International Development
NSDP	National Sustainable Development Plan
NGO	Non Government Organisation
OECD	Organisation for Economic Cooperation and Development
OPM	Office of the Prime Minister
PIAF	Pacific Islands Aids Foundation
PIC	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PIERS	Pacific Islands Economic Report (ADB document)
PM	Prime Minister
RMI	Republic of Marshall Islands
TA	Technical Assistant
TCF	Technical Cooperation Facility
UNFPA	United Nations Population Fund
WSSD	World Summit on Sustainable Development

RMI: annex 3B – Governance commitments

	Governance area	Prospective commitments
1.	Political democratic governance	
	- Human rights	
	- Fundamental freedoms	
	- Electoral process	
	- Principles of constitutional democracy	
2.	Political governance - rule of law	
	- Judicial and law enforcement system	
3.	Control of corruption	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.
4.	Government effectiveness	
	- Institutional capacity	Improved effectiveness to administer and implement development assistance initiatives, especially the EDF.
	- Public finance management	
5.	Economic governance	
	- Private sector/market friendly policies	
	- Management of natural resources	A revised national energy policy adopted, with implementation commenced by July 2010.
6.	Internal and external security	
	- Internal stability / conflict	
	- External threats and global security	
7.	Social governance	
8.	International and regional context	
	- Regional integration	
	- Involvement in regional peer review mechanisms (e.g. APRM)	
	- Migration	
9	Quality of partnership	
	-Political dialogue	
	-Programming dialogue	
	-Non state actors	