*Republic of the Marshall Islands*

# Fiscal Year 2009 Economic Review

*August 2010*

US Department of the Interior
Office of Insular Affairs

GRADUATE SCHOOL
PACIFIC ISLANDS TRAINING INITIATIVE
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## CURRENCY EQUIVALENTS

| | | |
|---|---|---|
| Currency Unit | – | United States Dollar (US$) |

## ABBREVIATIONS

| | | |
|---|---|---|
| ADB | — | Asian Development Bank |
| Amended Compact | — | Second Phase of the Compact, FY2004–FY2023 |
| AMI | — | Air Marshall Islands |
| BoP | — | Balance of Payments |
| c.i.f. | — | Cost, insurance and freight |
| CIP | — | Capital Improvement Project |
| Compact | — | RMI Compact of Free Association with the United States |
| Compact I | — | First 17 years of the Compact, FY1987–FY2003 |
| CPI | — | Consumer Price Index |
| CTF | — | Compact Trust Fund |
| CMI | — | College of the Marshall Islands |
| DoRC | — | Division of Revenue and Customs |
| EPA | — | Environmental Protection Agency |
| EPPSO | — | Economic Policy, Planning, and Statistics Office |
| EEZ | — | Exclusive Economic Zone |
| f.o.b. | — | Free on board |
| FDI | — | Foreign Direct Investment |
| FMS | — | Financial Management System |
| FSM | — | Federated States of Micronesia |
| GDP | — | Gross Domestic Product |
| GNI | — | Gross National Income |
| GNDI | — | Gross National Disposable Income |
| IMF | — | International Monetary Fund |
| JEMFAC | — | Joint Economic Management and Financial Accountability Committee |
| KAJUR | — | Kwajalein Atoll Joint Utilities Resources |
| KALGOV | — | Kwajalein Atoll Local Government |
| MALGOV | — | Majuro Atoll Local Government |
| MEC | — | Marshalls Energy Company |
| MTN | — | Medium Term Notes (Compact-backed bonds) |
| MIDA | — | Marshall Islands Development Authority |
| MIDB | — | Marshall Islands Development Bank |
| MIITF | — | Marshall Islands Intergenerational Trust Fund |
| MIMRA | — | Marshall Islands Marine Resources Authority |

| | | |
|---|---|---|
| MISC | — | Marshall Islands Shipping Corporation |
| MISSA | — | Marshall Islands Social Security Administration |
| MIVA | — | Marshall Islands Visitors Authority |
| MoF | — | Ministry of Finance |
| MoE | — | Ministry of Education |
| MoH | — | Ministry of Health |
| MoJ | — | Ministry of Justice |
| MoPW | — | Ministry of Public Works |
| MoTC | — | Ministry of Transport and Communications |
| MTBI | — | Medium Term Budget Investment Framework |
| NESS | — | National Economic and Social Summit |
| NGO | — | Nongovernmental Organization |
| NTA | — | National Telecommunications Authority |
| PIER | — | Pacific Island Economic Report |
| PM&O | — | Philippines Micronesia and Orient Line |
| PMOP | — | PM&O Processing Plant |
| PSRP | — | Public Sector Reform Program |
| R&D | — | Ministry of Resources and Development |
| RIF | — | Reduction in Force |
| ROC | — | Republic of China |
| RMI | — | Republic of the Marshall Islands |
| SOE | — | State Owned Enterprises |
| TA | — | Technical Assistance |
| U.S. | — | United States |
| USDA | — | U.S. Department of Agriculture |
| VAT | — | Value Added Tax |

## NOTE

The RMI government's fiscal year (FY) ends on September 30.

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# FOREWORD

This report has been prepared to assist the Government of the Republic of the Marshall Islands (RMI) and U.S. Department of Interior in fulfilling their respective reporting obligations under the Compact of Free Association with the United States. In the case of the RMI, the nation is required, under Title One, Section 215, to report to the U.S. President on the use of sector grant assistance and on progress in meeting mutually agreed program and economic goals. In the case of the U.S, under Title One, Section 104.h, the President is required to submit a similar report to the Congress concerning developments in the RMI.

This report has been prepared under a grant from the Department of Interior and is administered through the Graduate School. However, it is not intended to directly fulfill the reporting requirements of the two governments but rather to assess RMI's economic performance and policy environment and to present a set of economic statistics. Much of the material will be directly relevant to the two reports. However, the reporting requirements of the two governments are different; thus, not all the material will be relevant to both reports.

The report contains two sections: (i) a description of economic developments in the RMI; and (ii) a discussion of policy developments, prospects and issues. The descriptive section takes a standard macroeconomic approach and includes economic growth and employment; monetary developments and prices; the external sector; and fiscal developments. The policy discussions review key topical areas, rather than undertaking a comprehensive policy review. Discussion focuses on fiscal issues and policy, public sector reform, and private sector development. Following the descriptive and analytical sections, there is a comprehensive set of economic statistics.

This report and statistical appendix have been prepared by a team: Mark Sturton, Ben Graham, Glenn Mckinlay and Anna Lennblad. Mark Sturton, with support from Ben Graham, prepared the economic report, while Glenn McKinlay coordinated the statistics, assisted by Anna Lennblad, who compiled the external sector statistics. Thanks to Casten Nemra, Chief Secretary, Geelong Bing, Maybelline Bing and staff of EPSSO; to Junior Patrick, Jemi Nashion and Bruce Billimon of the Ministry of Finance; and David Paul of MEC, who all supported the preparation of the report and statistical appendix.

This report is available online at http://www.pitiviti.org.

# I. Background and Summary

## 1. Background

This report has been prepared to assist both the RMI Government and the United States in fulfilling their respective obligations under the Compact of Free Association with the United States. In the case of the RMI, the amended Compact states, under Title One, Section 215 that:

> *"The Government of the Republic of the Marshall Islands shall report annually to the President of the United States on the use of United States sector grant assistance and other assistance and progress in meeting mutually agreed program and economic goals. The Joint Economic Management and Financial Accountability Committee shall review and comment on the report and make appropriate recommendations based thereon."*

In the case of the United States, the President is required to submit, to the Congress, a similar report on economic developments in the RMI:

> *(1) REPORT BY THE PRESIDENT. Not later than the end of the first full calendar year following enactment of this resolution, and not later than December 31 of each year thereafter, the President shall report to Congress regarding the Federated States of Micronesia and the Republic of the Marshall Islands, including but not limited to—*
>
> *(A) general social, political, and economic conditions, including estimates of economic growth, per capita income, and migration rates;*
>
> *(B) the use and effectiveness of United States financial, program, and technical assistance;*
>
> *(C) the status of economic policy reforms including but not limited to progress toward establishing self-sufficient tax rates;*
>
> *(D) the status of the efforts to increase investment including: the rate of infrastructure investment of U.S. financial assistance under the U.S.-FSM Compact and the U.S.-RMI Compact; non-U.S. contributions to the trust funds, and the level of private investment; and*
>
> *(E) recommendations on ways to increase the effectiveness of United States assistance and to meet overall economic performance objectives, including, if appropriate, recommendations to Congress to adjust the inflation rate or to adjust the contributions to the Trust Funds based on non-U.S. contributions.*

The report contains two main parts: a review of economic developments and a section on policy developments, prospects, and issues. While this report relates to Fiscal Year 2009, analysis of developments in that year alone would provide a limited and one-sided view. The approach has been rather to review developments in a broader context so that a more informed assessment can be made. The review of economic developments follows a standard macroeconomic approach: growth and employment; monetary developments and prices; the balance of payments and external debt; and fiscal developments. The policy, prospects, and issues part of the report covers selected topical issues and is not intended to review the whole range of public and private sector policies. The first section includes discussion of fiscal issues and includes trends in public sector payroll, external debt management, the operations of state owned enterprises, and the viability of the Compact Trust Fund. The next section relates to appropriate considerations in the design of fiscal policy and implementation. The third section describes recent public sector reform initiatives: the Comprehensive Adjustment Program (CAP), the Tax and Revenue Reform and Modernization Commission (TRAM), and lastly the ADB Public Sector Program (PSP). A final brief section deals with the need for private sector development.

### 2. SUMMARY

During the first four years of the amended Compact, the economy of the Marshall Islands has experienced sustained growth, averaging 2.6% per annum. However, the economic expansion has largely been based on substantial increases in grant assistance from the United States and the Republic of China. Initial usage of Compact funds was constrained by capacity limitations in adaptation to the new fiscal procedures, but by FY2007 these had largely been overcome. In FY2008 the expansion in the economy came to an end, with the onset of the world recession and rapidly rising food and fuel prices. The economy contracted by 1.6% in FY2008 and again in FY2009 by a further 2.1%. Employment grew strongly at the end of the 1990s and early 2000s but has largely stagnated during the initial years of the amended Compact. The lack of gainful employment opportunities has encouraged Marshall Islanders to seek jobs in the U.S., and outmigration has averaged 1.7% during the first six years of the amended Compact.

Expansionary fiscal policy was the main driving force behind the economic growth at the start of the amended Compact. Public expenditures grew by an annual average rate of 12% between FY2003 and FY2007, and employment in the public sector has expanded by 521 jobs (35%) since FY1999 and 13% since the start of the amended Compact. The various forces that permitted the rapid expansion came to a halt in FY2007, and as the increasing expenditures hit their ceilings, the nation was in a very fiscally stressed position, with the government suffering a tight cash flow. In addition, debt service on ADB loans had grown significantly as grace periods on prior debt expired. Further, subsidies to state owned enterprises had reached very high levels, exceeding 30% of general fund revenues. This situation was exacerbated by weak management at the Marshal Energy Company (MEC), rising world energy prices, and increasing competition from high-seas fuel distributors. The financial crisis of the MEC required continuing cash injections from the government to sustain electricity production and threatened the fiscal stability of the nation. Looking forward, fiscal pressure will continue to grow as the annual decrement and lack of full indexation in the Compact sector grants erode the capacity of the government to maintain real service levels.

The Trust Fund for the People of the RMI was created "to contribute to the long-term budgetary self-reliance of the RMI… [and] to provide the Government of the RMI with an ongoing source of revenue after FY2023." The U.S. Government has made it clear that neither the terms of the amended Compact nor the terms of the Trust Fund Agreement make any guarantee, or even a commitment, that the Trust Fund will be able to sustainably achieve distributions of a size required to maintain the real value of the annual sector grants after 2023. However, the Trust Fund Agreement specifies a withdrawal rule that is precisely based upon the FY2023 annual grant assistance level plus full inflation. If the returns in a post-2024 year are insufficient and if the "C" account, established as a buffer, is empty, the RMI would suffer a severe fiscal shock. Zero funds would be made available for budgetary or investment support in such an event. For this and several other compelling reasons, it makes sense for the RMI and the U.S. to consider modifications to Trust Fund Agreement to correct the poorly specified buffer account and withdrawal rules embedded in the Trust Fund Agreement so as to reduce the risk of a fiscal shock of such immense proportions. Such an effort should also correct the flaw that leaves only the nominal value of the Trust Fund protected, despite the fact that the parties almost assuredly thought they were designing a Trust Fund mechanism that would protect the real (inflation-adjusted) value of the *corpus*.

It is also imperative that the RMI Government make every effort to assess the Trust Fund's performance against a sensible goal. That sensible goal is taken to be the sufficiency of the Trust Fund to support a "smooth and sustainable transition" from direct, U.S.-appropriated, annual grants to annual Trust Fund distributions to the RMI. The terminal condition for sufficiency of the Trust Fund is projected to be $737 million at the outset of FY2024. Comparing actual performance to a smooth trend line signifying "on-track" performance, the Trust Fund would have reached $133.4 million as of June 30, 2010; however, the actual value was just $101.4 million. If the returns from this date forward were to average the trend line rate of 7.87% annually, the final value of the fund at the outset of FY2024 would be just 88% of the target level, falling short by $87 million. To offset this trend to date, the investment return required for the remaining 13.25 years of the amended Compact period is estimated at an annually compounded rate of return of 9.24%. This "catch-up" rate of return remains achievable, though by no means assured. To achieve such a return, given the current investment policy established by the RMI Trust Fund Committee, would require market returns in excess of asset class-weighted historical returns.

In a realization of the economic and financial circumstances facing the nation, the RMI leadership initiated a series of reforms. The Comprehensive Adjustment Program (CAP) Advisory Group and Tax and Revenue Reform and Modernization Commission (TRAM) were created, and the reports of both of these groups were endorsed by the Cabinet. A report on the SOE sector was initiated, and the MEC adopted a comprehensive recovery program. The ADB will support these reform efforts through a Public Sector Program, including loan finance to refinance the external debt of the MEC. However, all of these initiatives now require the political will to implement the reforms that have been endorsed. Reduction of an oversized public service corps and introduction of a modern tax regime are not popular measures, especially with elections looming. While the current focus on the public sector is appropriate, attention will need to switch in the longer-term to engendering an environment conducive to private sector initiative, if the economy is to provide an increasing level of welfare to its citizens.

# II. Review of Economic Developments

## A. Growth and Employment

### 1. GDP, Growth, and Structural Change

1. Analysis of the RMI economy is based on the national accounts series for the FY1997–FY2009 period, and Fig. 1 indicates recent trends in constant price GDP. There are three distinct periods of economic performance: first, a depressed state in the late 1990s, with negative rates of growth, a more expansionary era in the first part of the 2000s, and most lately, a phase of economic contraction. The late 1990s were marked by an extended period of contraction and fiscal instability resulting from the reduction in Compact grants to fund government operations and the need to repay bonds issued in the early 90s. A Public Sector Reform Program (PSRP) was initiated with assistance from the Asian Development Bank (ADB), to assist with the fiscal adjustment. A reduction in force was the major component of the reforms intended to reduce the cost of government. There were further objectives: to improve tax administration, reform public enterprises, and improve the environment for the private sector, among others. While the PSRP of the late 90s is now more than 10 years behind, it remains especially relevant to the current circumstances facing the RMI.

2. By the start of FY2000 circumstances began to improve. In 1999, the RMI recognized the ROC and was to receive $10 million annually in grant assistance. This signifi-

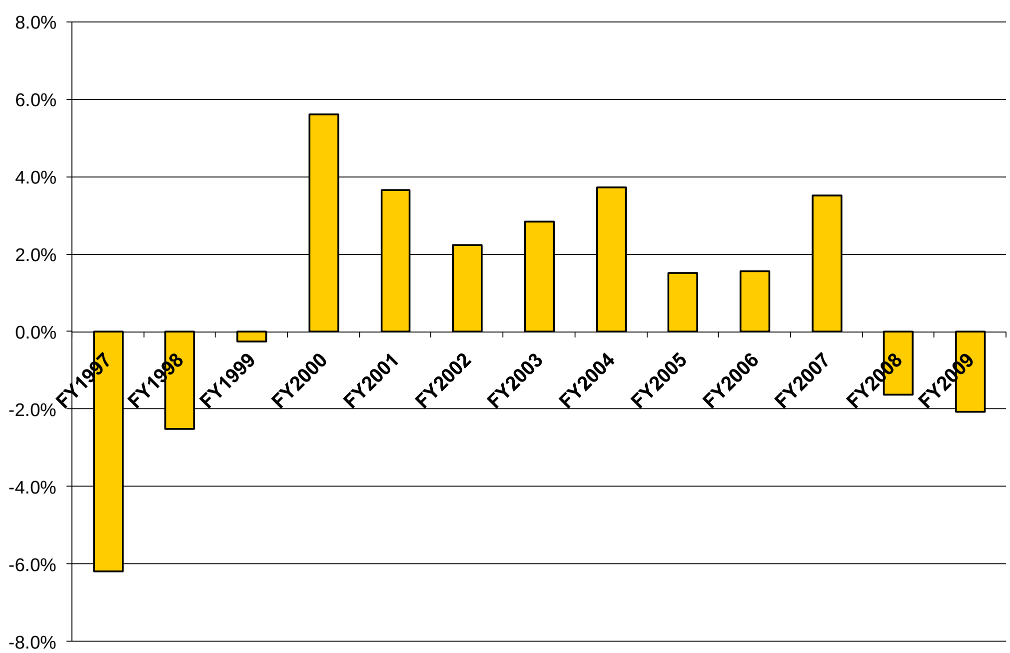


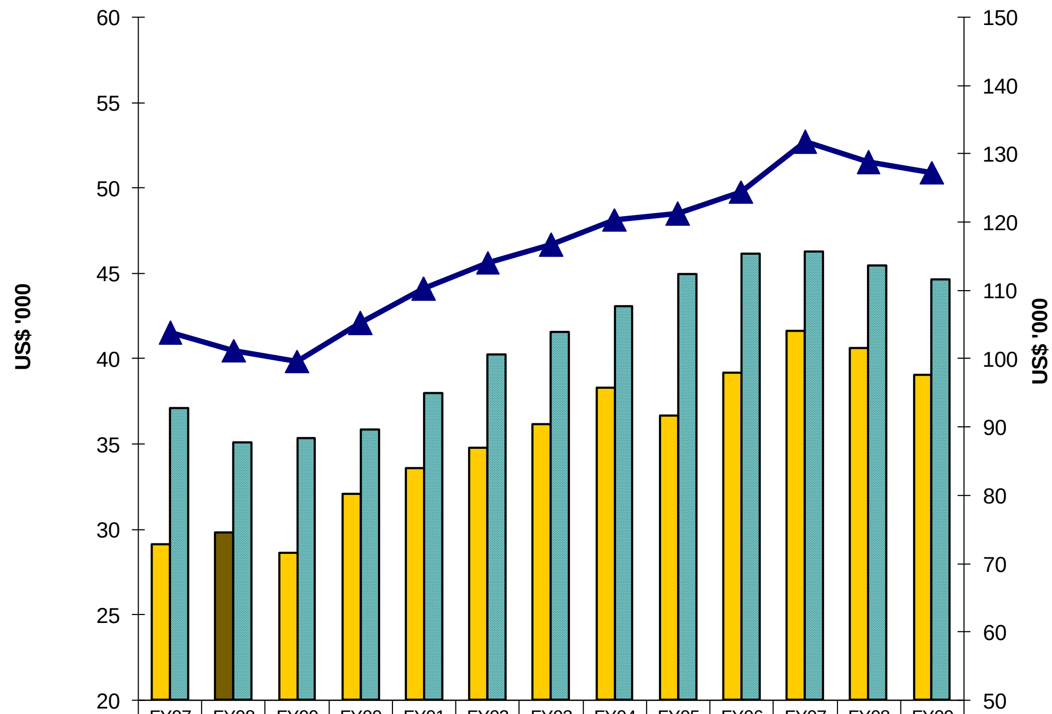

Figure 1 RMI real GDP growth (percent)

cantly eased fiscal pressure and permitted an expansion in government expenditures. By FY2002 repayment of the prior bond issues was complete; Compact funds that had in prior years been absorbed in debt repayment were now available. FY2002 and FY2003 were also the "bump-up" years of Compact I and saw infusion of additional resources. However, the RMI had committed and contributed $25 million to a Compact Trust Fund at the start of FY2004; this had the impact of sterilizing a large component of what otherwise would have been a very sizeable infusion of resources. FY2004 was the start of the amended Compact, and the RMI had negotiated a favorable assistance package that resulted in an increase in funding of $10 million above the pre-bump-up levels. FY2004 thus represented another year of fiscal stimulus.

3. By FY2005, the use of the very substantial increase in Compact resources over the FY1999-FY2004 period had reached a peak. This, together with the closure of the PMOP fish loining plant, meant that FY2005 would have been the culmination of a period of rapid economic growth. However, although the fiscal stimulus of the additional Compact resources had peaked, the forward momentum in public expenditures continued. The private sector maintained economic activity, with additional investment demand arising from the Compact infrastructure grant, renovation of the Majuro airport, the Taiwanese-funded convention center, and reconstruction of the Majuro fish loining plant, as a new owner saw potential to revitalize the activity. GDP grew by 1.5%, 1.6% and 3.5%, in the three years from FY2005-FY2007.

4. By FY2008 the economy had peaked, and GDP fell by 1.6% for the first time in the decade. The large number of construction projects had come to fruition, and further expansion in government was no longer possible as expenditures hit their ceilings. FY2008 also saw the end of rapid expansion in the world economy as fuel and food prices reached record levels. Inflation in the RMI reached 15%, eroding domestic real incomes and reducing demand for local business. Compounding these problems, the Marshalls Energy Company underwent a severe cash flow crisis as fuel prices reached record levels, requiring substantial cash infusions from government. These forces prompted the RMI leadership to declare a first-ever "state of economic emergency" in late FY2008. In FY2009, while inflation eased back to 0.7%, reducing the erosion in household incomes, the same general economic forces exerted themselves, and GDP fell by a further 2.1%. However, the main contributing force to the poor performance was the continued need to subsidize the State Owned Enterprise (SOE) sector, which contributed 1.6% -- or over ¾ -- of the overall decline of 2.1%.

5. Fig. 2 elaborates the story, indicating the performance and contribution of the private and government sectors to the economy. The contribution of the government is determined through the employment of public servants. The trend in constant prices indicates compression during the late 1990s, coinciding with the reduction in force, but this is followed by a continuing expansion of 4% per annum in real terms, the result of the additional infusion of funds from FY2001-FY2006. By FY2007, the potential for further employment of public servants peaked, and it fell in FY2008 and FY2009. The dependency




| | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Private Enterprise | 29.1 | 29.8 | 28.6 | 32.1 | 33.6 | 34.8 | 36.2 | 38.3 | 36.7 | 39.2 | 41.7 | 40.6 | 39.1 |
| Government | 37.1 | 35.1 | 35.3 | 35.9 | 38.0 | 40.3 | 41.6 | 43.1 | 45.0 | 46.2 | 46.3 | 45.5 | 44.7 |
| GDP at Factor Cost (Gross) | 103.8 | 101.2 | 99.7 | 105.3 | 110.3 | 114.2 | 116.7 | 120.4 | 121.3 | 124.5 | 131.9 | 128.8 | 127.3 |

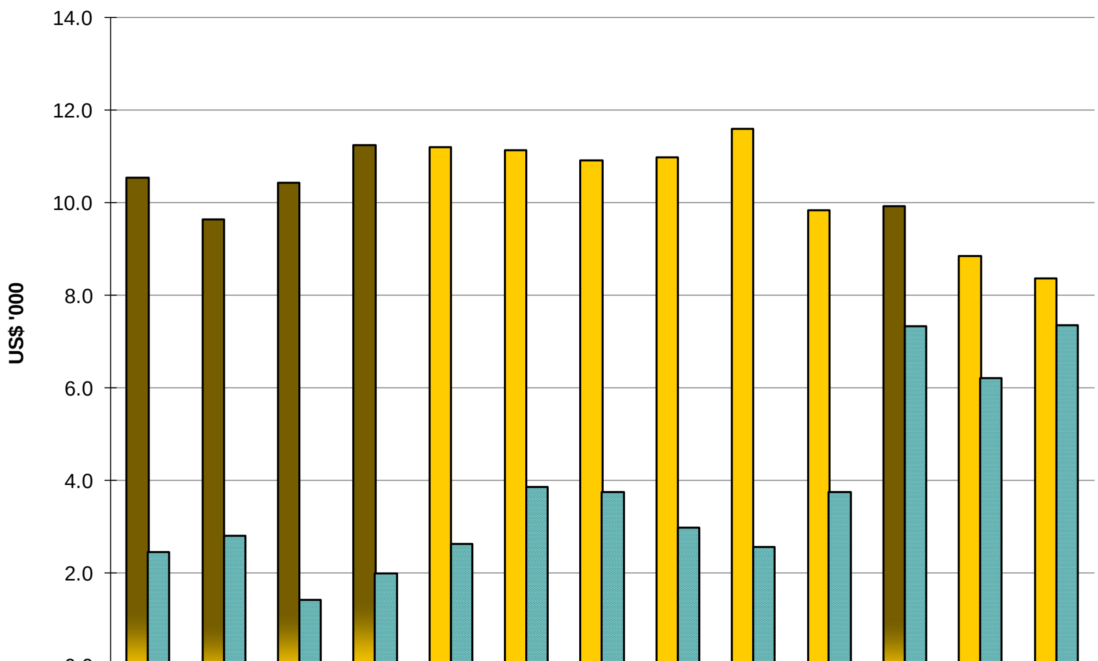
Figure 2 RMI real GDP by private and public Sector (FY2000 prices, US$ millions)

of the private sector is clearly revealed during the period; it mirrors the growth in the public sector, but with significant deviation in some periods. With the exception of fisheries, the private sector is dominated by establishments largely producing services for the domestic market. Thus, as public expenditures rise and fall, demand for private sector services moves in tandem. This has critical implications for the RMI's future, in light of the decrement in Compact transfers.

6. The national accounts estimates are constructed by institutional sector in the RMI, and further discussion of economic developments is based on the GDP tables in the statistical appendix. From a low level of economic activity in the late 1990s, the private sector expanded in FY2000 with the opening of the Philippines Micronesia and Orient Line Processing Plant (PMOP) fish loining plant in Majuro. Through the early 2000s, private activity was influenced by the expansionary fiscal policy and fish loining, but in FY2005, the PMOP plant closed and resulted in a sizeable reduction in GDP. In FY2006 and FY2007, construction activity boosted demand for the private sector. In FY2007 Pan Pacific showed renewed interest in revitalizing the loining plant, and after two years of construction activity, the plant reopened in late FY2009. Private sector economic activity fell significantly in FY2008—by 3.2% and a further 2.2% in FY2009—reflecting the lack of

on-going construction projects, onset of the world recession, and the impact of rapid inflation in food and energy prices, which reduced real household incomes.

7. The SOE sector is a particularly significant in the RMI due to its large and frequently negative impact on GDP. Fig. 3 provides a snapshot of recent trends. During the late 1990s and up to FY2005, performance was relatively consistent, and although the level of subsidies was a concern, it was within bounds. This situation changed radically in FY2006 when deterioration in the financial viability of many SOEs increased the need for government subsidy. In FY2008 the contribution of the SOE sector to the economy declined by 11% and by a further 5% in FY2009. From an annual average level of government subsidy of $2.7 million (FY2000 prices) over the FY1997-FY2005 period, the level of subsidy increased to an average of $7.0 million in FY2007-FY2009. This result was due to a variety of forces but was heavily influenced by the impact of high energy prices on the financial position of the Marshall Energy Company and the Kwajalein Atoll Joint Utilities Resources. Subsidies to these two entities alone had reached $5.4 million in FY2009. However, the finances of many other SOEs have also deteriorated: both Air Marshall Islands and the Majuro Water and Sewer Company have required increasing subsidies. The creation of the Marshall Islands Shipping Corp in FY2007 has required an annual average subsidy of $1.2 million. The impact of the rising level of subsidies provided to the SOEs has become a major policy issue, and it threatens fiscal viability of the




| | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Value added | 10.5 | 9.6 | 10.4 | 11.3 | 11.2 | 11.1 | 10.9 | 11.0 | 11.6 | 9.8 | 9.9 | 8.9 | 8.4 |
| Subsidies | 2.4 | 2.8 | 1.4 | 2.0 | 2.6 | 3.9 | 3.7 | 3.0 | 2.6 | 3.8 | 7.3 | 6.2 | 7.4 |

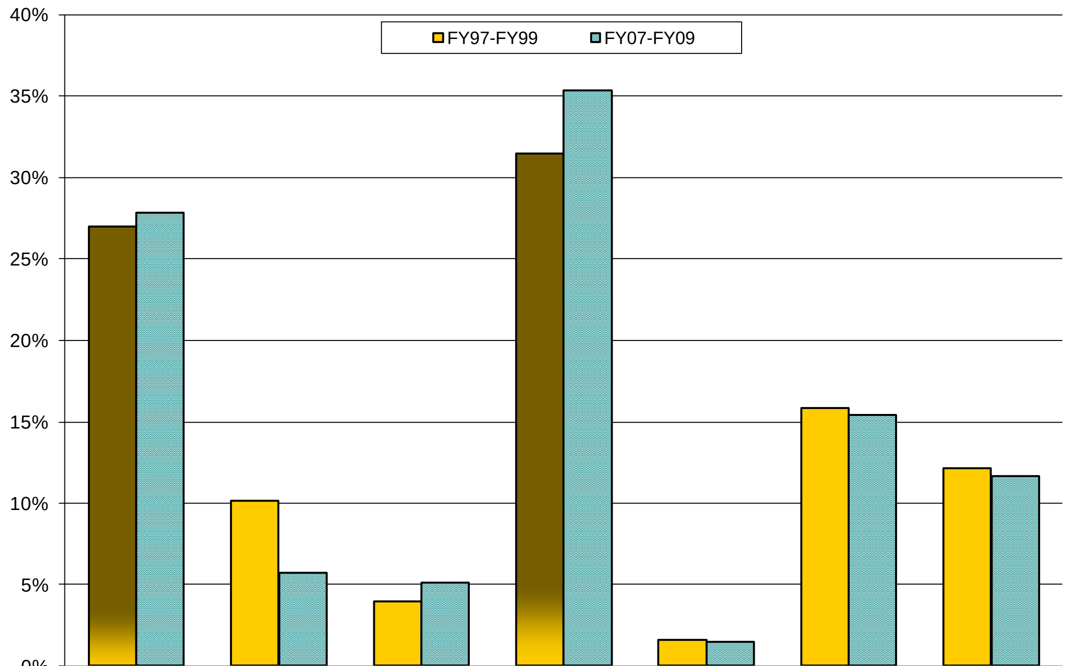
Figure 3 Public enterprises value added and subsidies in purchaser prices of FY2000

nation, as the government is faced with declining Compact grants. A special section in the policy part of this review discusses the SOE sector and the situation of the MEC.

8. While the Government of the RMI is the largest player in the public sector, government agencies and institutions, including the College of the Marshall Islands (CMI), and local government are also significant. Taken together, the two local governments (KALGOV and MALGOV) represented about 25% of the national government in FY2009 (by value-added). In the last few years, their contribution to GDP has been negative, reflecting the contraction in employment in the Kwajalein U.S. base and the cyclical downturn in the economy and the consequent impact on employment of falling revenues of local government. Government agencies grew rapidly between FY1997–FY2001, primarily as a result of growth in the CMI. In the next four years, the contribution of the Government agencies stabilized, but declined significantly in FY2006, with the amalgamation of the former U.S. Federal Program, Head Start, into the national government.

9. The household sector makes an important contribution to GDP, producing mixed incomes from copra, fishing, and handicrafts. Non-marketed production (subsistence) and home ownership are the main components and are estimated to grow in relation to population growth. Indirect taxes include import duties of the national government, receipts from the gross receipts tax (GRT), and local government indirect taxes, mostly sales taxes. In FY2008 and FY2009 certain changes in import taxes led to a decline in indirect tax collection of 3% and 11%, respectively. The MEC was exempted from import taxes on fuel resale to overseas shipping vessels, and certain food items were exempt following the large increases in world prices. The base of the fuel import tax was also switched from an *ad valorem* basis to a specific or volume basis. Finally, an adjustment is made to GDP for FISIM (financial intermediation services, indirectly measured), which is the difference between interest receipts and payments of the banking sector relating to productive activities.

10. Changes in the structure of the RMI economy during FY1997–FY2009 are summarized in Fig. 4. Not surprisingly, given the rapid rates of growth in government, its share has grown from 31.5% in FY1997–FY1999 to 35.3% during FY2007–FY2009. In the case of the SOEs, the share of the sector has fallen from 10.2% to 5.7% reflecting the large increases in subsidies and negative impact on sector value-added. As a result of deteriorating position of the SOEs, the share of the public sector (including both government and SOEs) has actually fallen from 41.6% to 40.0%. The private sector has increased its contribution, but the small increase reflects its inability to break out of its dependant status and assume a more dynamic role as the engine of economic growth. The share of the household sector, which represents subsistence and home ownership, has declined slightly. With low rates of population growth (on which the household sector estimates are based), a larger decline might have been expected, as growth in the cash economy outstripped the growth in population. The fact that the share of the household sector has remained largely unchanged reflects the relatively low growth in the modern sector. The share of indirect taxes has fallen slightly, reflecting recent discretionary reductions in




| | Private Enterprise | Public Enterprise | Finance (Banks) | Government | NGOs | Households | Indirect taxes |
|---|---|---|---|---|---|---|---|
| FY97-FY99 | 27.0% | 10.2% | 4.0% | 31.5% | 1.6% | 15.8% | 12.2% |
| FY07-FY09 | 27.8% | 5.7% | 5.1% | 35.3% | 1.5% | 15.4% | 11.7% |

Figure 4 Structure of the RMI economy by institutional sector

tax rates, and weak collections resulted in lower tax revenues. The finance (or commercial banking) sector has increased its share and now represents 5.1% of GDP, while that of NGOs has fallen slightly.

11. Concluding this section of the review, we note an unanticipated increase in economic activity since 2000. This has been a period of public-sector-led growth. The repayment of bond issues in the early 1990s, additional funding received from the ROC, and the more favorable financial arrangements of the amended Compact enabled pursuit of a very expansionary fiscal policy. Perhaps surprisingly, the economy continued to expand past the peak of additional Compact funding in FY2004, but this was the result of greater private and public sector investment. With the onset of the world recession in FY2008 and large increase in prices of fuel and food, the economy went in to recession with declines in economic activity in both FY2008 and FY2009. While the world economy will inevitably grow out of recession, the RMI is faced with problems that require economic restructuring before a return to growth can be expected. The SOE sector requires substantial subsidies and support that are not sustainable in the medium or long-run. The utility sector has not fully adjusted to higher fuel prices and poses a significant risk to the financial stability of the nation. The trend increase in the size of government for much of the 2000s is also not sustainable, given the scheduled decline in real Compact revenues. While a period of restructuring targeted to achieve financial stability is

required in the medium term, only an improvement in the opportunities for private-sector-led growth can support sustained growth.

## 2. Population, Incomes, Distribution, and Poverty

12. Population in the RMI has historically grown at very high rates. From 1980–1988, in the lead-up to Compact I, the annual average rate of growth was 4.3% (Table 1). Population in Majuro grew at 6.6%, reflecting the emergence of a modern economy and the availability of jobs and public services such as health and education. Population in Ebeye was slightly below the nation's average, and the outer atolls (the "other" category) were below average and reflect internal migration. This pattern changed radically between the next two census points in 1988 and 1999. Population growth slowed significantly to 1.5%, reflecting a reduction in fertility rates and the emergence of large out-migration to neighboring U.S. territories, Hawaii, and the U.S. mainland under the migration provisions of the Compact. While the scheduled population census of 2009 has been delayed, current indications are that the population in Majuro has grown rapidly, and there has been increased inward migration from the outer islands. A household water survey conducted by EPPSO in early 2009 found a total of 4,335 occupied residential households in the entire atoll; this number suggests that Majuro's population has now reached nearly 33,000 (assuming an average household size of 7.6). While overall population growth has been moderated by out-migration, inward migration from Asia has been significant.

13. Limited job opportunities and the depressed nature of the economy during the latter part of Compact I encouraged large-scale migration to seek employment opportunities and better rates of remuneration in the United States. Migration plays an equilibrating role: as incomes decline, outward migration compensates, improving the average income levels for those remaining. However, outward migration will have a distorting impact on the local economy if it is achieved through a loss of economically active and skilled individuals. Such a loss of human capital would reduce the long-run productive potential of the economy.

14. Table 2 provides further information on current migration rates and net movement of passengers between the RMI and various U.S. destinations. Since the destination of nearly all flights originating from within the RMI is a U.S. point of entry, the figures pro-

Table 1 Population by major centers and population growth, 1967–1999

| | Population | | | | Population Growth | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Majuro | Ebeye | Other | Total | Majuro | Ebeye | Other |
| 1967 | 18,925 | 5,249 | 3,540 | 10,136 | 3.3% | 4.9% | 11.9% | 0.8% |
| 1973 | 25,045 | 10,290 | 5,123 | 9,632 | 4.8% | 11.9% | 6.4% | -0.8% |
| 1980 | 30,873 | 11,791 | 6,169 | 12,913 | 3.0% | 2.0% | 2.7% | 4.3% |
| 1988 | 43,380 | 19,664 | 8,324 | 15,392 | 4.3% | 6.6% | 3.8% | 2.2% |
| 1999 | 50,840 | 23,676 | 9,345 | 17,819 | 1.5% | 1.7% | 1.1% | 1.3% |

Source: Census Reports

vide a very useful indicator of net migration. The table indicates the average rates of migration since 1990 in three groups: expansionary phase of Compact I, contractionary phase, and Compact II. The table confirms the reduction in population growth indicated by the census data between 1988 and 1999, which are the result of increasing out-migration. The outward migration rate of 0.8% during the early Compact years accelerated to 2.3% during the depressed era of Compact I and continued at the lower rate of 1.7% during the improved period of Compact II. The table also implies that out-migration from Majuro has been more rapid than from Kwajalein.

15. Fig. 5 indicates the changes in constant-price GDP and real GNDI per capita in 2000 prices. The constant-price GDP estimates are derived from chaining the earlier GDP series with the current national accounts series, and real GNDI includes the primary and secondary incomes received and paid to the rest of the world. The major differences between the two measures are the compensation of employees of Marshallese workers at the Kwajalein base, rent received by Kwajalein land owners, and the receipt of current transfers from the U.S. and other donors (see "Balance of Payments" for a list of primary and secondary income flows). The GNDI estimates begin in FY1997 and indicate the far higher level of disposable incomes when the additional flows are taken into account. In FY2009, GNDI per capita was over $1,477, 61% higher than the current price GDP per capita of $2,424.

16. Fig. 5 provides a clear picture of the developments in average real incomes. The advent of the Compact marks a clear and significant improvement in GDP per capita during the run-up and early years of the Compact. Growth was boosted by the new receipts of Compact funds and the series of bond issues that enabled the nation to fast-track public expenditures (including embarking on a series of risky public projects and ventures). However, the gamble on public sector involvement in productive activities did not pay off, and the nation was forced into a difficult period of decline, as the economy adjusted to low levels of net aid transfers depleted by the need to repay the former extravagances. In 2000, matters improved, as fiscal stability was restored with new donor assistance, repayment of the debt, and a favorable financial outcome of the amended Compact negotiations. Between FY2000 and FY2007, GDP per capita expanded by $398, an average rate of 2.3% in each year, but failed to regain the level achieved in the mid 1990s. In FY2008

Table 2 Net movement of air passengers between the RMI and U.S. ports of entry and percent population

| | 1990-1996 | | | 1997-2003 | | | 2004-2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Departures | Population | Net Migration | Net Departures | Population | Net Migration | Net Departures | Population | Net Migration |
| Kwajalein | -25 | 8,775 | -0.3% | -211 | 9,446 | -2.2% | -79 | 10,114 | -0.8% |
| Majuro | -360 | 21,408 | -1.7% | -970 | 24,093 | -4.0% | -808 | 26,882 | -3.0% |
| RMI | -384 | 47,147 | -0.8% | -1,181 | 50,546 | -2.3% | -887 | 52,790 | -1.7% |

Source: U.S. Department of Transportation "TRANSTATS" database
Notes: Population estimates based on average projected levels between census points.
Only includes air passengers to/from RMI and U.S. air points (Guam, Hawaii, Saipan).
Passengers to/from RMI and other countries (e.g., FSM) are excluded.

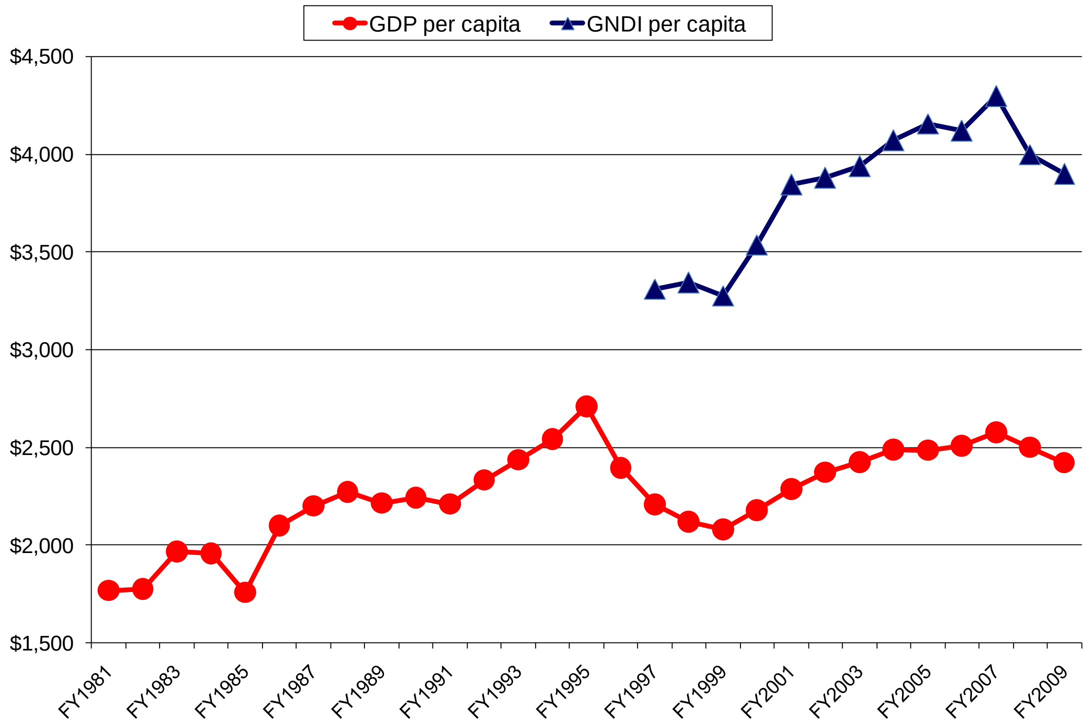



Figure 5 GDP per capita, constant prices 2000, $'s 1981–2008

and FY2009, GDP per capita faltered and took a sharp downward turn as the economy went into recession.

17. Fig. 5 also includes the trend in GNDI per capita from FY1997. While the trend matches that of the GDP series, the rate of increase during FY2000-07 has been more rapid; GNDI per capita increased by a total of $759 in FY2000 prices, an annual average growth of 2.8%. In FY2008 and again in FY2009, GNDI per capita took a strong downward dip, reflecting the world economic recession and loss of purchasing power due to rapid inflation. With significant population growth and a reduction in real revenues programmed over the remainder of the amended Compact period, the nation faces the harsh reality of declining real incomes and continued out-migration, unless an alternative source of growth is found.

18. While this review is macroeconomic in nature, it would be remiss not to comment on income distribution issues and their impact on the economy. Drawing on discussions raised in the 2002 Assessment of Hardship and Poverty (ADB), the 2005 Social and Economic Report (ADB), and the recently completed 2009 National Millennium Development Goals (MDG) Progress Report (UNDP/EPPSO), we note that while abject poverty, starvation, and destitution may not yet be present in the RMI, there are clear signs that certain groups are facing increasing hardship. RMI is demonstrating mixed progress on MDG1 (eradicate extreme poverty and hunger), and there are growing concerns over high

unemployment, financial hardship (including declining real incomes coupled with staggering consumer debt), hunger and poor nutrition.

19. According to 1999 census data, two-thirds of outer islanders have an income less than $1 a day (in 1993 purchasing power parity terms). Fig. 6 provides an overview of average per-capita cash income in the various atolls of the RMI. The data are drawn from the 1999 census and exclude substance production and home ownership, which are usually included in the definition of income. In the outer islands, subsistence production compensates for the lack of cash income, and the emerging picture of income distribution is thus more extreme than the reality on the ground. Economic activity clearly differs between the urban centers of Majuro and Kwajalein— the centers of the nation's cash economy and labor market— and the outer atolls. Cash incomes in Majuro and Kwajalein are four times those of the outer atolls. However, within the outer atolls, the cash incomes of the nuclear-affected communities of Enewetak and Kili are substantially above those in the other islands. In the non-nuclear affected islands, average per-capita incomes range from $71 a year on Lib to $672 on Jaluit; on average, this equates to slightly less than $1 a day. Clearly the lack of income earning opportunities has provided a strong incentive to migrate to the two major urban atolls and, externally, to the United States.

20. While Fig. 6 provides an important picture of the spatial distribution of income, it says little about the characteristics of the distribution of income. According to 1999 census data on household income, the RMI has a Gini coefficient of 0.54 (a standard meas-

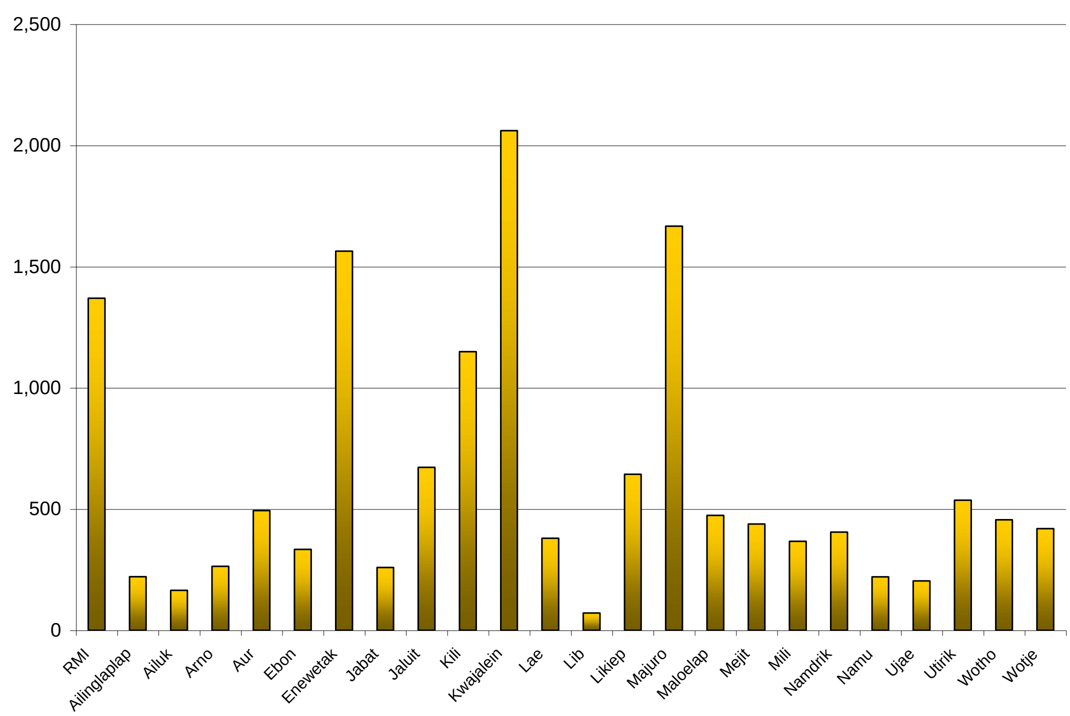



Figure 6 Average per capita income by island, $'s (1999; population census).

ure of income inequality ranging between 0 and 1, with higher levels indicting greater inequality). The level of inequality in the RMI is greater than Fiji at 0.46, PNG 0.46, Samoa 0.43, Tuvalu 0.43, Tonga 0.42 and the FSM 0.41 for the similar period 1999-2000. While strict comparison between countries may not be appropriate, as other Pacific Island measures may include subsistence, the figures for RMI nevertheless indicate a high degree of inequality.

### 3. EMPLOYMENT, EARNINGS, AND WAGES

#### *i Employment*

21. At the end of the 1990s the economy underwent significant stress because of the need for significant reform, and it undertook a series of painful adjustments. These trends are reflected in Fig. 7 and are based on quarterly data collected by the Marshall Islands Social Security Administration (MISSA), adjusted by EPPSO. The figures are estimated from the returns submitted to MISSA by employers, and employment is measured by a count of individuals, regardless of how many hours each individual may have worked during the quarter. Two prominent trends are discernable from the data: the recent growth in numbers employed by the public sector—specifically, the RMI government—and similar but erratic growth in private sector employment

22. Developments in private sector employment in the first part of the 2000s have been dominated by public-sector-led expansion in the economy, the opening of the PMOP fish loining plant in FY2000, and its subsequent closure in FY2004. In FY2005 employment in the private sector fell by 14% (592 employees), to a level of 3,579, the lowest since FY2000, when the PMOP plant first opened. However, in the remainder of

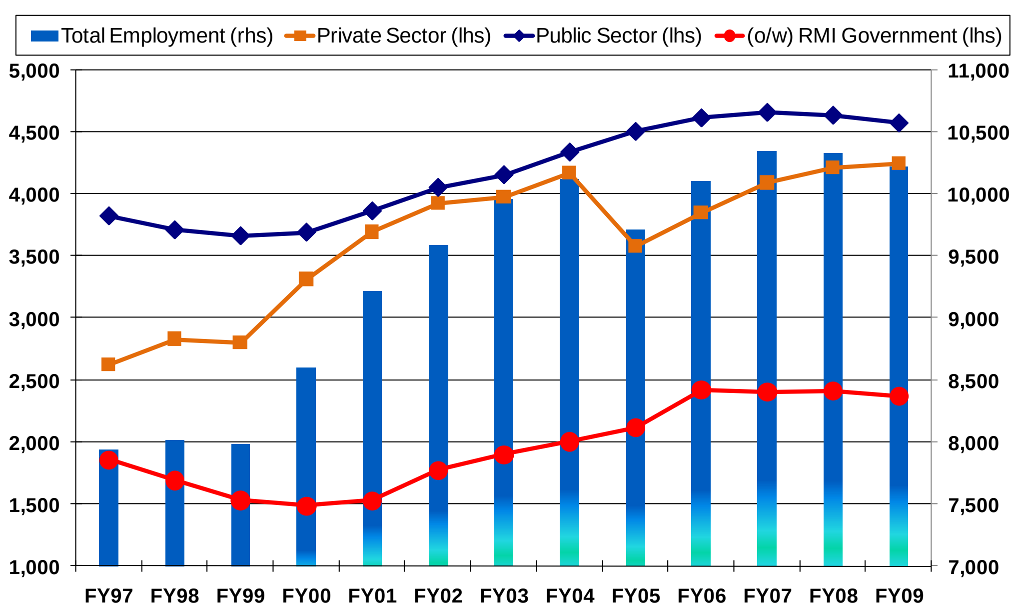



Figure 7 Employment in the private, public and RMI government sectors.

the period, private sector employment continued to expand, despite the drop in private sector GDP. In FY2006 and FY2007, construction activity created a strong demand for additional labor and in FY2008, the fish loining plant reopened, adding 160 jobs and a further 250 in FY2009, compensating for the reduction in construction activity.

23. From a declining level of employment in the late 1990s, public sector employment expanded strongly from FY2000 and peaked in FY2007. Public sector employment (including public enterprises, agencies, local and central government) grew by 27% between FY1999 and FY2007, an annual average rate of 3%. Of the four components of the public sector, the RMI government, which in FY2009 represented 52% of total public sector employment, has been the dominant force in the expansion. It is important to note the impact of the switch in funding of Head Start, which provided preschool education administered by the national government, through an independent unit, to the SEG. Also, in FY2007 the government created the Marshall Islands Shipping Corp., and there was a decline in national government employment as well as an offsetting rise in the SOE sector. In FY2008 and FY2009, while government employment has held its level, employment in the two local governments has fallen back, resulting in an overall fall in public employment.

24. The result of these trends is that employment in the economy as a whole expanded strongly between FY1999 and FY2007 at an annual rate of 3.3%. In FY2008 and FY2009 retrenchment in the US base at Kwajalein offset the reopening of the loining, plant and employment fell by 8% and 6%, respectively. The combination of fiscal expansion, creation of substantial new jobs in the public sector, and expansion in the private sector, despite the closure and reopening of the fish loining plant, has provided gainful employment to a large number of Marshallese. However, public sector employment has peaked, and some retrenchment may be unavoidable as current fiscal pressures require adjustment. It is thus clear that generation of future employment opportunities will require a switch in strategy to private-sector-led growth, if the rate of out-migration is to decline.

25. Fig. 8 indicates the structure of employment, excluding government, education and health. The wholesale and retail trade sector (34%) employs the greatest number. Other activities, such as banks and real estate (8%), hotels and restaurants (4%), and construction (11%), provide much of the nation's private sector employment, with fishing making a relatively small contribution (12%) since the reopening of the loining plant in 2009. Manufacturing and agriculture ("others") are insignificant employers. The Kwajalein U.S. base is included in the dataset and represents a significant proportion of total private sector employment (17%). Employment in the base was projected to fall by 669 jobs out of a total of 1,239 due to advances in technology (such as the recently completed fiber optic connection) that enable operations to be conducted from the U.S. mainland. However, current data indicates that the anticipated reduction has been much less severe than expected, and jobs have actually fallen by only 211 since the downsizing.

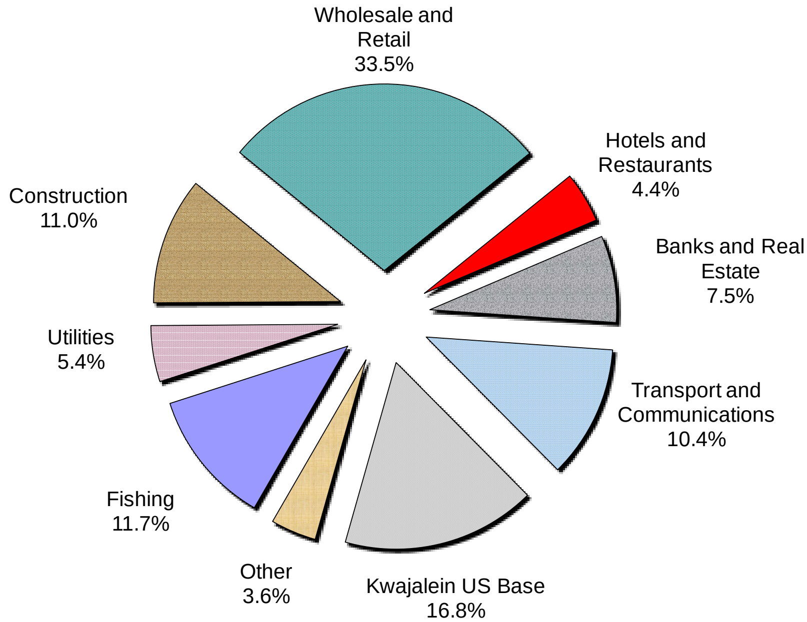



Figure 8 Employment in the Private Sector by Major Industrial Sector, FY2009

### *ii Wage Rates*

26. The data on nominal and real wage rates is derived from dividing the MISSA-sourced reported earnings levels by employment numbers. Although this is not an exact estimate of wage rates, it should closely approximate change in wage levels. Fig. 8 reveals a series of interesting trends. First, public sector nominal wage rates rose during the late 90s, reflecting the fact that the RIF involved a disproportionate loss of low-paid workers. In the first part of the 2000s, nominal wage rates continued to rise rapidly approximating an annual average rate of 3.3% in the FY2000-FY2004 period reflecting the relative abundance of resources. In the FY2005-FY2009 period as the fiscal situation tightened public sector wages moderated and grew by 1.1%. For the private sector, the pattern is different. The PMOP plant depressed average rates when it came into operation in FY2000, but wages continued to fall through FY2004 until the plant ceased operations, and average wages rose in FY2005. During the later period through FY2009 nominal wage rates have grown modestly, but did not experience any dip in FY2009 when the fish loining plant reopened.

27. It is not possible to conclude that public sector wage rates for similar skills are higher than in the private sector. However, it is clear that the wage differential between the sectors has widened significantly. In FY1997 the wage differential was 51%, but by FY2004 this had increased to 148% and fell back to 116% in FY2009. The widening disparity would have encouraged a shift of resources (i.e., labor) to the public sector. Fig. 9 also indicates that real wages largely held their value through FY2007. However, in

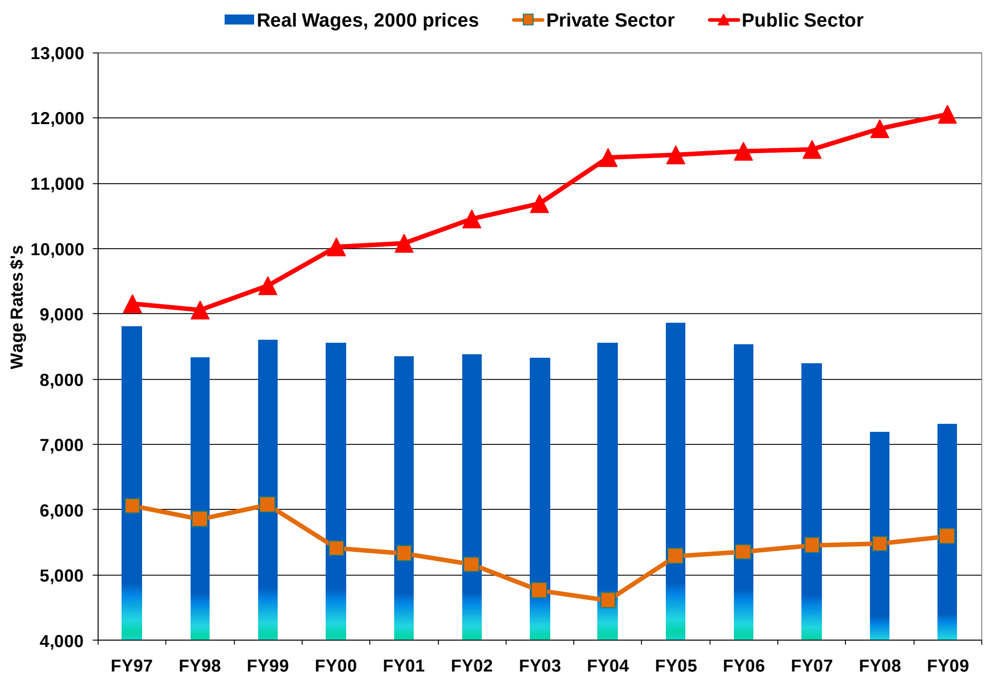



Figure 9 Nominal and real wage rates by major institutional sectors

FY2008 the RMI experienced a rapid increase in inflation, reflecting rising world prices in food and fuel which significantly eroded real living standards. The average real wage fell by 13% in FY2008, but moderated in FY2009 as prices returned to more normal levels reflecting the onset of recession in the world economy.

## 4. Sectoral Developments

### i Agriculture

28. ***Policy overview***: Policies and priorities surrounding agricultural activity and production have varied over the years. While the importance of agriculture for basic subsistence and nutrition has always been maintained, national agricultural policy has increasingly emphasized the potential of agriculture as a commercial and value-adding economic activity. Copra has been the dominant commercial agricultural activity in the RMI now for over 100 years, with productivity and export levels reaching their pinnacle during the 1920s and 1930s under Japanese administration. In 1976, while still under Trust Territory Administration, the RMI established a Copra Stabilization Board Act, which was subsequently replaced by the Tobolar Copra Processing Authority (by Act) in 1992.

29. Policy and planning for agriculture and related activities fall under the Ministry of Resources and Development, whose Strategic Plan for 2005-2010 articulated numerous objectives: increasing domestic food production and consumption (including establishment of new farmers' markets in the two urban areas); ensuring adequate supply of agricultural inputs into for the production of coconut, as well as handicraft, medicine, and

other non-food products; protection against the introduction and spread of injurious pests and diseases; increasing exports of niche and value-added products; increasing the value of coconuts and coconut products; and reducing dependence of outer island communities on imported fuel and copra subsidies. With limited national investment into agriculture (aside from the contributions to the copra industry), the majority of activities and projects are funded by development partners.

30. ***Trends and developments***: Domestic (non-copra) agricultural production and consumption data are very limited. A household survey in 2006 conducted by EPPSO showed that a large portion of rural households continue to rely on home production for own consumption (of 244 homes surveyed in Wotje, Jaluit, Arno and Likiep, around 80% kept and relied on home-grown crops such as breadfruit and pandanus), and well over half relied on copra as a source of income.

31. In 2008, a sharp rise in global prices for coconut oil translated into a boom year for local copra production, but by mid-2009, prices had fallen back towards pre-2008 levels, and the RMI has had to revert to heavy copra subsidies. In 2009, management of the Tobolar processing plant reverted back to the Government after the private company that had been operating the plant since the late 1970s announced it would discontinue its management role. A newly appointed Tobolar board has expressed interest in re-contracting management and is looking into various options for upgrading the plant's production capability. In 2010, an Asian Development Bank (ADB) and Government of Japan grant was approved to trial a coconut oil and diesel blended fuel for the main power plant in Majuro. If successful, the use of the blended fuel for power generation would help to stabilize Tobolar's revenue source (and therefore the revenues of copra farmers) and possibly reduce costs for the Marshalls Energy Company.

32. In 2010, a second ADB grant was approved to support a national coconut tree replanting scheme. The scheme would support a nationwide replanting scheme that would replenish ageing coconut plantations as well as provide income support for outer islanders.

33. Domestic production of niche agriculture products (both edible and non-edible) has increased, as a result of greater private sector interest and investment, as well as stronger technical assistance and training programs facilitated by Taiwan, the Ministry of Resources and Development, and non-governmental organizations.

34. The high inflation in the prices of imported rice and other staple foods in 2008 prompted the Government to reconsider and refocus efforts on strengthening basic food security. Food security is now a key strategic priority of the Ministry of Resources and Development and recent technical assistance, including from the United Nations Food and Agriculture Organization, aims to strengthen domestic crop production and self-reliance.

### *ii Fisheries*

35. ***Policy overview***: Fisheries policy has evolved significantly since the beginning of the Compact. Through the early 1990s, the perception in RMI and throughout most of the Pacific was that it was government's role to directly own, operate or tax the means of production, including the vessels, processing plants, and other facilities. Moreover, local participation in fisheries was strongly favored over foreign involvement and investment. But by the mid-1990s, after a number of costly government-led fisheries projects had failed (including a major ADB-financed fisheries venture in the RMI), it became clear that this approach was not working. This prompted the RMI to rethink its policy, and with additional support from the ADB, a new direction was taken. The RMI's first National Fisheries Development Plan (NFDP 1997) aimed to create an environment more conducive to private-sector–led fisheries development. The plan, which included an organizational overhaul of the Marshall Islands Marine Resources Authority (MIMRA), helped establish the RMI as a business-friendly fishing nation and port. The adoption and implementation of the NFDP, along with improvements in MIMRA management in the late 1990s, has led directly to a turnaround in the fisheries sector and ushered in significant new investment and growth since 1999.

36. The RMI maintains its business-friendly policy, but greater regional concern has emerged over several key issues, including (i) the sustainability of the tuna stocks (particularly yellow-fin and big-eye tuna); and (ii) the strong perception that the resource-owning Pacific states are not equitably benefiting from the $4 billion annual tuna harvest in the central and western Pacific. The Parties to the Nauru Agreement (PNA), the group of eight countries (including the RMI) which now provide more than one-third of the global supply of tuna, have become increasingly vocal over the effectiveness of the current fishery model and have resolved to establish their own intergovernmental body to begin considering new and more collective policies and approaches to address their concerns. In 2009 the new PNA Secretariat was established on Majuro and plans are now underway to re-analyze the industry and to consider new options for reform. The overarching policy priorities are to conserve and sustain the fishery and to assert more influence on the impacts and outcomes of the fishery, including better economic returns to PNA states.

37. ***Trends and developments***: The RMI's commercial fishery sector has been a primary source of employment and economic growth. Currently, the industry employs 969 persons, with the recently established Pan Pacific Foods tuna loining plant, the largest single fisheries operator, now employing 380 persons.

38. The sector has grown and diversified in recent years. Currently, four Majuro-based operations are engaged in the harvesting, processing and export of skip jack (for the canned tuna market), yellow-fin, and big-eye (for the sashimi market). Fish exports from the RMI totaled $5.8 million in FY2009. A recent Australian-owned venture in caged fish farming operated a pilot operation in Majuro lagoon, but recent rises in transport costs prevented full operations (and exports to Asia) and the business has now

closed. Majuro is slowly beginning to re-establish itself as the favored port for transshipment and resupply in the central Pacific, with efforts underway to recapture market share in the refueling business (targeting mostly fishing vessels operating in the region). A Taiwanese firm has gained clearance for establishing a large-scale drydock with capability to service purse seiners in Majuro. A site for the new drydock has been secured and initial work on the site is underway.

### *iii Tourism*

39. ***Policy overview***: Tourism has long been identified as a priority sector for development in the RMI. Tourism's potential as an economic driver was recognized in the early development plans of the first Compact, and in 1991, the Nitijela enacted the Marshall Islands Visitors Authority (MIVA) Act to facilitate tourism planning and development. Technical assistance from the ADB in 1996-1997 helped strengthen MIVA's autonomy and provided the RMI with its first medium-term marketing and development strategies (focusing on niche markets). In 2008, with support from the U.S. Department of the Interior, the RMI completed its first National Tourism Development Plan (NTDP). The plan diagnoses the country's key strengths and weaknesses and articulates a number of goals and objectives to more effectively facilitate tourism investment and growth over the medium-term (2008-2011).

40. The NTDP identifies three spatial and sequencing priorities over the short-term: (i) to further develop Majuro into an attractive and well functioning hub and gateway to the rest of the country; (ii) to begin laying the foundation for opening up Kwajalein Atoll for tourism development, with the longer term goal of developing Kwajalein into the second international hub and gateway; and (iii) to catalyze tourism growth in the outer islands by improving domestic air transport, reducing barriers to sea based tourism and facilitating assistance for small scale tourism development in the outer islands. Over the medium to long term, the NTDP signals the intention to focus on the development of a high-end, private-resort tourism industry.

41. ***Trends and developments***: The industry remains small and has contracted in recent years. Total arrivals peaked in 2004 and 2005 with each of these years recording more than 9,000 air and sea visitors. But arrivals have fallen sharply in recent years, with 2008 and 2009 recording just 6,022 and 5,372 total arrivals. Cruise ship arrivals remain sporadic and special charter flights from Japan in 2007, 2008 and 2009 have been discontinued. In mid 2010 a new Continental 'mini-hopper' airline service commenced, adding one weekly direct flight from Guam and Honolulu to Majuro, increasing the number of available inbound seats by 33 percent. This service's direct Guam-Majuro weekly connection should help boost travel from Asia.

42. The accommodation base has seen some expansion in recent years, with new facilities in Majuro (on the main island and in the northern islands) and Rongelap. In 2008 a new live-aboard operator began offering seasonal tours in the RMI and in 2010 the same operator proposed plans to construct a small resort in northwestern Ailinlaplap

atoll. In 2008 one of the RMI's key tourism attractions, Bikini Atoll Dive Resort, terminated operations because of problematic domestic air service. In mid 2010, Bikini Atoll was accepted by the United Nations Education, Scientific and Cultural Organization (UNESCO) as a World Heritage site, and it is anticipated that this will spark interest in re-establishing resort operations on Bikini. Domestic air service, however, remains the binding constraint, with the poor and unreliable performance of Air Marshall Islands (a state-owned enterprise) continuing to prevent any real prospects of outer island tourism development. Hotels and resorts employ a total of 262 persons in FY2010, with no strong growth trend in the past five years.

43. The NTDP's intentions to foster the development of a high-end private resort industry will require significant and complementary improvements in air and sea accessibility (both to and within the country), access to secure-titled land and islands for development, and supporting infrastructure.

## B. Monetary Developments and Prices

### 1. Prices

44. Fig. 10 indicates the annual percent changes in the RMI CPI since FY1990. It might be expected that inflation in the RMI would follow trends in the United States, given the close historical ties, although in recent times the emergence of strong ties with the ROC would have resulted in changed sources of supply. Inflation in the RMI has mostly

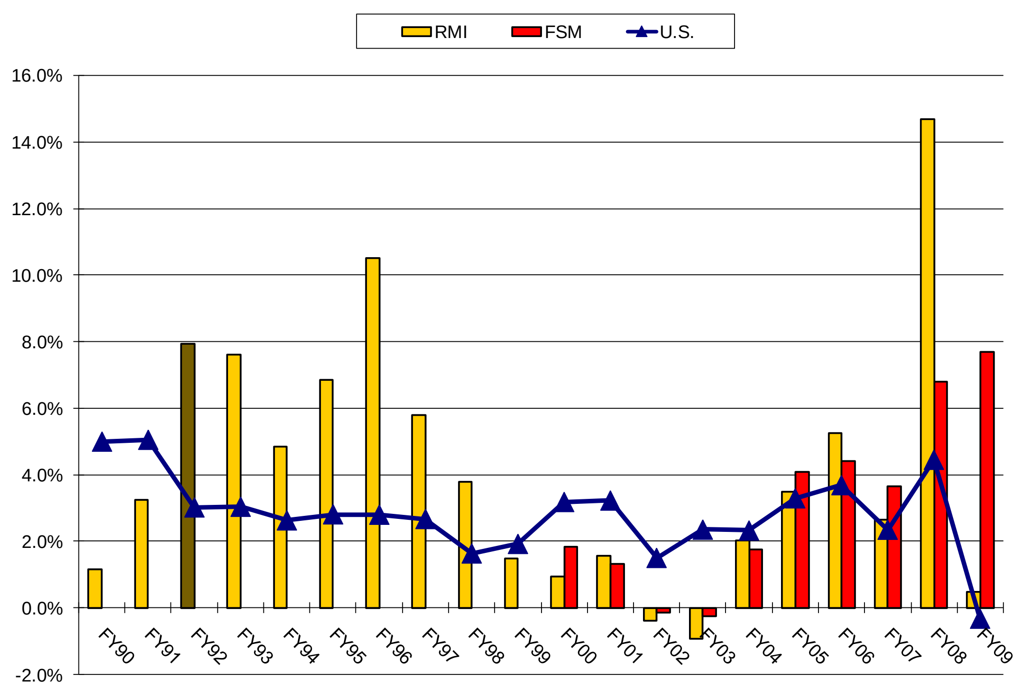



Figure 10 Change in CPI: RMI, FSM, and U.S. (percent); FY1984–FY2008

been moderate, although in the mid-1990s rates were above U.S. norms. The early part of the 1990s was a period of rapid growth in GDP, and expansion in demand would likely have resulted in acceleration of inflation. In more recent times, from FY1999-FY2004, the rate of inflation in the RMI moderated significantly and fell below U.S. rates, despite the pick-up in economic growth and additional demand in the economy. More recently, between FY2005 and FY2007, inflation in the RMI was very similar to the U.S. In FY2008, the rate of inflation rose to 15%, reflecting very large increases in food and energy prices, but dropped back to 0.5% in FY2009 with the moderation in prices as the world economy went into recession. Comparative data for the FSM have been included in Fig. 10 for those years for which they are available. The two countries show a very similar experience and trend in the average price level, although the recent experience of rapidly increasing food and energy prices was concentrated in FY2008 for the RMI, but was spread out over two years in the FSM.

45. From the first quarter of 2003, the Economic Planning, Policy, and Statistics Office (EPPSO) initiated a new CPI series based on the 2002 Household Income and Expenditure Survey. Fig. 11 indicates changes in the new index for selected commodity groups since Q1 of 2004. Clearly, the most dominant price change has been in the housing and utility section of the CPI, reflecting the impact of higher utility prices, which peaked at 62% in Q3 of 2008. The changing environment confronting the MEC required large changes in electricity prices because of both a hike in world fuel prices and a need to charge prices more closely related to the basic costs of operations. The direct impact of higher fuel prices is seen more clearly in transportation prices, which rose by 42% in the

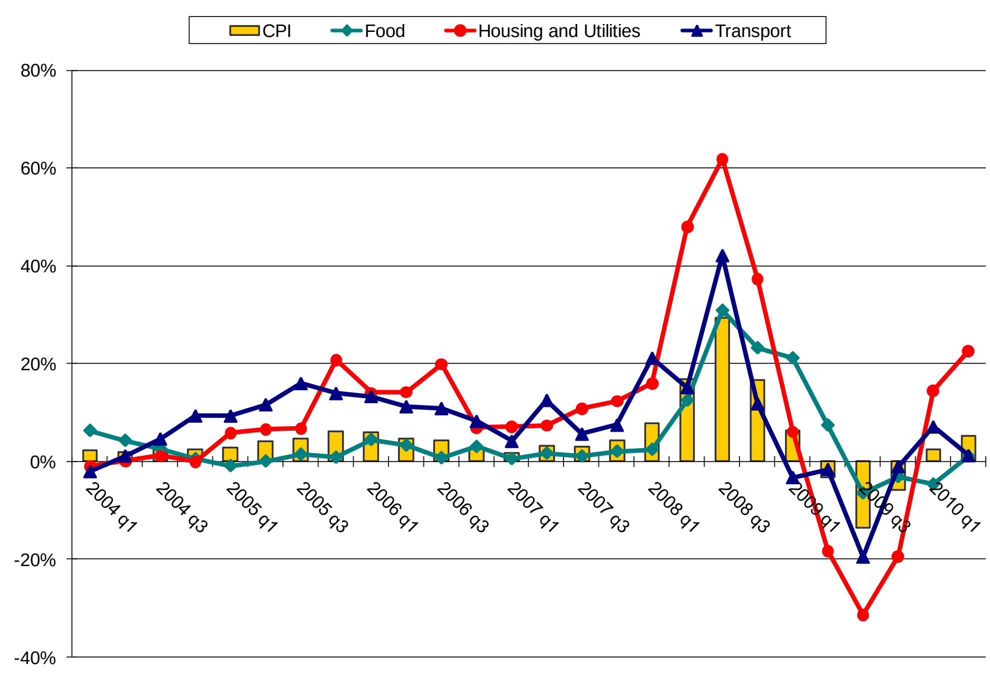



Figure 11 Change in CPI by selected major commodity groups; FY2004–FY2010

same quarter. Reflecting the increases in world food prices, which have had serious consequences for developing nations, the food section of the CPI rose by 31%. The combination of these forces resulted in the CPI rising by 15% in the RMI, to rates not experienced since the mid-90s. In 2009 food and fuel prices moderated significantly to levels below the 2008 levels. In the Q3 of 2009 fuel prices had fallen by 31% and food prices by 20%. By 2010 price changes were less erratic and the overall CPI rose by 2.5% and 5.2% in the first and second quarter, respectively, although the housing and utility section had again recorded a rate of inflation of 23%.

### 2. Money and Banking

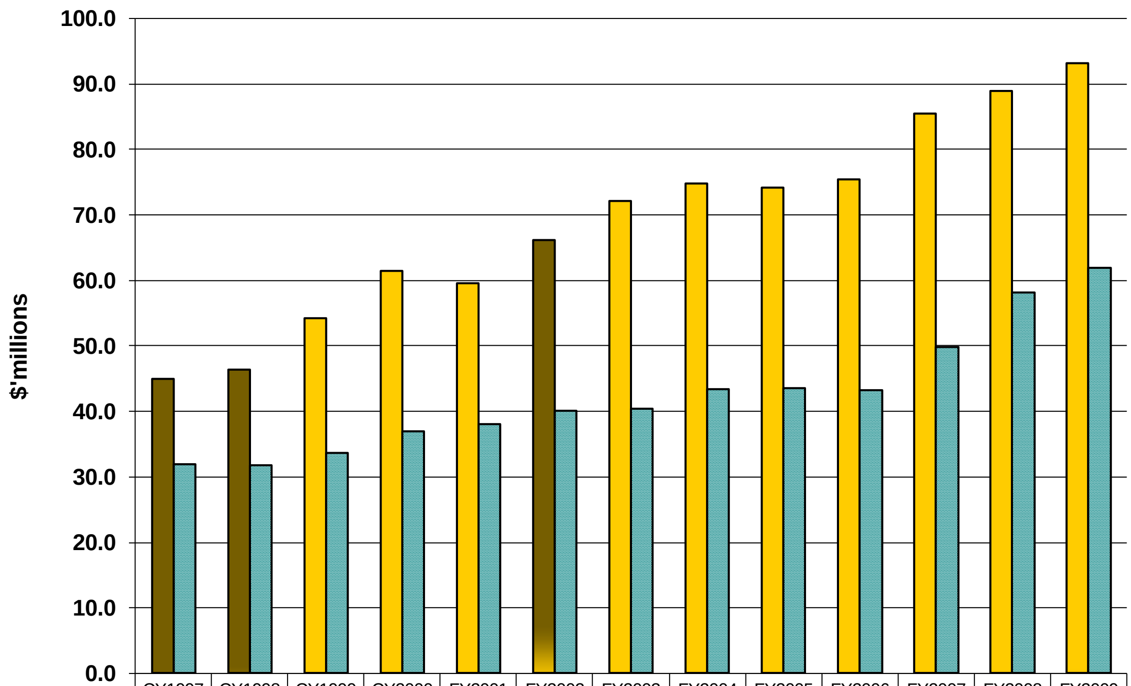
46. With the adoption of U.S. currency in the RMI, macroeconomic policy and adjustment has been limited to fiscal policy. The use of a foreign currency is practiced in many other small island economies of the Pacific and has served the RMI well. While the range of macroeconomic policy options is limited, it has removed the potential to use inflationary monetary policy to adjust to changes and reductions in Compact funding. Consequently, the RMI has no means of adjustment to reduced levels of resource transfers, other than the more politically painful policy of directly cutting government expenditures, reducing public sector employment and wages, and increasing domestic revenues. Furthermore, the use of a foreign currency has removed exchange rate realignment and devaluation, to encourage the export and traded goods sectors of the economy. At this stage of RMI economic development, with many underlying structural impediments, exchange rate adjustment without accompanying supporting policies would be unlikely to have encouraged a favorable supply response in traded goods production.

47. The banking system in the RMI is regulated by the banking commissioner, whose role includes licensing of domestic and foreign banks, on and off-site supervision of all commercial banks, and consumer protection. The Marshall Islands Development Bank does not currently come under the regulatory inspection of the banking commissioner. Until December 2002, until the Bank of Hawaii withdrawal from the market, there were two U.S. banks operating in the RMI. There is one locally owned bank, the Bank of the Marshall Islands. The remaining U.S. bank, the Bank of Guam, is a branch of its parent registered in the U.S., comes under U.S. federal supervisory requirements and is FDIC insured. Although the financial system has provided satisfactory and secure banking services, the marketplace, because of its small size and lack of a well developed supervisory capability, requires careful monitoring.

48. Since there is no independent monetary policy, domestic interest rates are closely aligned with those in the U.S. Deposit interest rates observed in the market are broadly similar to those throughout the United States. From 1997–2000, average three-month deposit rates were just 4.1% (see Appendix, Table 6c), but they were subsequently reduced, following the general easing of monetary policy in the United States. By 2004, the three-month deposit rate had fallen to 1.3%; it strengthened slightly in FY2005-FY2007 but fell back to 1.8% in FY2008 and in FY2009 stands at 2.5%. Lending rates, however, are generally higher, reflecting the additional risk, costs of doing business in the RMI, and li-

mited competition. Interest rates on consumer loans averaged 18.2% during FY1997–FY2009, while those on commercial borrowing have been more sensitive to market conditions and have fallen in each of the last 4 years to 8.9% in FY2009. As in many developing countries, financial intermediation is accompanied by a significant spread between lending and deposit rates.

49. Statistics on the RMI banking sector are available from 1992 onward (see Appendix, Table 6), and major trends in lending and the deposit base are shown in Fig. 12. On the deposit side, there has been a general steady increase between 1997 and FY2009 averaging 6.3%. On the lending side, developments reveal a different picture. Commercial bank credit was stagnant in the late 1990s as a result of the financial crisis and the RIF of public servants. Confidence returned in 2000 till the end of Compact I, and bank lending grew steadily by an annual average of 5.2% between 1999 and FY2004. In 2002, Bank of Hawaii departed the RMI, but Fig. 12 suggests that the runoff in business was picked up by the remaining banks. Certainly, the departure of Bank of Hawaii had much less financial impact on the RMI than on the FSM, where lending dropped by more than half. At the start of Compact II lending was largely static during the first three years through FY2006, but since that time has grown very rapidly by an annual average rate of 12.8% between FY2006 and FY2009.

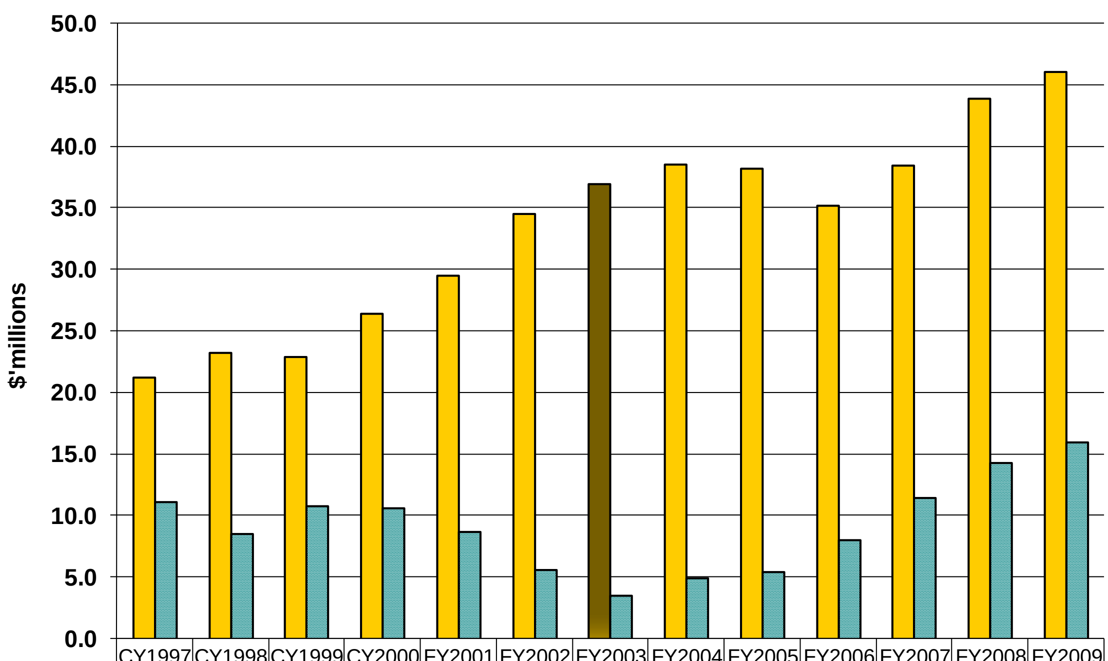



| | CY1997 | CY1998 | CY1999 | CY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposits | 45.0 | 46.4 | 54.3 | 61.4 | 59.6 | 66.2 | 72.2 | 74.9 | 74.3 | 75.5 | 85.5 | 89.0 | 93.3 |
| Loans | 32.0 | 31.7 | 33.6 | 37.0 | 38.1 | 40.1 | 40.4 | 43.4 | 43.6 | 43.2 | 49.9 | 58.2 | 62.0 |

Figure 12 Commercial bank loans and deposits (end of period)

50. The difference between loans and deposits indicates the large level of liquidity in the RMI banking system and is another example of a widely observed phenomenon in the Pacific Islands region: capital is not a factor of production in short supply. Reflecting the trends described above with deposit growth outstripping the increase in lending, the loans-to-deposit ratio fell from 77% in 1997 to 57% in FY2006. In the last three years from FY2006 through FY2009 the ratio has since returned to 68% with the rapid growth in lending. The large difference between the level of deposits and loans is invested off-shore, and, mirroring the trends in credit, the level of foreign assets rose from $19 million in 1997 to $64 million in FY2009 – an annual average growth rate of 7%.

51. Fig. 13 indicates the extension of credit to the private sector in the consumer and commercial markets since 1997. After a weak period in the late 1990s, consumer credit expanded rapidly in the early 2000s, as confidence in the economy returned, and the government embarked on a rapid increase in the size of the public service sector. In 2005, lending opportunities for consumer credit took a dip but returned to their upward trend in FY2007. Between 1999 and FY2009, consumer credit grew by an annual average of 7.3%. As pointed out in the recent IMF article IV mission consumer lending stood at 47% of total compensation of employees in the economy. Deducting out payments for taxes, social security, and health insurance the ratio to household disposable income is even higher. While there may be some misclassification of consumer loans that may in fact be




| | CY1997 | CY1998 | CY1999 | CY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consumer | 21.2 | 23.2 | 22.8 | 26.4 | 29.5 | 34.5 | 36.9 | 38.5 | 38.2 | 35.2 | 38.5 | 43.9 | 46.1 |
| Commercial | 11.1 | 8.5 | 10.8 | 10.6 | 8.6 | 5.6 | 3.5 | 4.9 | 5.4 | 8.0 | 11.4 | 14.3 | 15.9 |

Figure 13 Commercial bank credit by sector

for business purposes, the figures indicate a high level of household indebtedness, which will not only place stress on household finances, but also poses a threat to the banking system.

52. While growth in consumer credit has been rapid the opposite happened in the commercial sector, which collapsed after 2000. This segment of the market was indeed affected by the loss of Bank of Hawaii. The remaining two banks failed to pick up the released business, in certain cases because of a lack of solvency. From a figure of $10.6 million in commercial lending in 2000, the market fell to $3.5 million in 2003. There has been improvement since that time, and outstanding commercial credit stood at $15.9 million at the end of FY2009. However, commercial lending to the private sector has been lackluster and reflects lack of collateral, poor business management, and the many impediments to lending. With planned improvements in "secure transactions" law, it is hoped that this segment of the market, which is of critical importance to private sector development, will show signs of expansion.

## *C. Balance of Payments and External Debt*

### 1. Balance of Payments

53. During the preparation of the data for the FY2008 statistical appendix, a special effort was made to improve the RMI balance of payments. This effort continued with the current review for FY2009 and includes a presentation of the RMI International Investment Position or IIP. While much work is still to be undertaken, it is felt the current BoP statistics are now as accurate as the other RMI economic statistics. Although improvement of external statistics was the main reason for the overhaul of the BoP, a desire to produce estimates of GNI and GNDI was also important, and a new section has been added analyzing the changes in the national accounts aggregates.

54. The current account of the BoP is presented in abbreviated form in Table 3 and in more detail in the statistical appendix. The trade account is composed of imports and exports. Exports are comprised of three main items; fuel re-exports (MEC off-shore fuel sales), fish and others (coconut products, fish, and a few other small items). Up till FY2009 fuel represented 76% of total exports. In FY2009 with the re-opening of the fish loining plant exports of fish indicate a substantial increase, (the production of the PMOP plant has been classified as under services). Estimates of imports are based on customs duty collections and divided by an estimate of the average tariff rate. Detailed trade data by commodity is not produced in the RMI and has been a major weakness in the nation's statistical systems. The government is considering implementing a new computerized tax administration system and hopefully this can be used to monitor information on imports and the commodity composition of supply.

55. The service account on the receipt side comprises a series of small items: transshipment fees of fishing fleets restocking in the RMI, travel expenses of visitors to the RMI, and a group of other exports including port facilities, telecommunications, etc. In

Table 3 Balance of payments, current account (FY2002–FY2009, US $'millions)

| (US$ millions) | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|
| *Current account balance* | *-0.8* | *-10.4* | *-3.1* | *-6.8* | *-4.4* | *-2.4* | *-2.0* | *-23.9* |
| *Goods and services balance* | *-76.4* | *-86.7* | *-85.0* | *-98.4* | *-98.5* | *-106.0* | *-105.2* | *-124.1* |
| *Goods balance* | *-49.3* | *-57.9* | *-53.2* | *-61.7* | *-63.9* | *-69.2* | *-68.6* | *-74.9* |
| Exports of goods | 15.1 | 17.5 | 18.8 | 23.4 | 17.9 | 18.3 | 21.7 | 22.1 |
| Fish 1/ | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.7 | 0.8 | 4.8 |
| Other | 14.7 | 17.1 | 18.4 | 23.0 | 17.4 | 17.6 | 20.9 | 17.3 |
| Imports of goods f.o.b. | 64.4 | 75.4 | 72.0 | 85.1 | 81.8 | 87.6 | 90.3 | 97.0 |
| *Services balance* | *-27.1* | *-28.8* | *-31.8* | *-36.7* | *-34.6* | *-36.8* | *-36.6* | *-49.2* |
| Exports of services | 10.4 | 11.8 | 10.8 | 10.2 | 10.2 | 10.0 | 10.7 | 12.2 |
| Fish processing | 3.2 | 4.3 | 3.7 | 2.0 | 2.3 | 2.3 | 3.5 | 4.8 |
| Travel | 2.8 | 3.1 | 3.0 | 3.1 | 3.1 | 2.9 | 2.7 | 2.9 |
| Other | 4.4 | 4.4 | 4.1 | 5.1 | 4.8 | 4.7 | 4.5 | 4.6 |
| Imports of services | 37.5 | 40.6 | 42.5 | 46.9 | 44.8 | 46.7 | 47.3 | 61.4 |
| Transport | 18.7 | 21.5 | 22.5 | 25.5 | 26.0 | 27.2 | 28.0 | 26.3 |
| Freight and postal services | 10.9 | 12.8 | 12.2 | 14.4 | 13.8 | 14.4 | 15.1 | 14.1 |
| Passenger services | 7.8 | 8.7 | 10.3 | 11.1 | 12.2 | 12.9 | 12.9 | 12.2 |
| Other | 18.8 | 19.1 | 20.1 | 21.4 | 18.8 | 19.5 | 19.3 | 35.0 |
| *Primary income balance* | *35.5* | *34.6* | *35.3* | *38.7* | *37.7* | *39.7* | *39.5* | *38.5* |
| Primary income, inflows | 43.9 | 43.2 | 46.1 | 49.8 | 53.9 | 54.5 | 53.5 | 49.7 |
| Compensation of employees | 19.1 | 20.4 | 20.6 | 21.2 | 23.3 | 22.3 | 19.9 | 20.1 |
| Rent (Kwajalein landowners) | 11.2 | 11.2 | 15.0 | 15.2 | 15.4 | 15.8 | 16.2 | 17.1 |
| Dividends and interest | 10.5 | 8.7 | 7.9 | 10.2 | 11.8 | 13.2 | 12.9 | 7.0 |
| Other | 3.1 | 2.8 | 2.5 | 3.2 | 3.4 | 3.2 | 4.5 | 5.5 |
| Primary income, outflows | 8.4 | 8.6 | 10.7 | 11.2 | 16.2 | 14.7 | 13.9 | 11.2 |
| *Secondary income balance* | *40.1* | *41.8* | *46.6* | *52.9* | *56.4* | *63.8* | *63.7* | *61.7* |
| Secondary income, inflows | 43.3 | 45.2 | 50.0 | 56.6 | 60.2 | 67.8 | 67.7 | 65.8 |
| Government grants | 33.4 | 35.9 | 40.1 | 46.0 | 49.6 | 53.6 | 57.2 | 54.5 |
| Compact current grants | 13.4 | 13.5 | 17.4 | 22.9 | 26.0 | 30.8 | 39.7 | 43.1 |
| Other budget and off-budget grants | 19.9 | 22.4 | 22.8 | 23.1 | 23.6 | 22.8 | 17.5 | 11.3 |
| College of Marshall Islands | 4.9 | 4.7 | 5.2 | 5.4 | 4.8 | 5.2 | 4.8 | 6.1 |
| Other 3/ | 5.0 | 4.6 | 4.7 | 5.2 | 5.7 | 9.0 | 5.7 | 5.2 |
| Secondary income, outflows 3/ | 3.2 | 3.4 | 3.5 | 3.6 | 3.8 | 4.0 | 4.0 | 4.0 |

total these flows have been largely static in recent years. On the payment side, the large item for freight and insurance represents the adjustment made to imports c.i.f. to estimate imports on an f.o.b. basis. Payments for passenger services represent payments for air travel which increased rapidly through FY2006, but since appear to have peaked. The remaining item, "other," includes personal travel expenses overseas, business services, medical referrals, technical assistance, etc. The peak in payments in FY2009 for "others" represents payment of construction related services for a new fiber optic connection to the RMI.

56. On the primary income account, the two major items are the compensation of employees of Marshallese workers on the Kwajalein military base and the receipts for rent by the Kwajalein landowners. Since a substantial number of the Kwajalein landowners live in the U.S., only the transactions related to residents are included in the flows. Dividends and interest has grown strongly in recent years and largely represents earnings on the Compact and nuclear related trust funds. In FY2009 earnings fell reflecting poor market returns in the U.S. as markets crashed. The "other" category includes fishing rights

fees, shipping registry fees, and taxes on foreign owned businesses. While revenues from these items have generally been small there have been substantial increase in the receipts from the ship registry from $1.0 million in FY2006 to $3.3 million in FY2009. On the payments side, primary income flows are mostly represented by interest payments on external debt.

57. The secondary income account provides a very major source of income to the RMI. Budget grants include both the very sizeable Compact grants and other transfers received from the ROC and U.S. federal programs. Compact grants have shown an upward trend since the start of the amended Compact and reflects the increase in the absorptive capacity of the RMI to implement the grants rather than any increase in available funds. The drop in the other grants in FY2008 and FY2009 reflects completion of the FAA airport renovation at Majuro airport, and reduction of $6 million in FY2009 of the ROC grant. "Other" receipts include inward remittance flows to households, which is an important item, but for which little reliable data exists. The College of the Marshall Islands also receives relatively large transfers from Pell grants and other U.S. federal grants. Remittance outflows are mainly household transfers and are estimated to be larger than inward remittances of Marshallese living in the U.S. Included in outward transfers are payments not only from Marshallese families but also from the sizeable Chinese and other Asian communities living in the Marshall Islands.

58. The capital and finance accounts of the balance of payments are shown in Table 4. The capital account includes Compact capital grants, which before FY2004 were represented by the original Compact I CIP funds and since that time by the use of the

Table 4 Balance of payments, capital account (FY2002–FY2009, US $'millions)

| (US$ millions) | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|
| *Capital account balance* | *21.8* | *19.2* | *10.3* | *17.9* | *33.8* | *32.9* | *29.4* | *33.8* |
| Capital inflows | 21.8 | 19.2 | 10.3 | 17.9 | 33.8 | 32.9 | 29.4 | 33.8 |
| Compact capital grants | 19.3 | 19.2 | 3.2 | 4.7 | 9.5 | 16.6 | 11.3 | 13.2 |
| Other capital grants to government | 2.5 | 0.0 | 7.2 | 13.2 | 24.3 | 16.4 | 18.1 | 20.5 |
| *Net lending/Borrowing (Curr + Cap)* | *21.0* | *8.9* | *7.2* | *11.1* | *29.4* | *30.5* | *27.4* | *9.9* |
| *Financial account balance* | *-0.8* | *-3.1* | *13.4* | *-12.4* | *4.8* | *-5.1* | *9.4* | *3.6* |
| *Direct investment* | *1.0* | *-1.0* | *1.3* | *3.4* | *-0.7* | *7.2* | *5.9* | *3.2* |
| *Portfolio investment (increase in assets: -)* | *-2.0* | *4.3* | *14.5* | *-10.7* | *-0.6* | *-7.7* | *4.4* | *-4.0* |
| Assets | -2.0 | 3.6 | 13.9 | -10.4 | -0.5 | -6.2 | 5.0 | -4.8 |
| Trust Funds, National Government | -17.5 | -8.9 | -7.0 | -11.8 | -11.5 | -9.7 | -9.7 | -12.5 |
| Trust Funds, nuclear related | 15.3 | 13.9 | 26.3 | 6.3 | 14.5 | 9.9 | 6.8 | 10.4 |
| Social Secturity | 0.2 | -1.9 | -5.9 | -4.8 | -3.8 | -6.4 | 8.0 | -2.8 |
| Other public sector investments | 0.0 | 0.5 | 0.5 | 0.0 | 0.3 | 0.0 | 0.0 | 0.1 |
| Liabilities | 0.0 | 0.8 | 0.6 | -0.3 | -0.1 | -1.5 | -0.6 | 0.8 |
| *Other investment (increase in assets: -)* | *0.3* | *-6.4* | *-2.3* | *-5.2* | *6.1* | *-4.6* | *-0.9* | *4.4* |
| Assets (bank deposits) | -7.2 | -10.0 | -2.7 | -2.6 | -4.0 | -3.2 | 3.6 | -6.5 |
| Liabilities (public sector loans) | 7.5 | 3.6 | 0.3 | -2.5 | 10.1 | -1.4 | -4.6 | 10.9 |
| *Errors and omissions* | *20.2* | *5.8* | *20.7* | *-1.3* | *34.1* | *25.4* | *36.8* | *13.5* |

Compact infrastructure sector grant. In the early part of Compact II, capacity constraints limited the use of this grant, but performance has improved, and now most of the available funds are being used in capital projects. "Other" capital grants include receipt of funds for the Compact Trust Fund, which is matched by a contra entry in the finance accounts and grants to the Ports Authority.

59. As regards the financing account, direct investment flows have generally been small, but in FY2007 and FY2008 reflected the re-construction of the fish loining plant by Pan Pacific. Portfolio investment represents a series of important items. First, contributions to the Compact Trust Fund from the RMI, U.S. and ROC reflect the sizeable investments in the Fund (note that increases in assets are shown as negative in the BoP, while increases in liabilities are positive). Second, The U.S. paid sizeable reparations and funds for relocation to the islanders of Bikini, Eniwetok, Utrik and Rongelap atolls affected by the nuclear testing in the 1950s. Table 4 shows the sizeable recent drawdowns from trust funds and begs the question of sustainability in the longer-term. Third, the Marshall Island Social Security Administration, MISSA, holds significant reserves for future pension payments. In most years the figures indicate a buildup in funds, but in FY2008 a negative was recorded reflecting poor investment performance. The remaining item on the finance account—"other investment"—represents changes in commercial bank foreign assets, which has generally been a significant increase, and net changes in liabilities on external debt.

60. The structure of the balance of payments represents a large trade account deficit matched by substantial inflows on the primary and secondary income accounts. In essence the level of imports and services consumed is matched by earnings of Marshallese workers at the Kwajalein U.S. base, rent of the base, and Compact current transfers. The current account has recorded deficits in each year during the FY2002-FY2009 period averaging $6.7 million. The capital account always makes a positive contribution, reflecting receipt of capital transfers from the U.S. and ROC. The finance account has indicated both negative and positive results depending on the balance of the flows. Overall the errors and omissions, the difference between net lending and the financing account has averaged $19.4 million during the FY2002-FY2009 period suggesting a possible downward bias in the recording of current account payments such as imports.

### 2. GNI AND GNDI

61. The availability of a well constructed balance of payments enables derivation of a series of data for Gross National Income (GNI) and Gross National Disposable Income (GNDI). In most countries economic analysis tends to focus on GDP since this indicator most accurately reflects the economic circumstances of the country under investigation. However, in the RMI the large inflows of primary and secondary incomes from the rest of the world indicate that analysis should also feature changes in GNI and GNDI. In the RMI, GNI and GNDI were 23% and 61% higher than GDP, respectively. While analysis of GNI and GNDI might be placed in the section on GDP, it was felt better located in the

section following the analysis of the balance of payments since the data to construct the additional series comes from the BoP.

62. Figure 14 provides a description of the trends in GDP, GNI and GNDI over the FY1997 through FY2009 period. Both the primary and secondary incomes of the BoP have been deflated by a composite index of the CPI and GDP deflator. For the GNI series the figure indicates a growing trend but at a slower rate than GDP; GDP grew by 23% between FY1999 and FY2009, vs. 15% for GNI. The main determinants of growth were wages at the Kwajalein base, rent received by the Kwajalein landowners, and dividends and interest received on investments. In FY2008, retrenchments were made at the base as the new fiber optic cable was installed reducing the demand for Marshallese labor. Receipts of dividends and investments also dipped in the same year following the world recession, but were offset by reduced dividend outflows. GNDI growth from FY1999-2009 was faster than GDP by 2.7%. In this case the series has been driven by the receipts of Compact and other recurrent grants. In FY2008 the level of grants had peaked, with completion of the FAA construction work at the airport and a reduction in the ROC grant in FY2009, at the level agreed in the original understanding. Taking the picture as a whole, it is clear that the additional source of income the RMI receives from the rest of the world stimulated the economy through FY2007, but since that time the process has peaked. Since the receipt of many of the sources of income from the rest of the world is fixed in

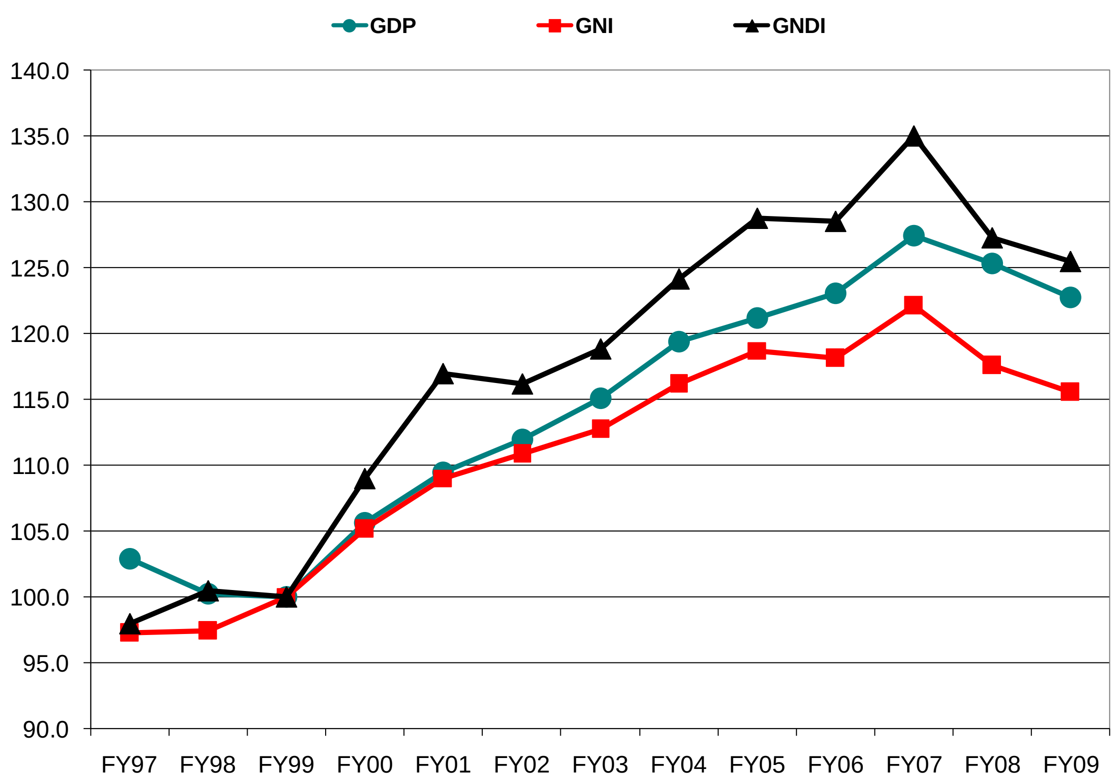



Figure 14 GDP, GNI and GNDI, indexed at 100 = FY1999, constant prices 2000

nominal terms, it is likely that in the future the trajectory of GNDI will fall below that of GDP. If the economy is able to invigorate the private sector, this may not be a bad thing, but without private sector growth, the lack of external stimulus will be a drag on the economy.

## 3. External Debt and International Investment Position

### i External debt

63. During Compact I, the government developed a substantial portfolio of loans from the Asian Development Bank (ADB; see Table 5). The RMI commenced borrowing from the ADB in 1993 with the funding of the Fisheries Development Loan, which focused on fisheries development in Ebeye. Subsequent loans have included water supply, social sector, and transport projects, including reform program loans. In total, the ADB has approved $76.2 million worth of loans since the RMI joined in 1991. After debt repayment and lack of full disbursement for some loans, outstanding ADB debt at the end of FY2009 was $58.8 million. All but $4 million of this outstanding amount is provided on highly concessional terms from the Asian Development Fund (ADF) resources of the ADB. These resources provide grace periods of 8–10 years and full repayment of principal over 40 years (inclusive of grace periods) for older loans and 32 years for more recent loans. No interest is applied to the principal of these loans, although a "service charge" of 1–1.5% is applied to the outstanding principal. New program loans, such as those through the Fiscal and Financial Management Program, now have a term of 24 years. The concessional nature of the lending means that the ADF loans have a significant grant component when valued on a discounted cash flow basis.

Table 5 External Debt by loan, commitment date, original debt and outstanding principal

| Loan | Lender | Number | Year | Original debt, $'000 | Estimated outstanding principal September 2009, $'000 |
|---|---|---|---|---|---|
| Ebeye Fisheries Loan | ADB | 1102-MAR (SF) | 1992 | 3,522 | 2,959 |
| Emergency Rehabilitation Loan (Typhoon Gay) | ADB | 1218 MAR (SF) | 1993 | 508 | 443 |
| Basic Education Project Loan | ADB | 1249 MAR (SF) | 1993 | 8,383 | 6,943 |
| Majuro Water Supply Project Loan No. 1 | ADB | 1250 MAR (SF) | 1993 | 765 | 635 |
| Majuro Water Supply Project Loan No. 2 | ADB | 1389-RMI (SF) | 1995 | 8,400 | 7,639 |
| Health and Population Project Loan | ADB | 1316-RMI (SF) | 1995 | 5,861 | 4,701 |
| Public Sector Reform Program | ADB | 1513-RMI (SF) | 1997 | 12,000 | 10,726 |
| Ebeye Health and Infrastructure | ADB | 1694-RMI (SF) | 1999 | 9,250 | 8,207 |
| Skills Training and Vocational Education Project Loan | ADB | 1791-RMI (SF) | 2001 | 7,600 | 4,821 |
| Fiscal and Financial Management Program Loan | ADB | 1829-RMI (SF) | 2001 | 8,000 | 8,389 |
| Fiscal and Financial Management Program loan | ADB | 1828-RMI | 2001 | 4,000 | 2,869 |
| Outer-Islands Transport and Infrastructure Loan | ADB | 1948-RMI (SF) | 2003 | 7,900 | 508 |
| Marshalls Energy Company - New Powerplant Loan | RUS | | 1997 | 12,500 | 6,996 |
| Marshalls Energy Company - Consolidation Loan | BoG | | 2007 | 12,000 | 9,472 |
| NTA Loan | RUS | | 1989 | 18,800 | 14,110 |
| NTA Loan Supplement | RUS | | 1993 | 3,900 | 0 |
| MIDB ICBC Loan | ICBC | | 2004 | 4,000 | 2,275 |
| PRC Loan for Garment Factory | PRC | | 1991 | 1,900 | 0 |
| RMI Ports Authority | n.a. | | 2007 | 568 | 0 |
| NTA Loan | RUS | | 2009 | 14,459 | 14,459 |
| Total | | | | 144,317 | 106,151 |

64. Other major external debt commitments represent government guaranteed debt to the SOE sector and include the Rural Utilities Service (RUS, formerly the Rural Electrification Administration) loans for NTA and the Marshalls Energy Company (MEC). In 1989, the RMI guaranteed an $18.8 million loan for NTA to finance fiber-optic cable and administration facilities in Majuro. NTA extended this loan by another $4 million in 1993, though the extension of the loan was not guaranteed by the RMI. In 1997, MEC secured a RUS loan for $12.5 million to finance the new power plant on Majuro. More recently, in FY2004 the government guaranteed a loan issued by the International Bank of China to the Marshall Islands Development Bank, and in FY2007 the government guaranteed a loan in the amount of $12 million, on behalf of the MEC, to the Bank of Guam. In 2009, the NTA again extended the RUS facility by a further $14.5 million to finance the fiber optic link form Kwajalein to Majuro. In all cases the RMI guarantees require that the RMI will meet debt service requirements in case of default by the state owned enterprises (SOEs).

65. Fig. 15 shows the substantial size of the RMI's external debt and the burden of the debt servicing from FY2002-09. In FY2002, the level of outstanding debt was $87 million, which equated to 71% of GDP. Since then, external debt has risen to $107 million in FY2009, but in relation to GDP fell slightly to 69%. Debt service, on the other hand, has risen from $3.5 million, or 10% of general fund revenues in FY2002, to $7.8 million or

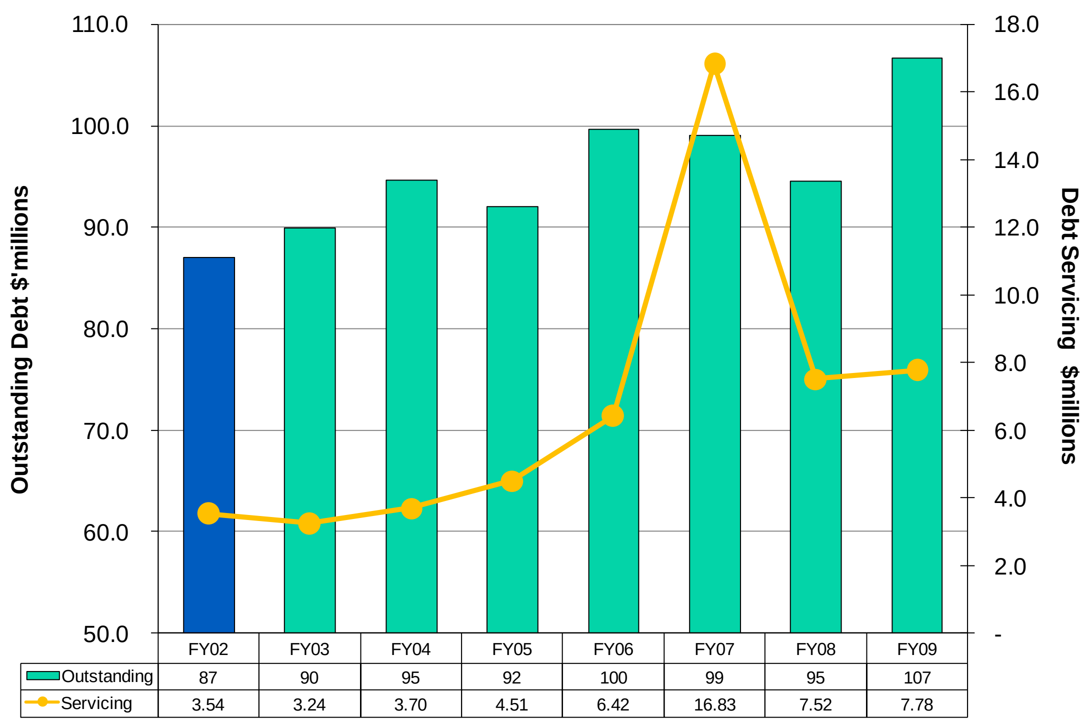



Figure 15 RMI external debt and debt servicing, FY2002–FY2009

23% of general fund revenues in FY2009. In FY2007, the sharp upward movement in debt service represents transactions relating to the MEC crisis, which were consolidated through a $12 million loan from the Bank of Guam and brought the level of outstanding debt down to trend levels of FY2008. While much of the RMI external debt is on concessional terms to the ADB, there has been a substantial increase in debt service as prior loans have now passed expiration of their grace periods. Since external debt servicing is now funded out of the government's discretionary resources, or General Fund, there are significant implications for the RMI's fiscal policy. This issue is taken up further in the Policy Issues part of this report.

### *ii International Investment Position*

66. Part of the work on improvement of the RMI's balance of payments involved compilation of the nation's international investment position. This is presented in Table 6. The data show stock positions at the end of each year corresponding to the financial account of the balance of payments. While no record of foreign direct investment is available, the table provides an important indication of the RMI's portfolio and other investments since the start of Compact II. The values of the Compact Trust Fund stood at $97 million at the end of FY2009; these are analyzed in further detail in the policy section of this report. While the volumes are large, they stand below the anticipated levels projected at the start of Compact II because of late investment of the annual contributions and low market returns. The data also indicate the size of the RMI nuclear related trust funds that represent the largest single item in the IIP. The effort to document the size and flows related to the nuclear funds is on-going, but the magnitude and impact of the transfers on the economy is clear. The series shows a declining trend in FY2008 and FY2009, reflecting market performance and drawdown of the funds. Unlike the CTF, which is in the accumulation phase, the nuclear related funds are being actively dis-

Table 6 RMI International Investment Position, (FY2004–FY2009, US$ millions)

| (US$ millions) | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|
| *TOTAL STOCKS, NET* | *284.4* | *273.5* | *284.5* | *340.2* | *278.9* | *287.2* |
| Direct investment, net | n.a | n.a | n.a | n.a | n.a | n.a |
| *Portfolio investment, net* | *327.8* | *311.8* | *330.2* | *381.4* | *319.0* | *332.9* |
| Assets | 331.9 | 315.6 | 333.9 | 383.6 | 320.6 | 335.3 |
| Trust Funds, National Government | 65.1 | 52.6 | 69.2 | 89.5 | 80.2 | 97.0 |
| Trust Funds, nuclear related 1/ | 233.7 | 225.0 | 223.2 | 246.2 | 200.4 | 195.5 |
| Social security portfolio | 32.7 | 37.6 | 41.4 | 47.8 | 39.8 | 42.6 |
| NTA portfolio | 0.4 | 0.4 | 0.1 | 0.2 | 0.2 | 0.1 |
| Liabilities | 4.1 | 3.8 | 3.7 | 2.2 | 1.6 | 2.4 |
| Equity: Capital and retained earnings | 4.1 | 3.8 | 3.7 | 2.2 | 1.6 | 2.4 |
| *Other investment, net* | *-43.4* | *-38.3* | *-45.7* | *-41.1* | *-40.2* | *-45.7* |
| Assets | 51.0 | 53.6 | 57.6 | 60.7 | 57.1 | 63.6 |
| Deposits, commercial banks 2/ | 51.0 | 53.6 | 57.6 | 60.7 | 57.1 | 63.6 |
| Liabilities, loans | 94.4 | 91.9 | 103.3 | 101.9 | 97.3 | 109.3 |
| Government | 64.5 | 63.2 | 63.6 | 62.4 | 61.3 | 59.6 |
| Public entities | 29.8 | 28.7 | 39.6 | 39.4 | 35.9 | 49.7 |

bursed. The Social Security Administration is the other major holder of portfolio investments. Under the "other investment" category, the commercial banks hold significant foreign assets, representing that portion of bank deposits that are not loaned out in the RMI. These stood at $64 million at the end of FY2009. Lastly, the external debt of the Government and public corporations represents the major external liabilities of the nation.

## *D. Fiscal Developments*

### 1. Fiscal Policy Framework

67. The agreement and adoption of the amended Compact by the RMI and U.S. governments, which became effective in FY2004, initiated a new fiscal framework for the RMI. The structure entailed a series of sector grants earmarked for education, health, environment, private sector development, capacity building, and infrastructure. The innovative element of the amended Compact was the introduction of a Trust Fund, which was designed to provide a yield sufficient to replace the annual grants after 20 years. Table 7 indicates the aggregate structure of the annual Compact grants and the contribution to the Compact Trust Fund. Each year, over a 20-year period, the United States will contribute $57 million to the RMI, partially adjusted for inflation. The inflation adjustment factor remains as in the original Compact. The annual sector grants start at $35 million in FY2004 but are to be annually reduced by $0.5 million. The difference between the total

Table 7 U.S. annual Compact grants and contributions to the Trust Fund

| | Annual Sector Grants | Trust Fund Contribution | Kwajalein Impact | Total Contribution |
|---|---|---|---|---|
| FY04 | 35.0 | 7.0 | 15.0 | 57.0 |
| FY05 | 34.5 | 7.5 | 15.0 | 57.0 |
| FY06 | 34.0 | 8.0 | 15.0 | 57.0 |
| FY07 | 33.5 | 8.5 | 15.0 | 57.0 |
| FY08 | 33.0 | 9.0 | 15.0 | 57.0 |
| FY09 | 32.5 | 9.5 | 15.0 | 57.0 |
| FY10 | 32.0 | 10.0 | 15.0 | 57.0 |
| FY11 | 31.5 | 10.5 | 15.0 | 57.0 |
| FY12 | 31.0 | 11.0 | 15.0 | 57.0 |
| FY13 | 30.5 | 11.5 | 15.0 | 57.0 |
| FY14 | 32.0 | 12.0 | 18.0 | 62.0 |
| FY15 | 31.5 | 12.5 | 18.0 | 62.0 |
| FY16 | 31.0 | 13.0 | 18.0 | 62.0 |
| FY17 | 30.5 | 13.5 | 18.0 | 62.0 |
| FY18 | 30.0 | 14.0 | 18.0 | 62.0 |
| FY19 | 29.5 | 14.5 | 18.0 | 62.0 |
| FY20 | 29.0 | 15.0 | 18.0 | 62.0 |
| FY21 | 28.5 | 15.5 | 18.0 | 62.0 |
| FY22 | 28.0 | 16.0 | 18.0 | 62.0 |
| FY23 | 27.5 | 16.5 | 18.0 | 62.0 |

contribution and the annual sector grant levels will be deposited in the Trust Fund to accumulate over the 20-year Compact period. In addition to the sector grants and Trust Fund, the United States will contribute $15 million a year, for Kwajalein impact, to the Kwajalein landowners. The United States agreed to contribute a further $5 million to the RMI in FY2014, $2 million of which would be added to the annual sector grants; the remaining $3 million would be used for Kwajalein impact.

68. In comparison with the original Compact, the new arrangement avoids the need for large fiscal adjustments every five years. However, in order to establish the viability of the Compact Trust Fund, the United States instigated the annual decrement. While avoiding large shocks to the system, the decrement will still require annual adjustment. Coupled with the lack of full inflation adjustment, the annual reduction in real resources—estimated to be approximately 2% per annum—will require active fiscal policy adjustments, unless the country can develop a policy regime that will attract and encourage private sector investment and economic growth great enough to offset the decline.

69. A special condition agreed upon by both parties is that the RMI will devote between 30% and 50% of the total Compact sector grant specifically to infrastructure. Of the infrastructure grant, 5% must be set aside for infrastructure maintenance, and the RMI must contribute an additional 5% out of local revenues. In general, the implementation of the sector grant approach of the amended Compact did not impose on the RMI any effective fiscal constraint or need for restructuring. There are sufficient general fund revenues to maintain operations without cutting back expenditures in non-Compact sectors. In FY2004-09, the use of the minor sector grants for private sector development, environment, and public sector capacity building was minimal.

70. In addition to the sector grants, Trust Fund, and Kwajalein impact, the amended Compact provides for the community needs of Kwajalein Atoll. Access to federal programs continues, with the exception of certain education programs, which were "cashed out" and have been replaced through the Supplemental Education Grant (SEG). Finally, the implementation of the amended Compact entails a whole new accountability regime that is specified in the fiscal procedures agreement (FPA). Taken as a whole, the new fiscal arrangements of the amended Compact have had an important impact on the conduct of fiscal policy and management in the RMI.

71. In addition to the special relationship the RMI enjoys with the United States, the RMI has also developed strong ties with the ROC. The ROC initially contributed $10 million to the RMI government, of which $4 million was transferred to the general fund and the remaining $6 million was available for special projects to be agreed upon between the parties. As fiscal pressures have mounted, an increasing amount of the project money has been used for general activities, and, in effect, the project contribution now simply augments general fund revenues. Of special significance is the additional support provided by the ROC to the Compact Trust Fund. By way of a memorandum of understanding, the ROC has agreed to transfer $50 million to the RMI over the period of the

amended Compact; $40 million of this will accumulate in the "A" account and $10 million in the "D" account. Funds in the A account may not be touched during the amended Compact period, while the RMI has the right to utilize the yield earned on the resources in the D fund once they have reached $10 million.

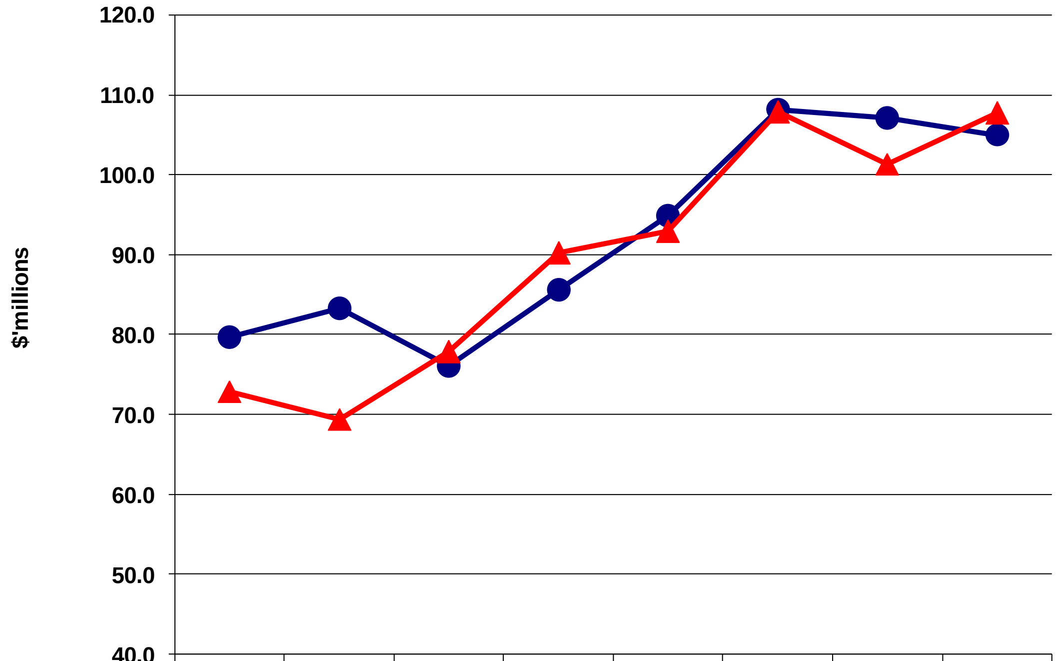
72. Fiscal policy in the RMI is conducted under the constitutional requirement of a "balanced budget." This, of course, does not guarantee that the final outcome will also be balanced: either revenue may fall short, or expenditures may exceed budget estimates. The execution of the budget operations is performed through a series of separate funds, the most important being the general fund. Expenditures from this fund are largely unrestricted, but there is limited flexibility or authority to use monies from the other funds. Under Compact I, a major part of the external assistance provided revenue to the general fund and thus was unrestricted. Under the amended Compact and sector grant approach, however, all such receipts are earmarked for specific purposes and must be liquidated if they remain unused at the end of the financial year. This requirement effectively inhibits deficit spending under the sector grants. Fiscal policy in the macroeconomic sense is thus executed only through the general fund. The structure of the standard Government Financial Statistics (GFS), which aggregates across funds and focuses on "above-the-line" revenues and expenditures and "below-the-line" financing, does not always highlight some of the additional constraints faced by fiscal policymakers.

73. Government in the RMI consists of the national government; the urban local governments of Majuro Atoll Local Government (MALGOV) and Kwajalein Atoll Local Government (KALGOV); the nuclear-affected atoll local governments of Bikini, Ronelap, Eniwetok, and Utrik; and other smaller atoll local governments. At present, local government provides services in administration, police, garbage collection, etc. Under the constitution, powers to raise taxes rest with the national government, but local governments may raise taxes, provided the increase has been authorized by law. The Local Government Act of 1989 provides the framework and limits the powers of local governments to levy taxes in specified areas, notably sales taxes, licenses, and other indirect taxes.

74. The RMI has a good record of timeliness in the preparation and publication of the annual single audits. This report is based on audit information through FY2009. In this part of the report, discussion will focus on fiscal developments during FY1997–2009. Analysis of the emerging fiscal situation and the fiscal outlook will be undertaken in Part III, "Policy Issues." Table 10a in the statistical appendix shows fiscal performance on a consolidated basis, and the presentation follows the standard Government Financial Statistics (GFS) format.

### 2. Recent Fiscal Performance

75. ***Fiscal Performance***: Fig. 16 depicts RMI fiscal performance and shows developments in total revenues and expenditures on a GFS basis, consolidating across the general and all other fund types. A detailed analysis of the components of revenue and expenditures will follow, but at this point discussion is limited to consideration of the major




| | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---|---|---|---|---|---|---|---|---|
| Total Revenues | 79.7 | 83.3 | 76.1 | 85.6 | 94.8 | 108.2 | 107.1 | 104.9 |
| Total Expenditures | 72.9 | 69.4 | 77.8 | 90.2 | 92.9 | 107.8 | 101.3 | 107.7 |

Figure 16 RMI consolidated revenues and expenditures, FY1997–FY2009.

forces behind the fiscal outturn. Towards the end of Compact I, the RMI underwent a difficult period of fiscal adjustment when the nation was forced to compress expenditures and lay off significant numbers of civil servants (see earlier annual reports for a fuller description). In FY1999, the RMI formally recognized the ROC and was to benefit from substantial contributions, both to the general fund and for capital projects. In FY2002 and FY2003, the nation entered the "bump-up" period and received a significant but temporary increase in Compact grants. As part of the amended Compact negotiations, the RMI had agreed to contribute $30 million of the additional funds to the Compact Trust Fund (CFT). In FY2002, the RMI set aside $17.5 million and a further $16 million in FY2003 to the Intergenerational Trust Fund, which was later transferred to the CTF. Fig. 14 indicates the impact of these forces as revenues rose above expenditures and the nation ran a significant fiscal surplus.

76. In FY2004-FY2009, during the first six years of the amended Compact, the fiscal account shows a more normal trajectory, with revenues and expenditures in closer alignment. Expenditures moved strongly upward, boosted by the higher levels of funding available under the amended Compact and, in later years, by the increasing capacity utilization of the infrastructure sector grant. In FY2004, revenues were mostly in line with expenditures, and the fiscal account records a small deficit of $1.8 million, or 1.3% of GDP. In FY2005, with the upward momentum in expenditures remaining in full swing, a

larger deficit of 3.4% of GDP was recorded. In FY2006 and FY2007, the fiscal situation continued to tighten, but the fiscal account recorded small surpluses of 1.3% and 0.2% of GDP, respectively.

77. By FY2008, the period of fiscal expansion had ran its course, and total expenditures dropped back by $7.8 million, reflecting lower transfer payments and a large drop-off in capital expenditures. Revenues were also weak, dropping by 1.1% percent, and failed to exhibit the growth of earlier years. Overall, FY2008 indicated an apparently healthy surplus of 4.6 % of GDP. In FY2009, with continuing upward pressure on expenditures driven by large increases in transfers and subsidies to the SOE sector, and a weakened revenue position, the fiscal outturn again turned negative, and a deficit of $2.8 million, or 1.8% of GDP, was recorded. The apparently close proximity of revenues and expenditures and relatively low levels of fiscal deficit in relation to GDP provide a misleading impression of the fiscal situation in the RMI. The emerging crisis in FY2008, with the onset of the world recession and higher fuel prices, precipitated a financial crisis at the MEC, which in turn threatened the fiscal stability of the nation. The limited ability of the government to borrow to finance a deficit, the fine balance between revenues and expenditures, and high risk of insolvency in the SOE sector, place the nation in a very precarious position.

78. ***The Fiscal Structure***: Table 8 provides a summary of the structure of the fiscal account. Grants as a percent of GDP averaged 43% during the last two years of Compact I. In FY2004, the level dropped significantly—by over 10%—reflecting the inability of the RMI to fully utilize the resources available under the amended Compact. Of a total FY2004 budget ceiling of $35 million, the RMI was able to utilize only $20.5 million. Absorptive capacity limitations were reached in both of the operational sector grants and under the infrastructure grant. In FY2005, there was some improvement, and Compact expenditures rose to $27.6 million, reflecting better performance on the operational grants, but significant underperformance on the use of the infrastructure funds. By FY2006, capacity constraints had all but been eradicated in all grant streams, and total use of Compact funds reached $35.5 million. From FY2007-09, the level of Compact grants rose from $47.4 to $56.3 million, reflecting the greater use of the infrastructure grant and use of carry-over funds from previous years. Grants as a percent of total revenues indicate a similar trend, accounting for 64% in FY2009. There has been little change

Table 8 Comparative analysis of fiscal structure FY2000–FY2009

| | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---|---|---|---|---|---|---|---|---|
| Grants as % of GDP | 42.3 | 42.9 | 31.9 | 36.1 | 40.5 | 45.7 | 44.0 | 43.3 |
| Grants as % of Total Revenue | 65.5 | 65.6 | 56.0 | 58.5 | 61.7 | 64.4 | 63.5 | 63.9 |
| Tax Revenue as % of GDP | 16.3 | 18.1 | 16.9 | 17.5 | 17.4 | 17.8 | 16.9 | 15.7 |
| Total Expenditure as % of GDP | 59.1 | 54.6 | 58.3 | 65.0 | 64.3 | 70.8 | 65.6 | 69.5 |
| Current Balance as % of GDP | 3.7 | 6.6 | 4.6 | 2.4 | 4.8 | 6.2 | 8.4 | 0.6 |
| Overall Balance as % of GDP | 5.5 | 10.9 | -1.3 | -3.4 | 1.3 | 0.2 | 3.7 | -1.8 |

in the level of dependency on external transfers as a percentage of both total revenues and GDP. While the dependency on U.S. grants has fallen, this decrease has been offset by increased funding from the ROC.

79. Tax revenues, which have averaged 17% of GDP since FY2002, have changed little, reflecting continuation of the existing regime, although in FY2008 and FY2009, the rate fell by 2%, the result of discretionary changes in customs duties. Tax effort is above that of the FSM but below that of the majority of other Pacific Island economies and below the rate prevailing in the United States. Public expenditure averaged 66% of GDP and has displayed an upward trend during Compact II as absorptive capacity improved. Clearly, the public sector, supported by external assistance, continues to play a dominant role in the economy.

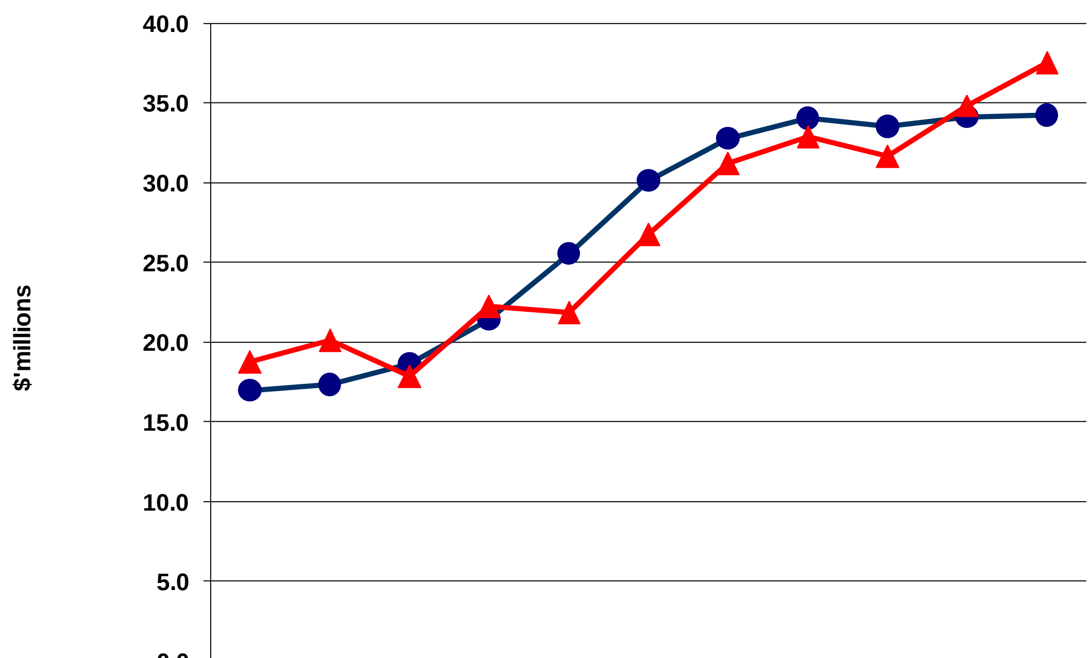
80. ***Revenues***: The tax regime in the RMI is based on a tax system inherited from—and largely unaltered since—Trust Territory days. The major source of tax revenue is a tax on wages, accounting for $11 million out of a total tax yield of $24 million in FY2009. The reduction in military presence on Kwajalein atoll in FY2008 and the anticipated drawdown in Marshallese employees in FY2009 and FY2010 was projected to erode the tax base, and a $1.6 million reduction was projected. However, income tax receipts have remained constant while other sources of tax revenue have declined during the same period. Wage earners pay 8% of income, up to a threshold of $10,400, and above that, 12%. Those earning less than $5,200 receive a tax-free threshold of $1,560. The gross receipts tax (GRT) is levied at 3% of business turnover and is intended as a proxy income tax, although the incidence is comparable to that of a sales tax. The tax suffers from the well known cascading effect, such that each sale from one business to another multiplies the tax yield and distorts resource allocation. Fish and fish products have been exempted from the GRT to enable the fishing sector to remain competitive in international markets.

81. Customs duties provide the second most significant category in terms of tax yield and have displayed surprising buoyancy in relation to GDP, with the exception of years when rates were adjusted. In FY2002 import duties collected $6.3 million and had risen to $9.4 million in FY2007. In FY2008 and FY2009 collections slid back to $8.7 million and $7.1 million, respectively, as the economy suffered the effects of the world recession. In FY2002 the general rate of import duties was 8%, which has remained unchanged, although food items attract a lower rate, and there are wide ranges of exemptions for different categories of importers. In FY2005, new higher rates were imposed on “sin” goods, with the additional revenues earmarked for the College of the Marshall Islands (CMI). In 2008, in a response to the high inflation in fuel and food prices, the government granted an import duty exemption to MEC for its imported diesel fuel (for generation and re-export) and to imports of basic food staples (rice, flour, etc.). Tax holidays continue to be granted by the Cabinet in special cases, including exemptions on GRT for the existing fishing operations. To encourage growth in exports and foreign exchange earnings, taxing export-oriented business activities is usually discouraged. This principle has not been ful-

ly adopted in the RMI, with several exporters still paying GRT on their export revenues, including MEC, which has re-exported an average of $4.8 million worth of diesel to foreign vessels in FY2006-2008.

82. Other forms of national taxes on fuel and hotels make a minor contribution to the general tax effort. Of non-tax revenues, fishing fees have raised an average $1.3 million during the Compact II period but have been a volatile source, depending on the location of the fishing stock. In FY2002, the rate of contribution to the health care fund was increased from 2.5% of gross pay to 3.5% for both employers and employees, bringing the total to 7%. In previous years these contributions had been collected and dispersed by the Marshall Islands Social Security Administration (MISSA). As of FY2002, the funds were directly allocated to the Ministry of Health, although MISSA remained in charge of collection. In FY2004, the funds were included in the audit for the first time and contributed $6.7 million to local revenues in FY2009. In the last few years, ship registration fees have been a growing source of revenue, rising from $1.0 million in FY2006 to $3.3 million in FY2009. In addition to fishing fees, the health fund, and ship registration fees, domestic revenues included a variety of smaller fees, earnings on investments, etc.

83. ***Expenditures***: Outlays on payroll and goods and services have grown rapidly in recent years. Fig. 17 shows recent trends in these two important categories of cost. At the




| | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Wages and Salaries | 17.0 | 17.4 | 18.7 | 21.5 | 25.6 | 30.1 | 32.8 | 34.1 | 33.5 | 34.2 | 34.3 |
| Goods and Services | 18.8 | 20.1 | 17.9 | 22.3 | 21.9 | 26.8 | 31.2 | 32.9 | 31.7 | 34.9 | 37.5 |

Figure 17 Expenditures on payroll and goods and services, FY2002–FY2009.

end of Compact I, payroll costs were compressed through the implementation of the RIF, as the financial crisis and PSRP necessitated fiscal discipline. However, as the revenue position began to improve—with the new grants from the ROC and bump-up years—payroll expenditures were allowed to rise almost unchecked. The amended Compact also permitted increased public servant recruitment in education and health. By FY2009, total payroll costs had risen to $34.3 million, from $17.0 million in FY1999—a 102% increase. The apparent downturn in FY2007 reflects the creation of the Marshall Islands Shipping Corp., whose function was previously executed through the Ministry of Transport and Communications. Wage and other costs of the Department of Transport are thus now funded out of a subsidy to the MISC. Further elaboration on public servant payroll trends is provided in Part III. Payroll costs were not the only item to show a significant increase; expenditures on goods and services rose rapidly, from $22.3 million in FY1999 to over $37.5 million in FY2009, a 68% increase. Expenditures on goods and services continued to rise in FY2008 and FY2009 despite the onset of the fiscal crisis in FY2008.

84. The rate of change in other major categories of cost has also been substantial, although of lesser magnitude. The level of current subsidy to the public enterprise sector has increased very significantly in the last few years. The graph in Fig. 3 above showed that subsidies to the SOE sector have risen from $3.1 million in FY2004 at the start of the amended Compact to $8.4 million in FY2009. The level of subsidy now represents a substantial drain on government's uncommitted resources, and the issue of SOE policy is taken up in further detail in Part III. Interest payments appear to have remained at low levels in the audit despite the increased need to service the RMI external debt. In previous years the RMI was in default on its ADB loan repayments, although it is now up to date. The other major remaining item of expense, capital expenditures, fell back at the start of the amended Compact because of capacity limitations. In the following four years, capital outlays grew rapidly as the constraints were overcome, from $11 million in FY2004 to $26 million in FY2007. In FY2008 and FY2009, capital outlays fell to $19 million and $17 million, respectively, with the completion of the FAA funded airport renovation and reduction in ROC funded capital projects.

85. ***The Compact Trust Fund*** (CTF): A final important component of fiscal policy has been the establishment of the Compact Trust Fund. In FY2002, the RMI created the Marshall Islands Intergenerational Trust Fund (MIITF), intended to be an initial source of funds for the RMI contribution to the CTF. The RMI had committed, during the Compact negotiations, to contribute $25 million in FY2004 and $2.5 million/year in FY2005 and FY2006. In FY2002 and FY2003, utilizing the funds freed up after the repayment of the bond issues and the "bump-up" funds, the government contributed $17.5 million and $16 million, respectively, to the MIITF. In FY2004, at the inception of the CTF, the RMI transferred $25 million to the new fund, and the U.S. contributed $7 million. In order to sustain the activities of certain businesses in the RMI economy, however, the government drew down $7 million from the MIITF and invested the funds in certificates of deposit at the Marshall Islands Development Bank (MIDB). After accounting for investment losses due to weaknesses in the stock market, the investments in the MIDB nearly exhausted the

remaining funds in the MIITF. The government was thus short of funds to make up the remaining contribution to the CTF in FY2005 and FY2006.

86. In FY2005, the ROC made its first contributions to the "A" and "D" accounts of the CTF (including back payment for FY2004), a total of $1.75 and $3.75 million, respectively, for the two years. In order to meet the CTF commitment of $2.5 million in FY2005, the RMI transferred $1 million from the "D" to the "A" account, $1.18 million (the remaining cash) from the MIITF, and $0.32 million from the general fund. In FY2006, the RMI made the final contribution of $2.5 million to the CTF through transfer of funds from the "D" account. As of the end of FY2006, the funds in the CTF stood at $63.1 million in the "A" account and $3.0 million in the "D" account.

87. During FY2007, the U.S. made its annual contribution of $8.9 million, and the ROC contributed $2.5 million, of which $0.75 million was earmarked for the "A" account and the rest for the "D." At the end of FY2007, the balance on the "A" account stood at $83.9 million, after a bullish year on the U.S. stock market, and benefited from $9.1 million in holding gains. In FY2008, the U.S. made an annual contribution of $9.7 million, but unlike the prior year, FY2008 saw the onset of the worst recession since the great crash of the 1920s. Losses for the year were $20.5 million. The ROC made no contributions in FY2008 to either account. In FY2009 the U.S. contributed $10.8 million to the "A" account, and the ROC contributed $4.9 million, making up for the shortfall of the previous year and bringing its total contributions up to date. At the end of FY2009, the "A" account stood at $90.9 million and the "D" account at $6.2 million. While the ROC contribution in FY2009 was the last of the scheduled ROC payments to the "D" account, the ROC still requires the RMI to make good on the $3.5 million diverted in FY2005 and FY2006 to the "A" account to meet the RMI $30 million contribution to the CTF.

88. Developments in the U.S. stock market during FY2008 and the late investing of funds in the early years raised concerns that the CTF would fall short of the target for FY2024, at which time withdrawals from the Fund are to replace the use of the annual sector grants. A special section in this report in Part III has been included to investigate the performance of the CTF and the question of whether it will meet its objectives.

# III. POLICY DEVELOPMENTS, PROSPECTS, AND ISSUES

## *A. Background*

89. In the mid-1990s, the RMI embarked on a Public Sector Reform Program (PSRP), assisted by the ADB, to adjust to an emerging financial crisis precipitated by the need to repay various bonds issued in the earlier part of the decade. While the PSRP is now part of history, the various reform issues, the programs implemented, the successes and failures, together with lessons learned, are exactly relevant to the situation the RMI finds itself in again today, 13 years later. This part of the review therefore starts with a brief review of the PSRP. The goals of the program were (i) to embark on a long-term reform program to avert a looming financial and economic crisis; and (ii) to set the economy on a more sustainable growth path. The program had four main elements: (i) fiscal stabilization and fiscal policies; (ii) privatization of public enterprises; (iii) public service reform; and (iv) a number of measures to stimulate private sector development. Three outputs were specified: (i) stabilization of the government's finances in the short term; (ii) long-term structural stability of government finances; and (iii) creation of an improved environment for the private sector.

90. Of the three outputs of the PSRP, fiscal stabilization was focused on revenue and expenditure policies. Improvements in tax collections were to come from increases in tax rates, removal of exemptions, and administrative strengthening. While tax rates remain at levels similar to those of the 1990s, administrative strengthening and removal of exemptions have not been achieved. Reduction in expenditures was to be achieved through removal of SOE subsidies. However, efforts to reform and transform the sector did not prove successful. In the late 1990s a Private Sector Unit was established, and KAJUR, the utility corporation supplying Kwajalein, was contracted out to the private sector. However, no further SOE transformation took place, KAJUR has reverted to public management, and the private sector unit was disbanded.

91. To achieve the second PSRP output of long-run structural stability, efforts to reduce expenditures focused on implementation of the RIF, restructuring of government operations, and civil service wage freeze. The RIF was implemented, but the size of the public sector today is much greater than before the PSRP. The work undertaken by the Ministry of Public Works and Ministry of Transport and Communications were to be managed by the private sector, and, although both were downsized during the PSRP, the Ministry of Public Works is once again sizeable, and the shipping operations of the Ministry of Transport and Communications have been transferred to the newly created MISC. On the revenue side, long-run gains were to be achieved through administrative strengthening and introduction of a modern tax regime such as the value-added tax (VAT). Little progress was made with administrative reforms, and the VAT met with strong opposition.

92. Regarding the third PSRP output—to create an improved environment for the private sector—the program was structured in two parts: reduction in the role of the government and improvements in the regulatory environment of the private sector. Reduction in the role of government focused on reducing subsidies to Air Marshall Islands (AMI) and on SOE reform. Although AMI still presents risk, but much less than in the mid-1990s; however, the Marshalls Energy Company (MEC), as discussed below, has had the potential to undermine fiscal stability. Improvements to the regulatory environment of the private sector focused on improving transparency in company registration, work permits, and the foreign direct investment (FDI) regime, as well as legislation to ensure security in land leases.

## *B. Fiscal Issues*

### 1. Public Sector Payroll

93. The RMI government's payroll has grown considerably over recent years since the completion of the Public Sector Reform Program and RIF. The sizeable reductions in public service achieved through the RIF were followed by the transitional "bump-up" years and the implementation of the amended Compact, which enabled expansion in payroll. Since FY1999, the number of public servants has increased rapidly (Fig. 18). Employee numbers on the payroll fell to 1,475 in FY1999 but increased to 2,346 by the end of FY2009. This represents an increase of 871 employees (59%). The payroll cost over

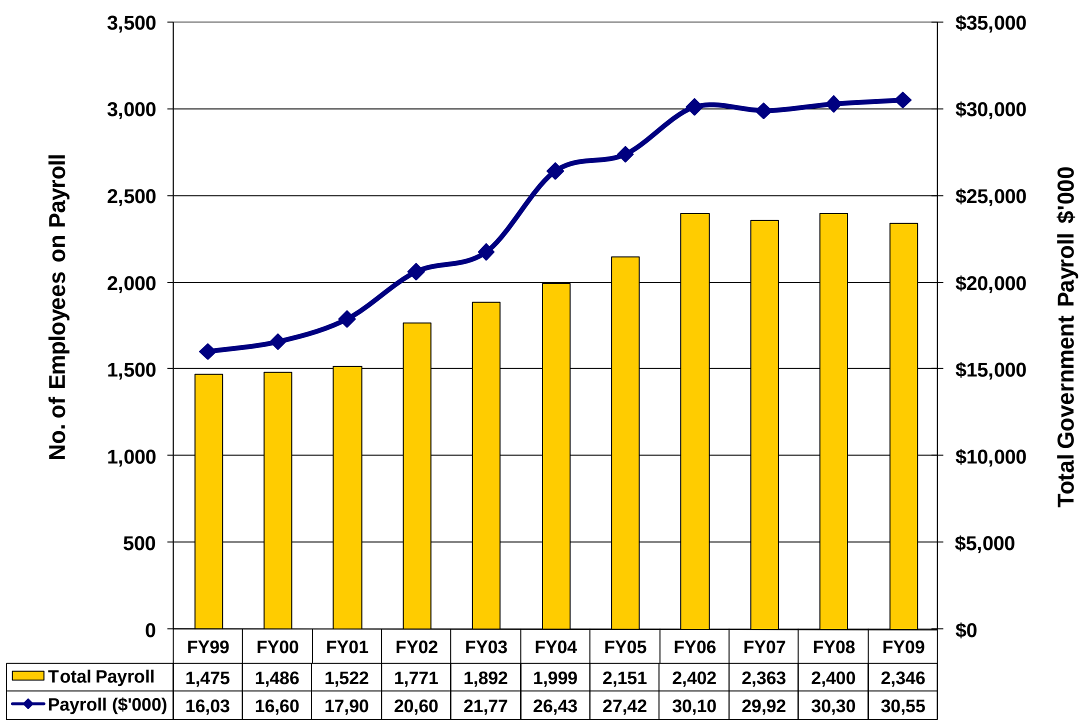



Figure 18 RMI government payroll cost and number of public servants, FY1999–FY2009

the same time increased by 91%. This very sizeable increase has been influenced by a number of extraordinary items that have accentuated the underlying growth taking place.

94. Most of the growth in the payroll and in employee numbers has been in the Ministry of Education (MoE). This growth reflects a number of structural changes that have increased staff numbers as the ministry has taken on more responsibilities. The implementation of the kindergarten program funded out of the SEG (replacing the previously externally managed Head Start program) added more than 200 staff to the payroll in FY2006. In FY2001 and FY2002, both Majuro and Ebeye elementary school teachers were brought back under the MoE, adding approximately 100 and 50 employees to the payroll, respectively. Previously, elementary education in Ebeye and Majuro had been managed by the MALGOV and KALGOV under the community based governance system (CBGS), but these arrangements collapsed and were reincorporated under MoE. Once allowance is made for these anomalies, expansion in education payroll during FY1999-FY2009 was 53% and added an extra 251 positions. Where recruitment has taken place, it has supported delivery in front-line services, e.g., with increases in teaching staff and elementary school services and support.

95. Substantial growth in the payroll has come from outside the MoE. Employment in the Ministry of Health (MoH) increased by 108 positions, from 389 in FY1999 to 497 in FY2009 (Table 9). Significant staff increases occurred in the Majuro and Kwajalein Hospitals, suggesting an greater emphasis on curative care. The Ministry of Internal Affairs has doubled, while the Ministry of Public Works (MoPW) is not far behind, after scaling back its operations after the RIF. The MoPW had adopted a largely oversight and regulatory role at the end of the RIF, but has now taken on a more proactive role in outer-island project implementation and maintenance. The Ministry of Transport and Communications (MoTC) was also scaled back during the RIF, with the intention of privatizing

Table 9 RMI government number of public servants by department, FY2000–FY2009

| | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| President & Cabinet | 23 | 22 | 23 | 23 | 22 | 26 | 27 | 32 | 33 | 30 |
| Chief Secretary Office | 14 | 14 | 13 | 12 | 18 | 20 | 21 | 25 | 25 | 31 |
| Special Appropriations | 1 | 2 | 2 | 2 | 0 | 2 | 0 | 0 | 10 | 0 |
| Council of Iroij | 17 | 17 | 15 | 14 | 15 | 15 | 16 | 15 | 15 | 17 |
| Nitijela | 35 | 37 | 37 | 38 | 42 | 45 | 48 | 49 | 50 | 51 |
| Auditor General | 7 | 8 | 11 | 11 | 11 | 10 | 11 | 10 | 7 | 7 |
| Foreign Affairs | 56 | 34 | 34 | 33 | 32 | 36 | 34 | 37 | 37 | 39 |
| Public Service Commission | 11 | 12 | 11 | 11 | 13 | 13 | 14 | 15 | 15 | 15 |
| Judiciary | 21 | 22 | 22 | 20 | 30 | 35 | 40 | 40 | 37 | 35 |
| Attorney General Office | 10 | 16 | 18 | 24 | 25 | 25 | 26 | 25 | 22 | 23 |
| Ministry of Education | 474 | 478 | 671 | 706 | 720 | 800 | 1,028 | 1,032 | 1,067 | 1,073 |
| Health & Environment | 389 | 376 | 389 | 437 | 480 | 529 | 535 | 540 | 529 | 497 |
| Transport & Communications | 24 | 41 | 84 | 92 | 108 | 108 | 100 | 54 | 18 | 19 |
| R & D | 45 | 33 | 33 | 32 | 27 | 26 | 28 | 29 | 27 | 31 |
| Internal Affairs | 54 | 56 | 53 | 54 | 69 | 61 | 64 | 63 | 102 | 79 |
| Justice | 170 | 153 | 144 | 163 | 168 | 168 | 170 | 166 | 167 | 171 |
| Finance | 86 | 93 | 99 | 104 | 107 | 112 | 121 | 121 | 128 | 116 |
| Public Works | 50 | 111 | 114 | 115 | 99 | 100 | 99 | 90 | 91 | 92 |
| Epa | 0 | 0 | 0 | 0 | 16 | 18 | 19 | 19 | 19 | 19 |
| Compact II Capital | 0 | 0 | 0 | 0 | 1 | 2 | 3 | 3 | 3 | 5 |
| Total | 1,486 | 1,522 | 1,771 | 1,892 | 1,999 | 2,151 | 2,402 | 2,363 | 2,400 | 2,346 |

outer-islands shipping services. However, this policy was not successful, and the services were initially brought back into the public sector and later transferred to the newly formed Marshall Island Shipping Corporation.

96. The overall trend in payroll, after allowing for the structural changes in the Ministry of Education, is upward, from $16 million in FY1999 to $27 million in FY2009. Associated personnel expenditures, such as the government's MISSA contributions and housing allowances for expatriate staff, are also significant. Housing allowances alone required a budget of $1.9 million in FY2009; nearly half was for MoH, which has a large number of expatriate medical staff. While the number of public servants has increased significantly, wage rates have also moved upwards. Average public sector wages increased by 20% during the period, while those in education and health rose by 26% and 38%, respectively.

97. While analysis of payroll trends by department is important, it is also useful to assess the impact of the amended Compact sector grant approach. Table 10 indicates public servant payroll by fund source during the amended Compact period. The table indicates the increase in general fund employees of 11% (94 employees). It also indicates that the changes in employees funded out of the Compact sector grants have not changed significantly during the period. While not shown in the table, average wage rates during the period have remained largely unaltered. The increase in public servants during the period has thus been almost entirely due to increases in general fund employment.

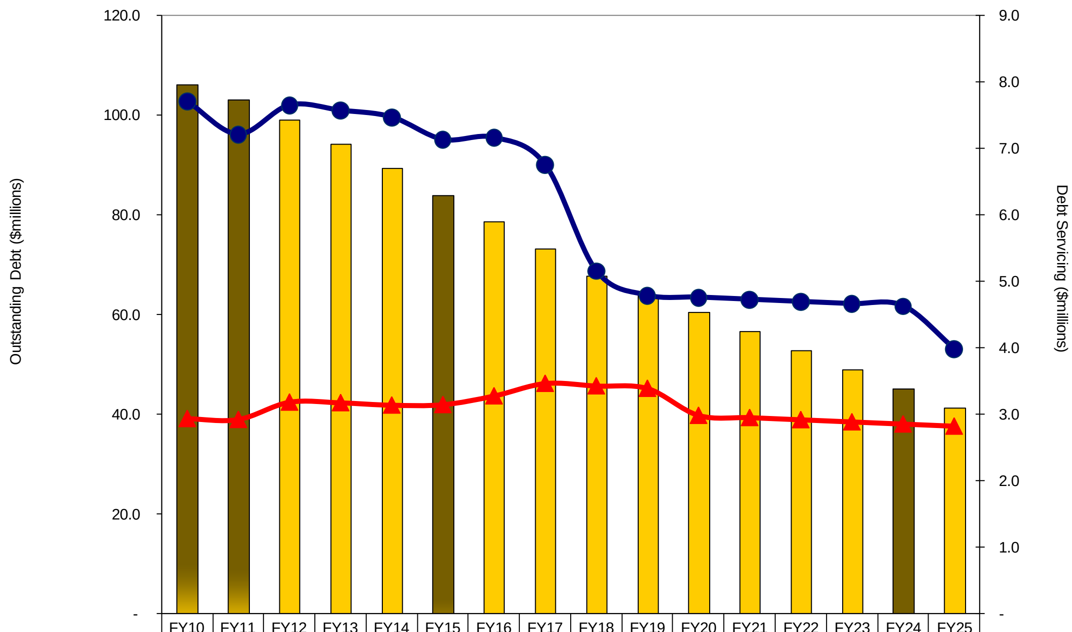
### 2. External Debt Management

98. While the sizeable bond issues used to finance development projects in the 1990s are now part of the RMI's fiscal history, external debt management in the medium term presents a major challenge. There are two major components of debt service: government debt on concessional terms to the ADB and government guaranteed debt incurred by the SOE sector. Fig. 19 indicates the projected trend in outstanding debt and debt service for the two types, based on amortization schedules. For total debt, there are two phases: an existing high rate of debt service of about $8 million, to be repaid over the next eight years, then a much reduced rate of about $5 million. For its debt to the ADB, the gov-

Table 10 RMI government number of public servants by fund, FY2000–FY2009

| Fund | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | Change[1] | % Change[1] |
|---|---|---|---|---|---|---|---|---|
| General Fund | 825 | 861 | 871 | 865 | 885 | 920 | 94 | 11% |
| Compact II | 888 | 933 | 1,171 | 1,130 | 1,134 | 1,107 | 19 | 2% |
| Special Revenue | 69 | 74 | 76 | 79 | 85 | 68 | -1 | -2% |
| US Federal Grant | 166 | 177 | 227 | 282 | 244 | 219 | 53 | 32% |
| ROC | 36 | 34 | 30 | 27 | 38 | 28 | -9 | -24% |
| UNDP | 1 | 2 | 3 | 5 | 5 | 6 | 5 | |
| **Total** | **1,985** | **2,080** | **2,377** | **2,388** | **2,390** | **2,346** | **361** | **8%** |

Note 1: adjusted for switch in employment of 200 teachers from Head Start to the SEG in FY2006




| | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Outstanding | 106.2 | 103.2 | 99.1 | 94.3 | 89.4 | 84.0 | 78.7 | 73.3 | 67.8 | 64.0 | 60.5 | 56.6 | 52.8 | 48.9 | 45.0 | 41.2 |
| Total Debt Servicing | 7.7 | 7.2 | 7.6 | 7.6 | 7.5 | 7.1 | 7.2 | 6.8 | 5.2 | 4.8 | 4.8 | 4.7 | 4.7 | 4.7 | 4.6 | 4.0 |
| ADB Debt Servicing | 2.9 | 2.9 | 3.2 | 3.2 | 3.1 | 3.1 | 3.3 | 3.5 | 3.4 | 3.4 | 3.0 | 2.9 | 2.9 | 2.9 | 2.8 | 2.8 |

Figure 19 RMI debt and debt servicing projections, FY 2010–FY2025

ernment will be required to set aside about $3 million from the general fund for the next 15 years. As a proportion of general fund revenues of $30 million, this represents about 10%. In previous years, nearly all of the RMI debt was in the grace-period era, and debt service obligations were not significant. However, in the last four years, principal repayments for many of the loans have fallen due, and debt service has contributed to significant fiscal pressure. In FY2006, the government experienced its first problems in servicing ADB debt and defaulted on several loans. In FY2007, it remained in arrears, as service obligations rose to $2.2 million. By FY2008, the government placed ADB debt service higher on its payment priority schedule, has made good on past delinquencies, and is currently up to date with payments.

99. The difference between the two curves in Fig. 19 indicates the debt service obligations of the SOE sector. External debt of the SOEs is at higher interest rates and shorter terms and thus incurs a proportionately higher service commitment. Current debt service levels of the NTA, MIDB, and MEC are $2.1 million, $0.6 million, and $4.3 million, respectively. Given the current financial problems of the MEC, its existing debt service has presented a substantial financial risk for the government. However, as indicated below moves are afoot to refinance and place MEC liabilities on a more stable and less costly basis. The ADB debt service crisis has bought home the impact of a poorly managed external debt strategy. A well articulated debt management strategy is needed to assist the

RMI in determining the type of projects for which external loan finance is appropriate and identifying cases where there is some potential for projects to cover service costs.

## 3. PUBLIC ENTERPRISE ISSUES

### *i SOE performance and reform*

100. In the above discussion of the economy and fiscal developments, we have noted the importance of the contribution of the SOE sector to the RMI economy. In particular, the increasing level of subsidy has been highlighted as a growing concern. The ADB recently (February 2010) commissioned *A Review of 11 Public Enterprises and Options for Reform*, which provides a thorough review. We do not intend to duplicate that work here, but to provide a brief overview of performance and of past and present reform initiatives. In the following section, we undertake a brief analysis and description of recent developments in the Marshall Energy Company; these have had a profound impact on fiscal stability.

101. Fig. 20 provides a useful description of the RMI SOEs and compares the operating income of the major enterprises in FY1999-2001 with FY2006-08. For Air Marshall Islands (AMI), there is a reduction of loss, from an average $2.4 million to $1.4 million.

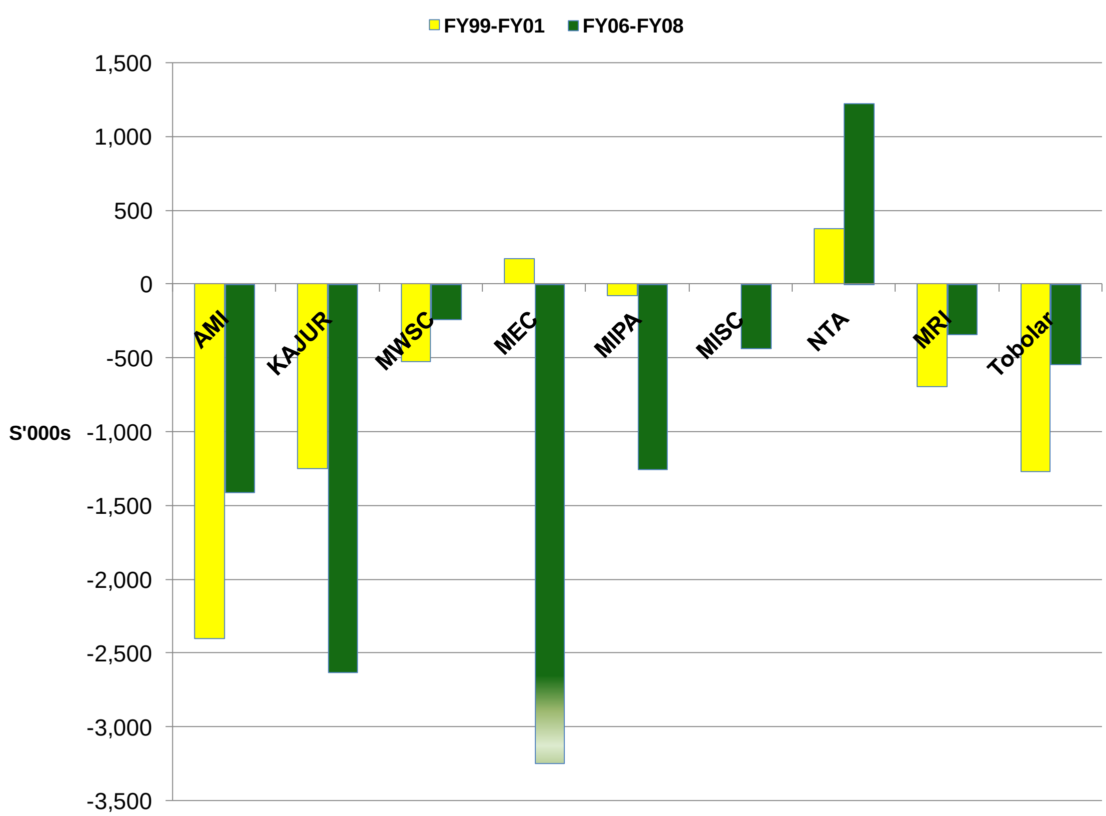



Figure 20 State Owned Enterprises, net operating profit

In the late 1990s, AMI was the SOE causing major financial concern; it was a particular focus of the ADB supported Public Sector Reform Program (PSRP). AMI provides both international air connectivity and local social services to the population of the outer atolls. While the level of operating loss has fallen from the late 1990s, the average level of subsidy over the same period has risen and continues to be a large cost to government. Fig. 20 indicates the very significant level of operating loss of the MEC, averaging $3.2 million/year in FY2006-08, although the organization had operated profitably in the earlier period. The level of subsidy averaged only $900,000 in FY2006-08, but this has been camouflaged by the very sizeable level of government advances (which have not been recorded statistically in the subsidy). While most focus has been on the operations of the MEC, both the level of operating loss and subsidy to KAJUR, the Kwajalein Atoll Joint Utilities Resources, has risen very significantly in recent years. The level of operating loss is revealed in Fig. 20, but the level of subsidy has risen from $0.4 million to $3.4 million in the same period. Although the operations of KAJUR have received less attention than those devoted to MEC, the data presented here clearly indicate that the utility is a major cause of concern.

102. The Majuro Water and Sewer is a smaller concern but operates with significant losses and with an average subsidy of $0.6 million in the last three years. MIPA, the Marshall Islands Port Authority, currently records a significant level of operating loss, but receives no subsidy. In effect, the entity charges port fees that cover cost, but makes no allowance for depreciation and is decapitalizing its assets. The Marshall Islands Shipping Corporation commenced operations in FY2007 and was intended to provide better shipping services, which were formerly provided through a government department. The entity provides a social obligation to low income households in the outer island atolls and is financed by government subsidy, which averaged $1.2 million in the last three years. The Marshall Islands National Telecommunications Authority (NTA) is the only SOE that has recorded an operating profit in the last three years. It is a monopoly provider and is able to set prices without political involvement. The Marshall Islands Resort has recorded an operating loss in each of the last three years but receives no subsidy. As in the case of MIPA, the entity effectively covers operating costs and has been decapitalizing its assets. Lastly Tobolor, the agency responsible for copra collection and production of coconut oil, records negative operating income levels and in the last three years has received subsidies averaging $1.0 million/year. As with the MISC and AMI, Tobolar provides an important social obligation to support household incomes in the outer atolls.

103. The objective of the above description of the operations, profitability, and subsidies to the SOEs has been to indicate the magnitude and pervasiveness of the financial problem facing the RMI. During FY2004-06 the average level of subsidy and capital transfer was $4.4 million. During the FY2007-09, this level had risen to $10.3 million and represented 30% of general fund revenues. From being an important financial issue, the level of subsidy to the SOEs had reached a critical level; it is now clearly on the radar screen and indicates adjustment and reform is necessary.

104. In awareness of the growing imbalances in the economy, the Cabinet created in April 2009 a Comprehensive Adjustment Program (CAP) Advisory Group tasked with developing a framework for comprehensive fiscal and economic adjustment options. The CAP process and recommendations are summarized later in this report, but although they do not make any specific recommendations on the SOE sector, they recommend that technical assistance be sought to "assist the Office of the President/Chief Secretary conduct an institutional review of existing State Owned Enterprise with the aim of rationalizing of subsidies and transfers and where appropriate, privatize." As a result of this recommendation, the ADB provided TA support and commissioned *A Review of 11 Public Enterprises and Options for Reform* (referred to at the beginning of this section).

105. The ADB review indicates that while efforts to reform public enterprises have been few and far between, the outcomes that have been achieved have been limited and not sustained. However, reforms are now underway in MEC and are being considered for Tobolor and AMI. The review goes on to say that "the RMI's public enterprise sector poses an increasing systemic risk on the financial system and economy," and recommends that if the political will exists, that "the RMI develop a medium-term Public Enterprise Rationalization Program (PERP)." A set of critical components of the reform process are itemized. It is clear from the review that SOE reform will be a long-term process, requiring several years, as well as the political will and substantial sustained technical assistance.

### *ii the Marshall Energy Company*

106. This section is devoted to recent developments at the Marshall Energy Company. It starts with a description of recent events and shows how a struggling public enterprise can constitute a direct and significant threat to the national budget and overall economy. The analysis presented in last year's review is recalled, and the subsequent adoption of a Comprehensive Recovery Plan adopted in 2010 by the MEC Board is summarized.

107. ***Financial performance summary*** (Table 11). Electricity revenue has nearly tripled in the decade from FY1999-FY2008, the direct result of rising global oil prices leading to higher local electricity tariffs. MEC raised tariffs twelve times between Janu-

Table 11 Marshalls Energy Company indicators, FY1999–FY2008

| | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Electricity revenue | $6.36 | $6.99 | $7.24 | $8.29 | $8.86 | $8.62 | $9.71 | $11.51 | $14.06 | $18.69 |
| Fuel and gas sale revenue | $2.88 | $7.32 | $6.12 | $7.66 | $9.34 | $11.31 | $13.88 | $9.50 | $8.12 | $12.66 |
| Total Revenue | $9.24 | $14.31 | $13.36 | $15.95 | $18.21 | $19.93 | $23.59 | $21.01 | $22.18 | $31.35 |
| Fuel and gas gross profit margin | 26% | 16% | 23% | 28% | 21% | 19% | 19% | 24% | 20% | 4% |
| Net operating income/loss | $0.74 | $0.60 | -$0.83 | $2.84 | $1.27 | -$1.38 | -$3.21 | -$3.89 | -$2.90 | -$2.94 |
| Current ratio | 0.89 | 1.15 | 0.86 | 1.60 | 1.87 | 1.22 | 0.72 | 0.82 | 1.15 | 0.69 |
| Net working capital | -$0.39 | $0.59 | -$0.76 | $1.72 | $2.46 | $0.97 | -$1.83 | -$1.51 | $1.39 | -$4.07 |
| Total debt ratio | 0.74 | 0.76 | 0.83 | 0.72 | 0.69 | 0.78 | 0.95 | 1.18 | 1.33 | 1.59 |
| Gross mWh generated | | | | | | | | 79,078 | 76,652 | 68,033 |
| Billed mWh | | | | | | | | 56,761 | 56,996 | 52,385 |
| Ratio of billed to generated mWh | | | | | | | | 0.72 | 0.74 | 0.77 |
| Fuel sales (gallons) to foreign vessels | 1.48 | 5.21 | 3.01 | 5.44 | 6.03 | 7.26 | 7.21 | 1.60 | 1.95 | 2.51 |
| Residential tariff (weighted avg) | | | | | | 0.12 | 0.14 | 0.17 | 0.21 | 0.32 |

ary 2005 and June 2008 (the weighted average residential tariff has risen from $0.12 to $0.32 in the past five years). Meanwhile, total demand has steadily deteriorated over time, with FY2008 seeing just 52,385 mWh billed. Fuel and gas sale revenue has generally improved in recent years, reaching $12.66 million in FY2008. However, two factors—higher fuel costs to MEC (stemming from higher global fuel costs and the imposition of new taxes on the company in 2006) and limited ability to raise prices due to the entry of lower-cost oceangoing refueling vessels—dramatically compressed MEC's gross margins, from a peak of 28% in FY2002 to just 4% in FY2008. Altogether, MEC's strong record of net operating income through most of the 1990s and early 2000s has disappeared, with FY2008 seeing a $2.94 million operating loss, the fifth straight year of losses for the Corporation.

108. MEC's short- and long-term solvency positions have seriously deteriorated, with the ratio of current assets/current liabilities falling to 0.69 in FY2008, the lowest point in the past decade and sharply below historic averages. MEC's overall debt load has worsened, with the ratio of total liabilities/total assets ballooning in FY2008 to 1.59 (fueled largely by the new Bank of Guam debt taken on after the resolution of the ExxonMobil transition in 2006-2007). MEC's operating liquidity, as measured by its available net working capital, is in critical condition, with a working capital deficit (current assets minus current liabilities) of over $4 million in FY2008.

109. ***An overview of significant events***. Established at the beginning of the Compact (in 1986) as a wholly-owned Government corporation, MEC was long considered one of the better run electric utilities in the Pacific. MEC's success capitalized on the RMI's large bunkering capacity with its six-million-gallon tank farm, which allowed direct shipment of lower-unit-cost, larger volumes of diesel directly from Singapore refineries. Its consignment-based fuel supply arrangements with Mobil, Majuro's proximity to productive fishing grounds, and its ideal port conditions established the RMI as an attractive refueling and transshipment hub in the central Pacific. High gross profit margins (in some years over 20%) on fuel sales allowed MEC to cross-subsidize and suppress electricity tariffs. This model worked quite well for over a decade.

110. A series of events during 2004 -2007 constituted a "perfect storm" for MEC, rapidly eroding the company's financial position. These events included:

- steadily increasing global fuel prices;
- the inability of MEC to pass on higher fuel costs to its tariffs because of a rigid tariff template that did not recover full costs;
- the outbreak of a major legal dispute between MEC and its fuel supplier Mobil (the ultimate resolution of this dispute resulted in MEC shouldering significant debts and losing its consignment fuel supply arrangements);
- the imposition of new import taxes on MEC's fuel imports (since rescinded), which raised MEC's fuel costs and profoundly impacted its export business;

- the entry of lower-cost high-seas refueling vessels in the central Pacific, a development which directly and significantly ate into MEC's market share.

111. Moreover, in FY2002 and FY2003, MEC benefited from access to an energy grant made available through Compact I, valued at around $1.9 million. In FY2004, with the commencement of the amended Compact, the company no longer received the grant, and this change, coupled with other factors, led to the company's first major operating loss, nearly $1.4 million. These subsidies, in fact, had allowed MEC to mask its underlying fiscal situation in FY2002 and FY2003.

112. What was once a lucrative and well-run utility had by FY2005 and FY2006 very quickly turned into a major liability and risk to the fiscal system and overall economy. The 2008 global fuel crisis, which hit the RMI economy very severely, prompted the RMI leadership to declare a first-ever "state of economic emergency," which placed MEC and the overall energy sector front-and-center. Global oil prices peaked in July of 2008, and over the ensuing 12 months, the national Government was forced to transfer nearly $8 million to MEC to allow it to continue fuel procurement.

113. ***Reform program***. In response to the financial crisis, the Board, under new management, adopted, at the beginning of 2010, a comprehensive recovery plan for FY2010-12. The recovery plan features a set of financial, operational and governance reforms aimed at improving the fundamental solvency and sustainability of the utility. The reforms are focused on three key areas: (i) strengthening MEC and energy sector governance; (ii) improvement of organizational polices, performance and capacity; and (iii) strengthening and stabilization of company finances.

114. Key features of the financial reforms include:

- Adoption of a new tariff template which will, once company inefficiencies have been rectified, provide for full cost recovery. At present, the average weighted residential tariff is ¢32 and is about 15% below full cost recovery,
- Removal of cross subsidization between services,
- Strengthening of accounts receivable in conjunction with the Bank of the Marshall Islands, and installation of pre-pay meters for all residential customers,
- Reduction of power system losses both technical and financial,
- Removal of streetlight losses,
- Negotiation of community service obligation contracts with the RMI government to compensate MEC for loss making operations in outer island atolls,
- Renegotiation and deferment of loan repayments with the Rural Utilities Service for four years, and restructuring of the Bank of Guam loan through refinancing with the ADB, and

- Development of new asset management plans and rehabilitation of existing generators.

115. It is estimated that if the reforms are implemented on schedule, the MEC would return to an operating profit by 2011. The reform process will take several years and is currently the center piece of a public sector program loan under negotiation with the ADB. The success of this process will remove one of the most serious risks to financial instability facing not only the MEC but also the RMI government.

### 4. Trust Fund Viability -- Monitoring the Sufficiency of the Trust Fund

116. The establishment of the Trust Fund for the Peoples of the RMI was a major feature of the amended Compact. The Trust Fund was created "to contribute to the long-term budgetary self-reliance of the RMI… [and] to provide the Government of the RMI with an ongoing source of revenue after FY2023." The design of the Trust Fund specifies distributions from FY2024 forward that are explicitly tied to the fully inflation-adjusted value of the Compact annual grant assistance provided in FY2023. Notwithstanding this design feature, the U.S. Government has, on several occasions subsequent to the outset of the amended Compact period, stated that "the amended Compacts and their subsidiary agreements contain no commitments, either express or implied, regarding the level of the revenue that will be generated by the Trust Funds, nor is there any commitment regarding the degree to which the revenue will 'contribute' to the long-term budgetary self-reliance of the FSM and RMI."

117. Despite the lack of a secure and sustained funding level, the Trust Fund Agreement does specify a withdrawal rule that is precisely based upon the FY2023 annual grant assistance level plus full inflation, and each year thereafter the withdrawal rate specified is increased by full inflation. In fact, the withdrawals specified would occur under current rules at this fully inflation-adjusted annual rate even if it was known by all parties that the Trust Fund had not achieved a sufficient size to reliably support such withdrawals over the long-term. This is, in fact, a serious technical flaw if the real value of the Trust Fund is meant to be protected and if the stability of annual flows to the RMI is a shared objective. As currently structured, only the nominal value of the Trust Fund is likely to be protected, while stability of annual distributions will be at severe risk.

118. The problem of immense and repeated fiscal shocks would arise, in the case of the Trust Fund not being sufficiently large, if the returns in any post-2024 year are insufficient (or negative) and if the "C" account, established as a buffer, is too small (or empty). In such events, the RMI would suffer the consequences of having zero funds made available for budgetary or infrastructure investment support in specific years. All too frequently, based on historical investment return patterns, such events could lead to two or more consecutive years with vastly diminished or zero funding. Thus it makes sense for the RMI and the US to consider modifications to the poorly specified buffer account and withdrawal rules embedded in the Trust Fund Agreement so as to reduce the risk of re-

peated fiscal shocks of potentially massive proportions. At a minimum, consideration should be given to modifying the operations of the "B" account which, as described now provides no benefit whatsoever, and of the "C" account which would be more reliably functional if it were created by *fiat* at the outset of FY2024. Subject to technical review, consideration should also be given to increasing the initial holding size and providing conservative guidelines for the investment policy of the buffer account. Consideration should also be given to the basic annual withdrawal rule which provides no feedback mechanism to relate the annual withdrawal rate to the actual size of the Trust Fund.

119. With the risk of a shortfall in the Trust Fund not being underwritten by the U.S. Government in any formal sense, it is imperative that the RMI Government make every effort to monitor the progress of the Trust Fund and to assess performance against a sensible goal. That goal is the sufficiency of the Trust Fund to support a "smooth and sustainable transition" from direct, U.S.-appropriated, annual grants to annual Trust Fund distributions to the RMI. By definition, that means the target value of the Trust Fund at the end of FY2023 must be sufficient to support annual withdrawals equal to the inflation adjusted value of the grants received in FY2023, while preserving the real value of the Trust Fund in perpetuity. A monitoring procedure is presented below that identifies the "terminal condition for sufficiency" of the Trust Fund at the outset of FY2024, the first year in which it must provide income to the RMI Government.

120. There is no clear documentation of the assumed rate of growth of the initial RMI Trust Fund deposits augmented by the assumed annual contributions; however, there is only one variable that affects the projected direct grant level in FY2023 — that is the rate of inflation. More precisely, the one variable is the cumulative inflation adjustment, pursuant to Compact Section 217, for the 20-year period beginning in FY2004.

121. The RMI began the amended Compact period with an annual direct grant drawdown rate of $35.2 million. That stream of direct grants is adjusted annually in two countervailing ways: annual grant levels are adjusted upward by the addition of two-thirds of inflation and adjusted downward by the subtraction of the so-called "decrement" of $500,000.

122. Using actual inflation adjustment data through FY2011 and projecting forward based on inflation at 3.0 percent, a direct grant level of $37.4 million is projected for FY2023. Using that value, allowing for full inflation adjustment of subsequent withdrawals, and maintaining the real value of the Trust Fund corpus, there is one other variable required in order to determine the size of the Trust Fund at the outset of FY2024, namely the rate of return on investments in the combined "A" and "C" accounts (essentially the primary and buffer accounts).

123. It is assumed that the RMI investment strategy at that time would need to provide for a prudent balance of risk while allowing for long-term growth. From FY2024 onward, a balanced investment allocation is assumed, with 65percent of assets in equities with an assumed real rate of return of 6.5 percent annually and 35 percent in fixed in-

come with an assumed real rate of return of 2.5 percent annually. The blended real rate of return for the distribution period is thus estimated at 5.1 percent. If inflation were to average 3.0 percent, a nominal rate of return of 8.1 percent would thus be required.

124. Taking the above projections and assumptions into account, the terminal condition for sufficiency of the Trust Fund is projected to be $755 million. If the Trust Fund had been funded in a timely manner and precisely as called for in the amended Compact (ignoring contributions from third parties), the meeting of this terminal condition value would have required an annually compounded rate of return of 8.03 percent. With annual inflation projected at 3.0 percent over the entire period, the implied real rate of return is 5.03 percent. The projected growth path from FY2004–FY2023 is presented as the baseline growth, and actual progress is compared to this baseline (see Fig. 21 showing the smooth line projection, from a planned deposit of $37 million in FY2004 to the target level of $755 million at the end of FY2023).

125. The current value of the RMI Trust Fund is significantly below the level consistent with a smooth growth trend line. In order to be precisely "on-track" to achieving that level as of June 30, 2010, the value would have grown to $134.4 million; however the actual value of the RMI Trust Fund at that date was $101.4 million. This shortfall of $33 million leaves the Trust Fund fully 25 percent short at this stage after 6.75 years of the

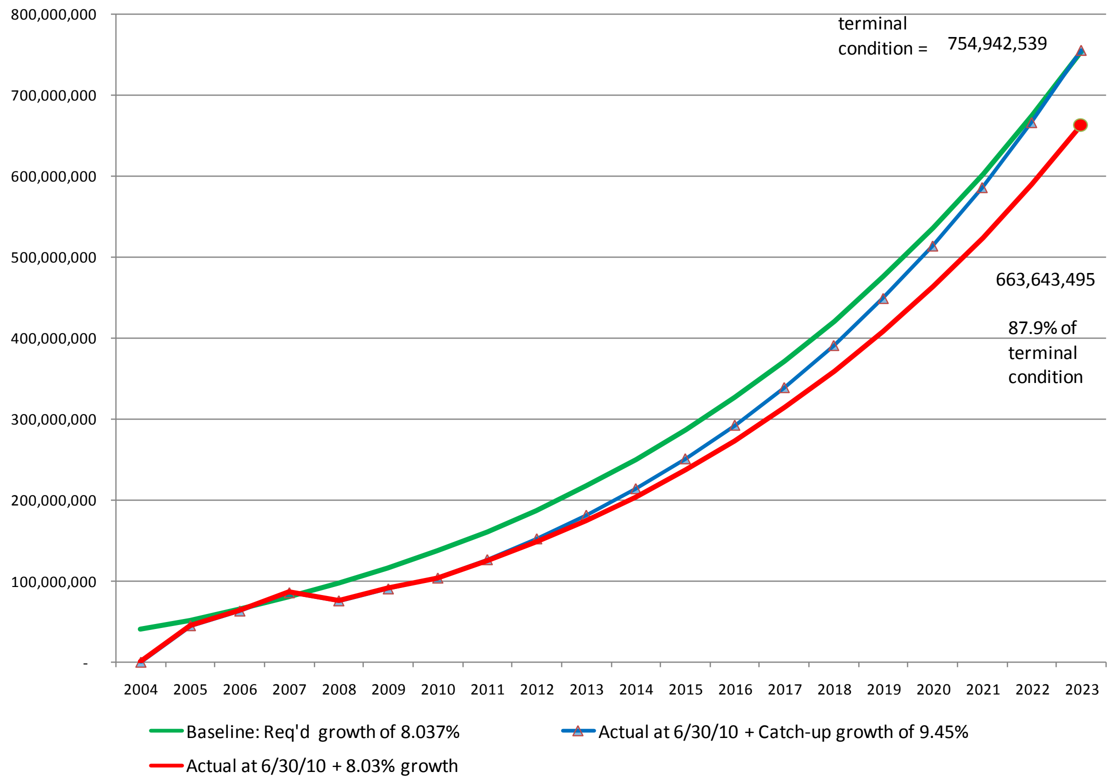



Figure 21 Compact Trust Fund Sufficiency, FY2004 – FY2024, $'millions

20-year accumulation period projected. Even if the returns from this date forward were to average the (initially required) trend line rate of 8.03 percent annually, the final value of the fund at the outset of FY2024 would be just 87.9 percent of the target level, falling short by $91.3 million.

126. A range of factors have combined to result in the RMI Compact Trust Fund value as at the end of June 2010 being below the projected path to support a smooth and sustained transition, although the actual performance of the markets was the most prominent factor in the shortfall to date.

- The most important factor—representing just over half of the shortfall—is the poor investment climate that existed over the initial period; since the time horizon for the Fund is twenty years in the accumulation phase it would have been expected that there would be several periods of poor investment performance. It is, of course, unfortunate that the Fund has experienced such a historically volatile and negative period early in the accumulation period.

127. Several other factors that were not “market-driven” follow below.

- The RMI failed to deposit in a timely manner its required $30 million contribution; although the RMI was allowed to split its contributions over the initial year ($25 million) and the two subsequent years ($2.5 million each in FY05 and FY06). For projection purposes at the time the amended Compact was negotiated, the full sum was anticipated to be available to invest on October, 1, 2003. In fact, the RMI deposited $25 million on June 1, 2004, nine months late. The remaining deposits were made as follows: $1.5 million on February 17, 2005, $1.0 million on May 19, 2005, and the final $2.5 million on October 5, 2005. Finally, the U.S. chose to delay its deposit awaiting the initial RMI contribution and made its initial deposit of $7 million on June 3, 2004.
- The above delays were, in large part, due to the fact that the U.S. and RMI did not establish the Trust Fund on schedule. Although anticipated (for projection purposes) to be established on October 1, 2003, the RMI Trust Fund was incorporated as a non-profit corporation on April 28, 2004, and the amended Compact did not go into effect until May 1, 2004. Despite the delays, no changes to contribution commitments or anticipated withdrawal dates appear to have been discussed, although it should be noted that a 20-year accumulation period has been truncated as a result of legal requirements (i.e. the coming into effect of the Compact eight months after the beginning of the projected accumulation period) and the accumulation period was cut short even further by technical implementation issues.
- The allocation of deposited funds to the asset classes identified in the RMI Investment Policy Statement did not occur until September 30, 2005, fully 24 months into the amended Compact period. This failure to invest according to the RMI’s investment policy was ill-timed, as the markets performed well during the

period of delay. Again, no discussions appear to have taken place to consider the impact of this and other delays relative to the originally projected 20-year accumulation period.

- While invested in the asset allocation identified in the Investment Policy adopted on August 19, 2005, and implemented on September 30, 2005, over the period from that implementation through June 30, 2010, it appears that the actual results have lagged, by a substantial margin, the weighted returns of the benchmarks for each asset class. The shortfall due to under-performance relative to its benchmark is $6.1 million. Since the investment choices to date have involved passive instruments designed to track index performance, any under-performance would likely be a result of fees and expenses, combined with the effects of timing and tactical execution of the strategy.

- Finally, it is worth simply presenting the basic return performance of the RMI Trust Fund as at June 30, 2010. So far, contributions received have been $102.2 million, while the market value of the Trust Fund was $101.4 million, reflecting a total loss of $0.8 million. This computes to a compound annual growth rate of -0.19 percent (negative). Had the portfolio (while invested) tracked its asset-weighted benchmark, the total gain would have been $5.3 million and the compound annual growth rate would have been 1.28 percent.

128. A decomposition of the negative and positive factors is provided in Table 12. As noted above, 52 percent of the shortfall over the initial 6.75 year period is the result of market conditions that are truly out of the control of the parties to the Trust Fund. Taking all factors into account, the impact of the other positive and negative factors are highlighted. The market analysis utilized index comparisons against the initial investment strategy adopted by the RMI Trust Fund Committee. Specifically, U.S. Equity at 36% (of which 14% Large Cap Growth, 17% Large Cap Value, 5% Small Cap), 21% International Equity, 37% Fixed Income (of which 35% Aggregate Bond, 2% cash), and 6% Alternative (of which 6% Real Estate). While the strategy may have been amended slightly over time, the authors had no clear documentation of any such changes, and thus the "bench-

Table 12 Trust Fund Performance analyzed by Source of Variation as at end March 2009

| RMI Trust Fund | Value at 6/30/2010 | Difference from actual | Decomposition estimates | |
|---|---|---|---|---|
| If smooth trendline growth: | 134,363,837 | (32,926,973) | 100% | The fund is 25% below target at this stage |
| If invested from original date: | 117,379,836 | (16,984,001) | -52% | This is the attribution to actual market |
| If invested from deposit dates: | 113,965,080 | (3,414,756) | -10% | This is result of delayed deposit |
| As entered into Inv. Policy: | 107,522,486 | (6,442,594) | -20% | This is result of delayed investment |
| Actual Market Value: | 101,436,864 | (6,085,622) | -18% | This is result of fees, underperformance, and changes from benchmark inv. policy |

mark" remained unchanged over the 6.75 year period of interest. The analysis utilized actual index-based measures and actual date of deposit data to estimate various effects as noted in Table 12.

129. One factor that has proven positive for the RMI Trust Fund is contributions from the Government of Taiwan, which have augmented the balance as of June 30, 2010. Taiwan has committed to a total funding level of $40 million over the twenty-year period of the amended Compact. Taiwan has deposited $8.75 million thus far—exactly equal to its stated intent. Contributions planned for FY2011 – FY2023 at $2.4 million annually would complete the stated intent. Should these additional contributions be fully realized, the projected value of the RMI Trust Fund using the 8.03 percent rate of return would be 95 percent of the target value and the "catch-up" rate calculated (discussed below) would be reduced from 9.45 percent to 8.61 percent. Clearly, the value of third-party contributions is substantial and the allowance for third-party contributions to the Trust Fund, with mutual consent, was an enlightened feature of the amended Compact.

130. As shown in Fig. 21, the "catch-up" rate required for the RMI Trust Fund to achieve the terminal condition by the end of FY2023 is projected as a 9.45 percent compounded annual return for the remaining 13.25 years of the originally projected 20-year accumulation period. This return is slightly higher than the historical returns expected from the current investment strategy. Given the historically poor initial period—and the likelihood of s sustained period of above-average performance following the downturn—it remains possible that the RMI Trust Fund will achieve the target level. It would be sensible for the RMI Trust Fund Committee to re-visit its investment strategy—as it should in any event on a periodic basis—to consider the appropriate balance of risk versus reward and the appropriate mix of asset classes and allocations to those chosen asset classes. However, it is not recommended that the RMI over-allocate to risky assets in an overly-aggressive attempt to catch up. Rather, the most likely policy response would be to mobilize additional contributions—of modest proportion and from whatever sources—to the Trust Fund to more reliably support the RMI's long-term fiscal stability and sustainability.

131. In recent interactions with the Asian Development Bank (ADB) and the International Monetary Fund (IMF) the RMI has received warnings related to the threat to their long-term fiscal sustainability resulting from the presumed level of under-performance of the RMI Trust Fund to date. The IMF warnings in particular have been based on a broader fiscal sustainability understanding than what the RMI Trust Fund was designed to specifically support. The IMF analysis sensibly considers the sustainability implications of a potential loss of all grants as opposed to limiting the analysis to the loss of only the Compact section 211 sector grants, for which future withdrawals from the RMI Trust Fund were designed to replace. In effect the IMF approach takes into account the large economic implications of withdrawal of sizeable resources available for the RMI regardless of the fact that the Trust Fund was designed only to replace a portion of the total grants. The next IMF staff visit, scheduled for November 2010, will emphasize the im-

portance of the broader approach to fiscal sustainability, in line with standard debt sustainability analysis of the IMF, to ensure smooth transition to self-sufficiency when the current period of sector grant funding comes to an end after FY2023. Subsequent analysis that has featured in the recently approved program loan from the ADB has, according to ADB staff, relied upon IMF fiscal forecasting; thus, the IMF-utilized assumptions need to be carefully considered. The best opportunity to achieve this, following upon the above-mentioned IMF staff visit, will be at the planned RMI Development Partners Meeting scheduled for December 1-2, 2010, in Majuro.

132. There are also several differences in assumptions between the IMF approach and that presented in this analysis, stemming from differences in global and national-level assumptions going forward. While the analysis in this section implies a somewhat higher expected real rate of return on the post-2024 RMI Trust Fund assets and assumes stream of grants to be replaced by the RMI Trust Fund of $37.4 million after FY2023, the IMF 2009 Article IV Consultation projected a more cautious real rate of return and assessed that the Trust Fund needs to replace an annual stream of grants equal to $45.3 million after FY2023. The latter number is 21 percent larger, implying that the Target Value of the Trust Fund would need to be 21 percent larger. The difference in grant size to be replaced—and hence the size of the fiscal challenge facing the RMI—is largely a result of the assessment by the IMF approach that the RMI faces the loss of not just sector grants, but also section 212 Kwajalein Impact payments, section 213(b) audit grants, and SEG education grants. In any event, it should be noted that regardless of the differences in global assumptions, there remains a need—perhaps with the IMF analysis signaling an upper boundary—for the RMI to improve both its current and long-term fiscal position.

## *C. Fiscal Policy and Implementation*

### 1. Fiscal policy

133. Recent fiscal performance (Fig. 16 and Table 8), indicates a very tight fiscal position but does not reveal the large or growing deficits frequently associated with an unsustainable fiscal position. There is no question that the fiscal outturn requires adjustment. An economy such as the RMI cannot easily run a large deficit, since there is no central bank or access to external capital markets. Deficits can be supported only through such measures as aging payments to vendors, default on debt, or failure to pay monthly tax and social security allotments on behalf of employees. Thus, to accurately assess actual fiscal pressure, it is necessary to identify non-conventional signals of weakness. The following indicators have been evident during the amended Compact:

- A ruling in July 2005 by the U.S. Inspector General that Compact funds should be quarantined in special bank accounts. (This ruling curtailed the use of Compact resources to fund general operations and exposed the underlying tight fiscal position in the general fund. In FY2007, Compact funds were in fact diverted for 24 hours to fund the general account.).

- Use of the Compact Trust Fund "D" account ($3.5 million) to meet the RMI capital contributions to the "A" account in FY2005 and FY2006. Replenishment of the D account is outstanding.
- Difficulty in meeting the general fund payroll in FY2006, and delays in the payment of allotments and MISSA contributions from the salaries of government employees in FY2006.
- A very finely balanced fiscal outturn, existence of a priority list of recipients, and weekly cash flow management.
- Inability to service ADB debt in FY2007.
- The increasing use of the ROC project fund ($6 million in FY2009) for advances to the SOE sector and general fund purposes. (In the preparation of the fiscal statistics the ROC project fund was originally classified as a capital project. However, this principle has become so distant it should be reclassified as "current.").
- Low unreserved working balances of the general fund and a negative unreserved fund balance (-$3.0 million in FY2009).

134. There is no doubt from the above observations that the daily operation of the RMI government budget is stressed. While the situation has improved from FY2008, when debt service, payroll and allotments were in arrears, the government's cash flow position remains tenuous. Over the period of the annual cycle, the budget has been approximately in balance, but the timing of receipts and payments may be such that there is a cash shortfall during particular weeks or days. Clearly, this is an undesirable result that points to several answers to the question of what is suitable fiscal policy for the RMI. There would appear to be four different considerations in the design of fiscal policy:

- ***Cash flow management***: maintenance of a sufficient fiscal balance and reserves to enable smooth operations of government and payment of expenditures. In economies with a central bank or developed capital markets, the government can borrow in order to smooth out irregularities in the short-term. The RMI does not have access to such funding and needs to hold sufficient cash balances to avoid payment arrears.
- ***Cyclical downturn***: The nation also needs to be prepared for cyclical developments, usually in the medium-term, that arise from adverse world economic conditions, like the current world recession. This may arise from adverse changes in the external terms of trade such as fuel price shocks, food prices increases, or price reductions in primary commodities (e.g., coconut oil, fish). Again suitable reserves are needed to iron out cyclical movements in the business cycle.

- ***Structural imbalances***: while the RMI fiscal position is tenuously in balance in the immediate short-term, the medium and longer-term outlook is less favorable, because of the decline in grants from the U.S. according to the annual decrement. Although nominal grants are likely to remain constant – because the decrement is offset by the 2/3rds inflation adjustment -- the real value of the Compact grants will decline.
- ***Insufficiency of the CTF***: During the recent IMF Article IV consultations, the Fund defined the concept of fiscal balance in relation to the generation of sufficient saving to make up for the anticipated shortfall in the CTF in 2024. Based on the Fund's calculations, the RMI needs to increase fiscal savings to 5% of GDP within 5 years and to maintain it at that level through 2024.

135. During the annual Compact meetings of the JEMFAC in September 2009,, resolution JEMFAC 2009-1 "Sustainability of Sector Budgets," was unanimously passed:

> *JEMFAC resolves that the RMI Government develop a plan for managing annual decreases in Compact direct assistance and/or general fund support, and use those plans as the basis for Fiscal Year 2012 budget decisions. The plan should include an evaluation of the ability of the health and education sectors to fulfill their strategic outcomes in fiscal years 2012-2014.*
>
> *JEMFAC further resolves that the RMI submit its findings and plan through the Office of Insular Affairs to JEMFAC no later than August 1, 2010, and demonstrate it has used the findings and plan as part of its internal budget development process for Fiscal Year 2012.*

136. While the JEMFAC resolution, which has yet to be developed, relates to the sustainability of the sector grants, it clearly recognizes that these cannot be considered in isolation; rather, a holistic approach to budget formulation is required. Decisions on maintenance of the sector grants in a declining environment interact with the use of general fund resources and other priorities of government. The nation clearly needs to develop a long-term fiscal framework to balance the needs of government against the objectives of fiscal policy outlined above and the JEMFAC resolution. We envisage a three-part process to address this issue, as follows:

137. ***Establishment of Long-Term Fiscal Framework*** (LTFF). This would include an economic modeling framework based on the structural characteristics of the RMI economy with a planning horizon through 2024. The model would need to be designed to enable simulation of the main policy instruments available to government: expenditures and revenues by economic and function category, including sector grants, public servant employment, wage rates, and taxes. The model would need to permit simulation of alternative assumptions of the exogenous variables such as exports, worker's remittances, landowner rents, interest earnings, grants, and transfers. A policy package could then be developed to meet the long-term objectives of the government of the RMI and to address sector grant considerations.

138. ***Sector grant usage.*** This involves identification of services delivered in the education, health and minor Compact sectors and priorities through the remaining amended Compact period, as well as costing of the deliverables and projection of Compact sector grant usage and services paid out of the general fund.

139. ***Review of recommendations by leaders at a conference.*** This conference would review the long-term fiscal framework, sector grant usage and delivery of general public services. The outcome of the conference would be the preparation of a public sector plan, for endorsement by government, to guide future budgetary allocations.

### 2. The Medium Term Budget and Investment Framework

140. With the onset of the amended Compact, the RMI adopted a medium-term framework for the preparation of the annual budget and request for resources from the U.S. under the sector grants. The implementation of public financial management is typically considered under two components: the medium-term financial framework (MTFF) and the medium-term expenditure framework (MTEF). The MTFF is concerned with setting the overall fiscal envelope in which the budget is formulated, while the MTEF is concerned with the allocation of public resources (expenditure) in accordance with delivery of specified outputs. Both are set in the medium-term. Reflecting a PFM approach to budgeting in the Compact, the RMI system was termed the Medium-Term Budget and Investment Framework (MTBIF).

141. The medium-term framework was written into the language of the Compact in the following requirement:

> *The Government of the Republic of the Marshall Islands shall prepare and maintain an official medium-term budget and investment framework. The framework shall be strategic in nature, shall be continuously reviewed and updated through the annual budget process, and shall make projections on a multi-year rolling basis.*

142. The MTBIF is described in government planning documents as a five-year, medium-term budgeting framework. It contains two past review years, the current fiscal year and two future trend years. The MTBIF is supposed to be updated twice annually—in December and February—to identify budget envelopes for the following fiscal year based on past trends, expected needs, and performance. The intention is to update the MTBIF mid-year to include previous fiscal year audit information. As part of the process, a MTBIF Policy Framework Paper is prepared to provide macroeconomic and fiscal guidance. Its input is the MTBIF, as well as other statistics and reports, including the quarterly and annual sector performance. The paper is intended to highlight major trends, such as revenue and expenditure issues, and other macroeconomic issues that the government and/or economy may be confronting in the medium term.

143. However, while the MTBIF approach has been incorporated into the amended Compact, the process has not been adopted as a meaningful budget planning tool or ac-

tive component of fiscal and macroeconomic planning. This situation is partly the result of weak capacity for economic policy formulation and management in EPSSO, and consequently the framework is rudimentary. To fulfill its function and provide a framework to explore alternative fiscal policy options, greater economic management capacity is needed, as well as improvements to the framework itself. At present, projections are based on the simplest of assumptions and a single estimated nominal GDP growth rate (1½%) is applied to all revenue forecasts. With the more advanced set of statistics in the RMI and intended estimation of GDP by industry, a more comprehensive MTBIF is and will be possible. Forecasts of GDP by industry can be developed, together with the balance of payments and the fiscal account, so as to generate a financial programming approach. A start has been made with preliminary econometric estimation of revenues, but these need to be extended to projection of individual elements of revenue based not just on total nominal GDP, but also on the relevant components of GDP, GNI and GNDI and the tax base.

144. While enhanced capacity in EPSSO and an improved MTBIF would be a desirable feature of fiscal management, it would not eliminate the need for the long-term fiscal framework (LTFF) outlined earlier. The MTBIF is a forecasting framework with projection covering three years based on existing trends. The scope of the LTFF would be structural in nature and policy orientated. The two frameworks would complement each other.

## *D. Public Sector Reform*

145. In response to the emerging world economic crisis in 2008, rising fuel and food prices, onset of global recession, and, most importantly, the imminent financial collapse of the MEC, the Cabinet created two groups and commissions tasked with fiscal reform initiatives. In April 2009, an RMI CAP Advisory Group was created to develop an internally conceived and designed Comprehensive Adjustment Program. The program would promote the immediate interests of fiscal responsibility and stability, while also enhancing medium-term prospects for private-sector-led economic growth. The second group created by the Cabinet was the Revenue and Tax Reform and Modernization Commission, which was to develop a proposal to reform the existing revenue system and strengthen compliance and collections. Arising out of these internally generated reform initiatives, the ADB was requested to provide support through a Public Sector Program (PSP) aimed at consolidating the reform process and in particular providing of resources to refinance MEC debt on concessional terms. Each of these initiatives is described in the following sections.

### 1. THE COMPREHENSIVE ADJUSTMENT PROGRAM (CAP)

146. The CAP was formed by the Minister of Finance and Cabinet on April 22, 2009; the report submitted by the Advisory Group to Cabinet on September 2009 identified two broad goals:

- *The first goal is to provide the Government with a well-defined series of actionable measures to recover from the recent (and continuing) deterioration in the fiscal position of the RMI Government and, following a period of fiscal restraint, to put the Government on a path toward long-term fiscal sustainability, while also placing the RMI economy on a similar path toward sustained growth.*
- *The second goal is to provide the Government with an internally designed program that can better guide its relations with the external donor community. Here the measurable objectives will be (a) to mobilize increased and better-targeted donor resources to support the implementation of the CAP, (b) to reduce the RMI's net external debt, and (c) to direct those resources towards the best uses for the RMI's long-term development.*

147. The CAP Advisory Group then goes on to make clear that the adjustment program will require significant political will on the part of the nation's leadership that will inevitably require sacrifices in the near to medium term. The reform program outlined should contain the following characteristics:

- *The larger share of the fiscal adjustment should be taken on* [devoted to?] *expenditure reductions, with significant, but lesser, reliance upon revenue increases.*
- *The fiscal adjustments approved for implementation by the Cabinet should be undertaken in two phases, with the items delivering the greatest fiscal savings/earnings prioritized for phase I. This front-loading will enable the benefits of adjustment to be realized earlier.*
- *All of the RMI's commitments for implementing its own internally-designed CAP should be shared with its major donor partners so that the RMI can benefit from coordinated and enhanced donor assistance.*
- *Finally, all of the elements of the CAP, and all of the RMI's future fiscal operations should be consistent with:*
    - *the "Decrement Management Plan" to be developed pursuant to JEMFAC Resolution No. 2009-1; and*
    - *an "External Debt Management Strategy." The goal will be to reduce the RMI's net-indebtedness over the period of CAP implementation and to ensure that the RMI never again subjects itself to unsustainable levels of external debt.*

148. Although the CAP Advisory Group outlined the general principals of reform, the specific measures were almost entirely related to expenditure reduction and followed a detailed examination of the major areas of expense. Table 13, reproduced from the CAP report, indicates a lower and upper range of potential savings by expense category. It is not intended to go through the list in detail, with the exception of two major categories relating to the civil service and SOE subsidization. In the RMI, the civil service

Table 13 CAP Advisory Group Proposed Savings by Expense Category

| REFORM AREAS | MINIMUM SAVINGS ($m) | MAXIMUM SAVINGS ($m) |
|---|---|---|
| The Civil Service | 1.7 | 4.9 |
| Nitijela Member Compensation | .14 | .17 |
| Housing Allowances | .25 | .27 |
| Electricity Allowances | .5 | 1.52 |
| Leased and Rental Housing | .07 | .15 |
| Utility Bills | .25 | .75 |
| Communications | .05 | .1 |
| Vehicles | .05 | .1 |
| Fuel | .07 | .1 |
| Travel and Per Diem | .1 | .2 |
| Professional Services | .03 | .06 |
| Grants and Subsidies | .6 | 1.8 |
| Organization/Facilities Consolidation | .15 | .3 |
| **TOTAL** | **3.96** | **10.42** |

represents nearly 50% of the cost of current operations. The Advisory group recommends the implementation of a reduction in force ranging from 50-400 civil servants and cost savings of $0.7-$5.6 million. It is clear that any reduction in force must be effected from the general fund, as other categories are protected by dedicated funding sources. At the time of the PSRP the general fund supported about 600 staff outside of education and health (now funded through Compact sector grants). Since that time, employment financed by the general fund has grown by about 300. The reduction in cost savings represented by the upper bound of the CAP in Table 13 corresponds to approximately this level, i.e., about 300 civil servants. The target is thus at the upper end of feasibility and would come at a hefty political cost.

149. The CAP study did not directly make any recommendations regarding the savings that could be generated from reduction in subsidies and transfers to the SOEs and other government agencies. As noted above, the CAP did recommend a review of the SOE sector; this review, now completed, recommends development of a comprehensive approach. Clearly, "stroke of the pen" savings are not easily achieved without disrupting delivery of existing government services, many of which support disadvantaged groups in the outer atolls. Reduction of these services would again come at a high political cost. However, the SOE sector is clearly an area where costs have risen very significantly, and long-run cost savings would be an essential element of reform.

150. Overall the CAP group recommends an expenditure reduction of $7 to $8 million over the next 1-3 years to address the structural deficit position. This corresponds to a similar level recommended in the recent IMF Article IV consultations. When this report was being prepared, the government was looking at a range of cost saving measures that includes those proposed by the CAP. However, it is noticeable a reduction in force is not

under consideration, although a reduction in working hours is being considered. Further, efforts to reduce subsidies are not popular, with an election coming in November 2011. While the Cabinet approved the CAP and TRAM proposals, implementation will require political will. Perhaps the best that can be hoped for at this time is an initiation of the process -- and a signal to the public that business as usual cannot continue.

### 2. THE TAX REVENUE REFORM AND MODERNIZATION COMMISSION

151. Complementing the creation of the CAP Advisory Committee, the Cabinet created the Tax and Revenue Reform **a**nd Modernization Commission (TRAM) on July 11, 2008. While the CAP was created to investigate ways to save cost in the operations of government, the TRAM was created to:

- *deliver to the Government for its consideration a **proposal to reform current tax system and structure** to meet the current and future financial needs of the Republic of the Marshall Islands and a tax and revenue design conducive to current realities and circumstances;*
- *deliver to the Government a proposal to **strengthen the capabilities and effectiveness of the revenue collecting administration**, sufficient to implement the revenue and tax reforms and improve the level of (voluntary) compliance of RMI taxpayers.*
- *take responsibility for governing and oversight of the design **to ensure effective implementation** of the changes needed to enhance a sustainable revenue stream to the Government*

152. In its proposal, the TRAM adopted the following guiding principles for tax reform:

- transparent and certain
- effective and efficient to administer
- simple and broad based
- fair and equitable
- financially neutral
- low tax burden
- promote private sector development
- attractive to foreign investment.

153. In order to support the recommendations of the TRAM, a request was made to PFTAC for technical assistance in the development and design of the tax reform package. In September 2009, PFTAC prepared is proposal. Two particular weaknesses were noted in the existing tax regime, the first relating to the Gross Revenue tax (GRT) and the second, to the wages and salary tax. In case of the GRT, the PFTAC report noted that although the system was simple, *there are a number of weaknesses, including: failure to distinguish between high profit and low profit businesses; lack of attractiveness to for-*

*eign investors due to lack of creditability in foreign countries; tax cascading if the goods pass through more than one business; discouraging capital investment and replacement or reinvestment in capital equipment; and taxing exports, making them less competitive in international markets*. In other words, the GRT, while it is simple to collect, displays a number of very undesirable characteristics. On the other hand, the *wages and salaries tax also has some problems, including: the inequities which arise when taxpayers earning effectively the same amount of income are taxed differently due to some items of income not being taxable; and the anomaly in the tax-free threshold which results in some tax-payers earning lower net income even though their gross income increases*.

154. PFTAC also noted some serious weaknesses with the existing tax administration; these arise from *(a) current levels of non-compliance, which is estimated at 50%; (b) needed improvements to administration processes in the Division of Revenue and Taxation (DRT); and (c) operational inefficiencies resulting from three different administrations collecting taxes and social security contributions.* In the RMI, taxes are collected by three different levels of government: the Division of Revenue and Taxation (DRT) in the Ministry of Finance, MALGOV and KALGOV at the local government level, and the Social Security Administration MISSA.

155. The essence of the tax reform proposed by PFTAC was the introduction of a modern tax system which is equitable, efficient and simple, while raising sufficient revenue to meet future fiscal challenges. The package of reforms would broaden the tax base, while attempting to keep rates low. The major elements of the system included the following:

- *replacing the GRT (except as a presumptive tax for small businesses), hotel and resorts tax, local sales taxes, and standard import duties with a broad-based consumption tax;*
- *replacing the special import duties and local government taxes on alcohol, tobacco, motor vehicles and fuel with similar excises;*
- *introducing a net profits tax for large businesses (that is, businesses with annual turnover greater than $100,000);*
- *retaining the GRT for businesses with turnover less than $100,000 but increasing the rates in certain cases; and*
- *modifying the wages and salaries tax by broadening the tax base to include items which are currently exempt, modifying and expanding the current tax-free threshold so that it is available to all taxpayers, and introducing a higher tax rate for high-income earners.*

156. While the PFTAC proposal outlines a set of reforms, it also stressed the need for strengthening of tax administration. In particular, the introduction of the consumption tax (VAT) would be instrumental to the implementation of a modern tax system and would contribute to better levels of compliance. PFTAC also proposed the creation of an inde-

pendent tax authority, which would incorporate an efficient culture of administration falling outside the norms of public service regulation. The tax reform strategy and administrative reforms would provide RMI with an internationally recognized tax system that is conducive to business and foreign investment and is more equitable for taxpayers. The proposed reforms would also increase the revenue yield.

157. The PFTAC tax reform proposal was well received by the TRAM Commission and, barring one major exception, was largely recommended to the Government without modification. The major exception was the introduction of the VAT, which in effect was the centerpiece of the PFTAC tax reform initiative. The Commission argued that a VAT was not suitable to the RMI, since production processes involved few steps compared with more advanced economies. The additional administration, bookkeeping, and compliance costs were seen as a burden on the private sector. The regressive nature of the VAT was noted, as was its adverse impact on the poor. Finally, the characteristics of other South Pacific nations where a VAT had been introduced were seen as not relevant or appropriate to the case of the RMI. The Commission recommended the replacement of the VAT with a sales tax at the first point of sale.

158. The adverse reaction to the implementation of a VAT has been long-standing in the RMI, going back to the time of the PSRP, when it was initially proposed and rejected. The rejection seems to a reaction to the introduction of any new taxes on the private sector, whose members frequently come from the U.S., where there is little familiarity with the VAT and or understanding of the concept. The arguments against are generally not well researched or considered, while the arguments in favor are voluminous and compelling. The successful introduction of a VAT in the South Pacific and in over 100 countries in the world does not seem to have had any influence on the choice of tax reform in the RMI.

159. The proposal of the Commission to replace the GRT and general import tax with retention of the GRT for small traders and the introduction of a sales tax at first point of sale for larger business is tantamount to replacing one sales tax (GRT) with two sales taxes (GRT and new sales tax). A subsequent mission by PFTAC in June 2010 was to assist the RMI with the tax reform process found many problems with the concept of the new sales tax.

> *The sales tax proposal is too vague at this point to objectively assess whether it is feasible or not, and its key policy points need to be clarified before any assessment can be made. The current proposal creates opportunities for revenue leakage and will neither minimize compliance costs to taxpayers and the revenue agency nor maintain the desired simplicity of the tax.*

160. More specifically:

- Lack of clarity on the actual first point of sale. It is estimated that 10% of imports are directly imported by households, and 25% are imported by government. These components directly bypass the “first point of sale” concept.

- Composite supplies. Some businesses purchase imports and services from other businesses, and thus production would include elements of cascading that the "first point of sale" concept is designed to avoid.

- Services. Lack of clarity on issue of inclusion of service providers: would they be included in the system or not?

- Exports. Would exporters be zero-rated – i.e., would they be eligible for rebates on imbedded supplies from other businesses, and how would this be undertaken *[how would the rebates be calculated]*?

161. It is clear from the PFTAC report that the concept of a sales tax levied at the first point of sale has been insufficiently developed for implementation. It indicates that technical assistance from PFTAC/IMF could be provided only if these issues can be satisfactorily resolved, and recommends that the issue of the choice of VAT vs. sales tax should be revisited. While the report suggests the initial phase of the tax reform could proceed and the issue of which tax to implement could be left till later, this appears to be a dangerous strategy, given the critical nature the VAT plays in the development of a modern tax regime.

### 3. ADB Public Sector Program

162. Based on the recent internally designed reform initiatives developed by the CAP Advisory Group, the TRAM Commission and SOE report endorsed by the Cabinet, the ADB engaged with the Government in negotiations to develop a Public Sector Program (PSP) loan. The total value of the loan will be $9.5 million, of which $8.4 will be devoted to refinancing of the existing MEC debt to the Bank of Guam. The PSP (Subprogram 1 of 2) is designed to support the government in the achievement of its reform initiatives through the delivery of five outputs:

- improved medium term fiscal outlook,
- restraint of recurrent expenditure,
- increased tax revenue,
- improved SOE performance, and
- increased stakeholder participation.

163. ***Improved medium term fiscal outlook:*** The design of the first output is based on the IMF definition of fiscal sustainability as a CTF asset level that would create an income stream large enough to replace the Compact grants without eroding the real level of the assets. In practical terms, this would require the RMI to gradually increase the fiscal surplus to 5% of GDP over five years and to maintain that level until 2024, at the expiration of the amended Compact. With this general rationale, the PSP envisages the RMI running fiscal surpluses of 3% to GDP (equivalent to $3.9 million in FY2011 and FY2012). The resulting surpluses would then be contributed to the CFT. As has been discussed in the fiscal policy section, there are many considerations in the design of fiscal policy. While viability of the CTF is clearly a key objective, it would be a shared respon-

sibility between the parties of the Compact and their mutually agreed goals; it should not be the sole or central feature of fiscal policy. However, while the objective of generating a fiscal surplus is clearly desirable, the RMI may be ill-advised to lock up the resulting funds in the CTF in perpetuity. The need to improve fiscal policy and management is well understood in the government, but commitment to devotion of savings to the CFT is less clear and poorly understood.

164. ***Restraint of recurrent expenditure:*** The second output is to be achieved through the implementation of the recommendations of the CAP and a reduction in the ratio of recurrent expenditures and wages to GDP to below FY2009 levels. While the Cabinet endorsed the recommendations of the CAP in 2009, actual implementation was under consideration during the annual budget formulation at the time of preparation of this report. It is understood that budgetary policy is normally quickly resolved, but in the present environment, with elections coming up in 2011, a decision has been slow in coming. There is thus some concern as to whether the nation has the political will to attain these objectives. The general output in the PSP is broad in concept and has the advantage of allowing the government to choose its own solution. However, the lack of definition also means that implementation may be vague, and there are no policies specifically relating to the all-important issue of reform and downsizing of the public service sector.

165. ***Increased tax revenue:*** The third output is to be achieved through implementation of the TRAM report and increased revenue effort. The initial priority of the PSP is to raise compliance through improved administration, and it is expected that the majority of the tax increase target (20% of GDP) would be achieved in this fashion. It is also expected that the tax reform initiative would be implemented in a revenue neutral manner as per TRAM recommendations. Lastly, revenues would be raised to 20% of GDP, per IMF recommendations, despite the TRAM recommendation not to increase rates. While tax reform is clearly needed in the RMI, the failure to adopt a broad based consumption tax (VAT) is of concern, given its pivotal significance to the implementation of a modern regime. To proceed with reform until this issue is resolved would be ill advised and risky.

166. ***Improved SOE performance:*** Improved SOE and MEC performance lie at the heart of the PSP. The SOE sector and MEC are targeted to achieve positive operating profits by 2012. In the case of the SOE sector, it is expected that reform will be achieved through implementation of subprogram 2 of the PSP. This entails annual reporting, development of an SOE policy, and implementation of an SOE Act. During subprogram 1, no resources are earmarked for SOE reform, and it is difficult to see how the return to positive profits can be attained, since it would require the overall elimination of the currently level of subsidy of $8.4 million, a nearly impossible task. Even with the required political will, the reforms would require significant structural change and technical assistance.

167. Regarding the MEC, the PSP envisages (i) the replacement of the Bank of Guam loan by a concessional loan from the government (financed through the PSP of $8.4 mil-

lion); (ii) the deferral of the Rural Utility Services (RUS) debt to the U.S. Department of Agriculture; and (iii) the establishment of a debt service sinking fund. Reform of MEC is to be achieved through implementation of the MEC Comprehensive Recovery Plan discussed earlier in this review. Unlike achievement of general SOE profitability by FY2012, independent assessment has indicated that if the MEC reforms proceed as planned, this output should be feasible.

168. ***Increased stakeholder participation*** The last output allows for the continued participation of stakeholders in the program. The preparation of the CAP and TRAM reports involved a significant degree of high level participation. However, the current program is not as well known as the original PSRP in the late 1990s when the need for reform was unavoidable. A lesson learned from the original PSRP was the consequences of attempting reform without sufficient public involvement. It is clear that the current program starts out with a disadvantage, inasmuch as the general public is not aware of the need for reform. Every effort will be needed to enhance general awareness if the reforms of the CAP, TRAM and SOE reports are to be effectively implemented.

169. Lastly, the PSP includes resources for Technical Assistance of four experts for four months each to assist with public service management, budget and fiscal management, revenue collection and enforcement, and energy sector financial advice. While it is clear that these resources are very much needed, the level of effort so far must be considered inadequate. The original PSRP provided resources for resident experts over a two-year period, plus a series of short-term experts. While the model employed for the PSRP may be questioned, the level of effort is much closer to that required. It is hoped the ADB TA funds can be supplemented from the loan itself, and other donors will join the initiative.

## E. Private Sector Development

170. This report has devoted considerable attention to the public sector. At the current time, there is a realization that the public sector cannot continue to be the engine of growth that it was during the initial years of the amended Compact. The fiscal outturn is severely stressed and, together with rapidly rising costs of the civil service, mounting pressure from external debt service, and costly subsidies to the SOEs, has led to a series of reform initiatives. Effective implementation of these initiatives, reducing the cost of government and SOEs, and introduction of an efficient tax regime will provide support to the private sector. However, the nation must do more to provide an enabling regulatory environment that is conducive to doing business in the RMI. The lack of a comprehensive economic development strategy remains a critical policy challenge. Such a strategy could articulate how the RMI intends to address its business constraints and weaknesses and capitalize on its comparative strengths.

171. Private initiative in the RMI is generally constrained by the natural limitations of a remote location, a small and fragmented domestic market, a limited natural resource base, and weakness in the policy environment. Recent assessments of the RMI private

sector, including the World Bank "Doing Business" survey, have pinpointed some specific comparative disadvantages, such as difficulties in registering property, limited access to credit, a shortage of skilled domestic labor, and high costs of doing business. The RMI ranks 7th out of 10 Pacific Island economies and near the 50th percentile (98th out of 183 economies) in the global rankings of the 2010 "Doing Business" survey. This suggests that there is room for improvement in reducing the barriers and costs to starting and running businesses in the RMI.

172. Private sector indicators show continued signs of weakness and reaffirm the heavy reliance of RMI businesses on government consumption. As illustrated in Fig. 2 (in Section II, Review of Economic Developments), the private sector's contribution to GDP contracted in both FY2008 and FY2009, paralleling the public sector trend. The private sector's share of total GDP, which stood at 28.5% in FY2009, has increased only slightly since the late 1990s (see Fig. 4). Formal private sector employment has grown since FY2005, but has begun to level off. From FY2009 to FY2010, businesses added fewer than 100 new employees, with private sector employment as of FY2010 totaling 4,146 (Fig. 7). This represents 40% of total formal employment. Private sector employment on Kwajalein, which totaled 994 in FY2010, has steadily fallen from its peak of 1,453 in FY2003. Nonetheless, the magnitude of retrenchment on Kwajalein in FY2008-FY2010 has been less severe than initially expected. Financial sector data show significant unlent reserves, and commercial credit has grown only slightly in recent years. Foreign direct investment flows were relatively high -- $7.2 million and $5.9 million in FY2007 and FY2008 -- due to the re-establishment of the tuna loining plant on Majuro. Estimated foreign direct investment in FY2009 has moderated to an estimated $3.2 million. As discussed in the section on sectoral developments, commercial fisheries are the only productive sector that has seen some growth in recent years.

173. For several years, efforts have been made through cooperation with the Asian Development Bank to reduce general administrative barriers and to tackle two specific constraints: (i) registering and accessing property and (ii) accessing credit. A Land Registration Authority (LRA) was established in 2003 to facilitate access to land (with secure title) for development, and in 2007, a Secure Transactions law was passed in the Nitijela to allow commercial financing to be secured by movable property; to provide for the creation of security interests in movable property; and to simplify enforcement against collateral when a debtor defaults. Land registrations in the LRA system remain slow. The Secure Transactions registry is now established and is expected to help improve access to capital.

## F. Conclusion

174. There is no doubt that the RMI economy benefited from the additional fiscal stimulus during the initial years of the amended Compact. Economic growth averaged 2.6% per annum during the FY2003-07 period. However with the onset of the world recession and the lack of further fiscal stimulus, the economy has faltered and experienced negative growth in the last two years. Nevertheless, employment data indicates that the economy

has managed to generate significant additional jobs over the period. Both the private and public sectors have grown significantly, although this growth has been offset by declines at the Kwajalein military base. However, the generation of additional jobs has been insufficient to provide gainful employment opportunities for those seeking work, and outward migration remains substantial, averaging 1.7% annually.

175. This review indicates that the positive trend has peaked and is unlikely to continue. In fact, if anything, the FSM experience of a negative economic growth of 1.0% during the amended Compact period is more likely for the RMI, unless proactive decisions are made to confront the issues facing the nation. The review has indicated that the fiscal situation, while not deteriorating, is very tight—and fragile. A costly public service, external debt service, and the financial situation of the state owned enterprises threaten the nation's financial viability. The financial conditions of the amended Compact—decrement and lack of full indexation—will involve declining real resource inflows. Unless the private sector is able to take center stage and become the engine of growth, sustained economic growth is unlikely.

176. Realizing the economic and financial circumstances facing the nation, the RMI leadership initiated a series of reforms. The Comprehensive Adjustment Program (CAP) Advisory Group and Tax and Revenue Reform and Modernization Commission (TRAM) were created, and the reports of both of these groups were endorsed by the Cabinet. A report on the SOE sector was initiated, and the MEC adopted a comprehensive recovery program. The ADB will support these reform efforts through a Public Sector Program including loan finance to refinance the external debt of the MEC. However, all of these initiatives now require the political will to implement the reforms that have been endorsed. Reduction of an oversized public service sector and introduction of a modern tax regime are not popular measures, especially with elections looming. While the current focus on the public sector is appropriate, attention will need to switch in the longer term to engendering an environment conducive to private sector initiative, if the economy is to provide an increasing standard of living to its citizens.

*Republic of the Marshall Islands*

# Fiscal Year 2009 Statistical Appendices

*August 2010*

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GS GRADUATE SCHOOL
PACIFIC ISLANDS TRAINING INITIATIVE
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This Statistical Appendix is available as an Excel file.
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Also available online at http://pitiviti.org/initiatives/rmi.php

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Table 1a Population by major centers, percent of population and growth, 1930-1999

| | Population | | | | Percent of Population | | | Population Growth | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Majuro | Ebeye | Other | Majuro | Ebeye | Other | Total | Majuro | Ebeye | Other |
| 1930 | 10,412 | 753 | 19 | 9,640 | 7.2% | 0.2% | 92.6% | | | | |
| 1935 | 10,446 | 779 | 16 | 9,651 | 7.5% | 0.2% | 92.4% | 0.1% | 0.7% | -3.4% | 0.0% |
| 1958 | 14,163 | 3,415 | 1,284 | 9,464 | 24.1% | 9.1% | 66.8% | 1.3% | 6.6% | 21.0% | -0.1% |
| 1967 | 18,925 | 5,249 | 3,540 | 10,136 | 27.7% | 18.7% | 53.6% | 3.3% | 4.9% | 11.9% | 0.8% |
| 1973 | 25,045 | 10,290 | 5,123 | 9,632 | 41.1% | 20.5% | 38.5% | 4.8% | 11.9% | 6.4% | -0.8% |
| 1980 | 30,873 | 11,791 | 6,169 | 12,913 | 38.2% | 20.0% | 41.8% | 3.0% | 2.0% | 2.7% | 4.3% |
| 1988 | 43,380 | 19,664 | 8,324 | 15,392 | 45.3% | 19.2% | 35.5% | 4.3% | 6.6% | 3.8% | 2.2% |
| 1999 | 50,840 | 23,676 | 9,345 | 17,819 | 46.6% | 18.4% | 35.0% | 1.5% | 1.7% | 1.1% | 1.3% |

Source Annual Abstract 2004 Tables 1.3 and 1.6

Table 1b Working age population, economically active, and not economically active, 1988 and 1999

| | Numbers | | Percent | |
|---|---|---|---|---|
| | 1988 | 1999 | 1988 | 1999 |
| Working age population | 21,244 | 28,698 | | |
| Economically active | 11,488 | 14,677 | 54.1% | 51.1% |
| Economically inactive | 9,546 | 14,015 | 44.9% | 48.8% |
| Not stated | 210 | 6 | | |
| Employed | 10,056 | 10,141 | 87.5% | 69.1% |
| Employee - public sector | 3392 | 3,106 | 33.7% | 30.6% |
| Employee - private sector | 3369 | 4,115 | 33.5% | 40.6% |
| Self employed | 2484 | 2,622 | 24.7% | 25.9% |
| Employer in own farm or business | | 115 | | 1.1% |
| Paid family worker | 811 | 96 | 8.1% | 0.9% |
| Unpaid family worker | | 87 | | 0.9% |
| Unemployed | 1,432 | 4,536 | 12.5% | 30.9% |

Source RMI Population Censuses

## Table 1c Net Air Passengers from US, Majuro and Kwajalein Atolls: 1990 to 2009

(Arrivals minus departures)

| Calender Year | Majuro | Kwajalein | RMI |
|---|---|---|---|
| 1990 | -309 | 320 | 11 |
| 1991 | -197 | 535 | 338 |
| 1992 | -330 | -376 | -706 |
| 1993 | -254 | -524 | -778 |
| 1994 | -330 | 207 | -123 |
| 1995 | -513 | -280 | -793 |
| 1996 | -586 | -54 | -640 |
| 1997 | -1,179 | -236 | -1,415 |
| 1998 | -833 | 78 | -755 |
| 1999 | -660 | 203 | -457 |
| 2000 | -1,289 | -627 | -1,916 |
| 2001 | -1,517 | -512 | -2,029 |
| 2002 | -894 | -19 | -913 |
| 2003 | -419 | -362 | -781 |
| 2004 | -542 | -11 | -553 |
| 2005 | -1,054 | 17 | -1,037 |
| 2006 | -792 | -186 | -978 |
| 2007 | -466 | -112 | -578 |
| 2008 | -1,223 | -280 | -1,503 |
| 2009 | -771 | 99 | -672 |

| 5 year averages | | | |
|---|---|---|---|
| 1990-1994 | -284 | 32 | -252 |
| 1995-1999 | -754 | -58 | -812 |
| 2000-2004 | -932 | -306 | -1,238 |
| 2005-2009 | -861 | -92 | -954 |

Source : US Department of Transportation "TRANSTATS" database

Notes : Only includes air passengers to/from Majuro or Kwajalein and US airports (Guam, Hawaii)

These data are used as proxy indicators of net migration to/from the RMI. However;

Passengers to/from FSM and other countries (e.g. FSM, Kiribati) are excluded.

Passengers between Majuro and Kwajalein are excluded.

Some one-way movements of non-residents (e.g. fishing crews and US military personnel) may be included.

Table 2a National income measures in current prices and real terms, FY1997-FY2009

| (US$'000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current prices** | | | | | | | | | | | | | |
| **Gross Domestic Product (GDP)** | **106,531** | **108,935** | **108,079** | **111,811** | **114,716** | **123,392** | **127,210** | **133,498** | **138,786** | **144,466** | **152,307** | **154,549** | **155,002** |
| Primary incomes 2 | | | | | | | | | | | | | |
| Receivable from the rest of the world | 37,042 | 41,003 | 44,685 | 44,479 | 44,981 | 43,988 | 43,372 | 46,090 | 49,832 | 53,919 | 54,453 | 53,478 | 49,710 |
| Payable to the rest of the world | -12,690 | -12,235 | -11,235 | -9,612 | -8,848 | -8,391 | -8,592 | -10,742 | -11,178 | -16,210 | -14,744 | -13,945 | -11,246 |
| *Net primary incomes* | *24,352* | *28,767* | *33,450* | *34,867* | *36,133* | *35,597* | *34,780* | *35,348* | *38,654* | *37,709* | *39,709* | *39,533* | *38,464* |
| **Gross National Income (GNI)** | **130,883** | **137,702** | **141,529** | **146,679** | **150,849** | **158,989** | **161,990** | **168,846** | **177,440** | **182,175** | **192,016** | **194,082** | **193,466** |
| Secondary Incomes (Current transfers) 2 3 | | | | | | | | | | | | | |
| Receivable from the rest of the world | 29,290 | 34,327 | 30,465 | 38,710 | 46,907 | 43,287 | 45,157 | 50,036 | 56,574 | 60,166 | 67,825 | 67,709 | 65,757 |
| Payable to the rest of the world | -2,801 | -2,881 | -2,866 | -3,006 | -3,064 | -3,223 | -3,350 | -3,481 | -3,645 | -3,773 | -3,980 | -4,022 | -4,030 |
| *Net secondary incomes* | *26,489* | *31,445* | *27,599* | *35,704* | *43,843* | *40,064* | *41,807* | *46,555* | *52,930* | *56,393* | *63,845* | *63,687* | *61,726* |
| **Gross National Disposable Income (GNDI)** | **157,372** | **169,147** | **169,128** | **182,382** | **194,693** | **199,053** | **203,797** | **215,401** | **230,370** | **238,568** | **255,861** | **257,770** | **255,192** |
| **Constant 2000 prices** | | | | | | | | | | | | | |
| **GDP, at constant prices** | **108,887** | **106,143** | **105,870** | **111,811** | **115,893** | **118,490** | **121,860** | **126,401** | **128,307** | **130,306** | **134,904** | **132,697** | **129,950** |
| Trading gains/losses 4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Real Gross Domestic Income** | **108,887** | **106,143** | **105,870** | **111,811** | **115,893** | **118,490** | **121,860** | **126,401** | **128,307** | **130,306** | **134,904** | **132,697** | **129,950** |
| Primary incomes 5 | | | | | | | | | | | | | |
| Receivable from the rest of the world | 39,741 | 42,105 | 45,229 | 44,479 | 44,794 | 43,794 | 43,309 | 45,324 | 46,952 | 48,072 | 47,392 | 41,205 | 39,284 |
| Payable to the rest of the world | -13,615 | -12,564 | -11,372 | -9,612 | -8,811 | -8,354 | -8,580 | -10,564 | -10,532 | -14,452 | -12,832 | -10,745 | -8,888 |
| *Net primary incomes* | *26,126* | *29,540* | *33,857* | *34,867* | *35,983* | *35,440* | *34,729* | *34,761* | *36,421* | *33,620* | *34,560* | *30,460* | *30,397* |
| **Real Gross National Income (GNI)** | **135,013** | **135,683** | **139,726** | **146,679** | **151,876** | **153,930** | **156,589** | **161,162** | **164,728** | **163,926** | **169,464** | **163,157** | **160,347** |
| Secondary Incomes (Current transfers) 5 | | | | | | | | | | | | | |
| Receivable from the rest of the world | 31,424 | 35,249 | 30,836 | 38,710 | 46,712 | 43,096 | 45,092 | 49,205 | 53,305 | 53,642 | 59,030 | 52,170 | 51,966 |
| Payable to the rest of the world | -3,005 | -2,959 | -2,901 | -3,006 | -3,051 | -3,208 | -3,346 | -3,423 | -3,434 | -3,364 | -3,464 | -3,099 | -3,185 |
| *Net secondary incomes* | *28,419* | *32,290* | *27,935* | *35,704* | *43,661* | *39,888* | *41,746* | *45,782* | *49,871* | *50,278* | *55,566* | *49,071* | *48,781* |
| **Real Gross National Disposable Income (GNDI) 1** | **163,432** | **167,974** | **167,661** | **182,382** | **195,536** | **193,818** | **198,336** | **206,944** | **214,599** | **214,204** | **225,030** | **212,228** | **209,128** |
| Annual changes | | | | | | | | | | | | | |
| GDP at constant prices | | -2.5% | -0.3% | 5.6% | 3.7% | 2.2% | 2.8% | 3.7% | 1.5% | 1.6% | 3.5% | -1.6% | -2.1% |
| Real GNI | | 0.5% | 3.0% | 5.0% | 3.5% | 1.4% | 1.7% | 2.9% | 2.2% | -0.5% | 3.4% | -3.7% | -1.7% |
| Real GNDI | | 2.8% | -0.2% | 8.8% | 7.2% | -0.9% | 2.3% | 4.3% | 3.7% | -0.2% | 5.1% | -5.7% | -1.5% |
| **Per capita income measures 6** | | | | | | | | | | | | | |
| Population | 49,286 | 50,028 | 50,840 | 51,299 | 50,675 | 49,917 | 50,266 | 50,799 | 51,592 | 51,953 | 52,338 | 53,033 | 53,616 |
| Current price GDP per capita (US$) | 2,161 | 2,177 | 2,126 | 2,180 | 2,264 | 2,472 | 2,531 | 2,628 | 2,690 | 2,781 | 2,910 | 2,914 | 2,891 |
| Current price GNI per capita (US$) | 2,656 | 2,752 | 2,784 | 2,859 | 2,977 | 3,185 | 3,223 | 3,324 | 3,439 | 3,507 | 3,669 | 3,660 | 3,608 |
| Current price GNDI per capita (US$) | 3,193 | 3,381 | 3,327 | 3,555 | 3,842 | 3,988 | 4,054 | 4,240 | 4,465 | 4,592 | 4,889 | 4,861 | 4,760 |
| Constant price GDP per capita (US$) | 2,209 | 2,122 | 2,082 | 2,180 | 2,287 | 2,374 | 2,424 | 2,488 | 2,487 | 2,508 | 2,578 | 2,502 | 2,424 |
| Real GDI per capita | 2,209 | 2,122 | 2,082 | 2,180 | 2,287 | 2,374 | 2,424 | 2,488 | 2,487 | 2,508 | 2,578 | 2,502 | 2,424 |
| Real GNI per capita (US$) | 2,739 | 2,712 | 2,748 | 2,859 | 2,997 | 3,084 | 3,115 | 3,173 | 3,193 | 3,155 | 3,238 | 3,077 | 2,991 |
| Real GNDI per capita (US$) | 3,316 | 3,358 | 3,298 | 3,555 | 3,859 | 3,883 | 3,946 | 4,074 | 4,160 | 4,123 | 4,300 | 4,002 | 3,900 |
| **Implicit Price deflators** | | | | | | | | | | | | | |
| Gross Domestic Product (GDP) | 97.8 | 102.6 | 102.1 | 100.0 | 99.0 | 104.1 | 104.4 | 105.6 | 108.2 | 110.9 | 112.9 | 116.5 | 119.3 |
| Gross National Income (GNI) | 96.9 | 101.5 | 101.3 | 100.0 | 99.3 | 103.3 | 103.4 | 104.8 | 107.7 | 111.1 | 113.3 | 119.0 | 120.7 |
| Gross National Disposable Income (GNDI) | 96.3 | 100.7 | 100.9 | 100.0 | 99.6 | 102.7 | 102.8 | 104.1 | 107.3 | 111.4 | 113.7 | 121.5 | 122.0 |

1) GDP, GNI and GNDI are at purchasers prices.
2) Refer to Balance of Payments tables for breakdown of primary and secondary Income flows
3) US Federal and other grants not passed through the Government of the RMI may be understated
4) Changes in the terms of trade. Not currently estimated.
5) Primary, Secondary income and capital grants are deflated by an equal weighting of the RMI CPI and the RMI GDP implicit price deflator, as a proxy for the Gross Domestic Expenditure deflator
6) Income comparisons between countries should be made using Purchasing Power Paritys (PPP) rather than US$. However, these measures are currently not available for the RMI.

Table 2b Current and constant price GDP, GDP per capita, 1981-2009

| | GDP $'000 (old series) [1] | GDP $'000 (new series) [2] | Linked Series [3] | Real GDP $'000 [4] | Real GDP annual growth | Population | GDP per capita, Constant prices [4] | Real per capita GDP annual growth |
|---|---|---|---|---|---|---|---|---|
| FY1981 | 27,152 | | 31,020 | 56,993 | | 32,214 | 1,769 | |
| FY1982 | 30,564 | | 34,918 | 59,747 | 4.8% | 33,613 | 1,777 | 0.5% |
| FY1983 | 36,543 | | 41,749 | 69,012 | 15.5% | 35,073 | 1,968 | 10.7% |
| FY1984 | 39,515 | | 45,144 | 71,681 | 3.9% | 36,596 | 1,959 | -0.5% |
| FY1985 | 38,408 | | 43,879 | 67,195 | -6.3% | 38,185 | 1,760 | -10.2% |
| FY1986 | 49,008 | | 55,989 | 83,687 | 24.5% | 39,844 | 2,100 | 19.4% |
| FY1987 | 55,130 | | 62,983 | 91,523 | 9.4% | 41,574 | 2,201 | 4.8% |
| FY1988 | 61,874 | | 70,688 | 98,652 | 7.8% | 43,380 | 2,274 | 3.3% |
| FY1989 | 63,721 | | 72,798 | 96,983 | -1.7% | 43,734 | 2,218 | -2.5% |
| FY1990 | 68,691 | | 78,476 | 99,578 | 2.7% | 44,392 | 2,243 | 1.2% |
| FY1991 | 72,219 | | 82,507 | 99,666 | 0.1% | 45,060 | 2,212 | -1.4% |
| FY1992 | 79,709 | | 91,063 | 106,783 | 7.1% | 45,739 | 2,335 | 5.6% |
| FY1993 | 87,059 | | 99,461 | 113,196 | 6.0% | 46,427 | 2,438 | 4.4% |
| FY1994 | 94,596 | | 108,071 | 119,850 | 5.9% | 47,126 | 2,543 | 4.3% |
| FY1995 | 105,239 | | 120,230 | 129,693 | 8.2% | 47,835 | 2,711 | 6.6% |
| FY1996 | 97,036 | | 110,858 | 116,331 | -10.3% | 48,555 | 2,396 | -11.6% |
| FY1997 | 92,184 | 106,531 | 106,531 | 108,887 | -6.4% | 49,286 | 2,209 | -7.8% |
| FY1998 | 95,659 | 108,935 | 108,935 | 106,143 | -2.5% | 50,028 | 2,122 | -4.0% |
| FY1999 | 95,360 | 108,079 | 108,079 | 105,870 | -0.3% | 50,840 | 2,082 | -1.9% |
| FY2000 | 98,849 | 111,811 | 111,811 | 111,811 | 5.6% | 51,299 | 2,180 | 4.7% |
| FY2001 | 99,174 | 114,716 | 114,716 | 115,893 | 3.7% | 50,675 | 2,287 | 4.9% |
| FY2002 | | 123,392 | 123,392 | 118,490 | 2.2% | 49,917 | 2,374 | 3.8% |
| FY2003 | | 127,210 | 127,210 | 121,860 | 2.8% | 50,266 | 2,424 | 2.1% |
| FY2004 | | 133,498 | 133,498 | 126,401 | 3.7% | 50,799 | 2,488 | 2.6% |
| FY2005 | | 138,786 | 138,786 | 128,307 | 1.5% | 51,592 | 2,487 | -0.1% |
| FY2006 | | 144,466 | 144,466 | 130,306 | 1.6% | 51,953 | 2,508 | 0.9% |
| FY2007 | | 152,307 | 152,307 | 134,904 | 3.5% | 52,338 | 2,578 | 2.8% |
| FY2008 | | 154,549 | 154,549 | 132,697 | -1.6% | 53,033 | 2,502 | -2.9% |
| FY2009 | | 155,002 | 155,002 | 129,950 | -2.1% | 53,616 | 2,424 | -3.1% |

Notes
1 GDP estimates old series 1981-2001
2 GDP estimates, EPPSO from 1997
3 Series linked based on differential between the average figures 1997-1999
4 Constant price GDP is in 2000 prices. U.S. CPI used as deflator for 1981-1997

Table 2c Constant price GDP by institutional sector, FY1997-FY2009

| | (constant prices of FY2000, US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Enterprise | 29,454 | 30,178 | 28,952 | 32,436 | 33,940 | 35,119 | 36,573 | 38,759 | 37,099 | 39,658 | 42,129 | 40,767 | 39,876 |
| 1.2 | Public Enterprise | 12,980 | 12,434 | 11,851 | 13,251 | 13,837 | 14,992 | 14,674 | 13,976 | 14,163 | 13,601 | 17,271 | 15,063 | 15,721 |
| 2 | Finance (Banks) | 4,499 | 4,753 | 4,970 | 5,082 | 5,562 | 5,534 | 5,384 | 5,771 | 5,801 | 5,952 | 6,521 | 7,182 | 7,367 |
| 3 | Government | 37,141 | 35,121 | 35,337 | 35,890 | 37,983 | 40,288 | 41,590 | 43,065 | 44,964 | 46,169 | 46,401 | 45,771 | 45,101 |
| 4 | NGOs | 1,776 | 1,815 | 1,771 | 1,783 | 1,853 | 1,909 | 1,843 | 1,910 | 2,102 | 1,997 | 2,016 | 1,900 | 1,866 |
| 5 | Households | 18,296 | 17,275 | 17,108 | 17,177 | 17,511 | 16,656 | 17,035 | 17,371 | 17,571 | 17,593 | 18,099 | 18,587 | 18,660 |
| | **GDP at Factor Cost (Gross)** | **104,147** | **101,576** | **99,989** | **105,619** | **110,686** | **114,499** | **117,099** | **120,852** | **121,700** | **124,969** | **132,437** | **129,270** | **128,590** |
| | Indirect taxes less Subsidies | 7,094 | 6,954 | 8,392 | 9,047 | 8,183 | 7,168 | 7,422 | 8,294 | 9,550 | 8,601 | 6,325 | 7,047 | 4,488 |
| | Less intermediate FISIM | -2,355 | -2,387 | -2,511 | -2,855 | -2,977 | -3,176 | -2,661 | -2,744 | -2,942 | -3,264 | -3,858 | -3,621 | -3,128 |
| | **Real GDP at Market Prices (Gross)** | **108,887** | **106,143** | **105,870** | **111,811** | **115,893** | **118,490** | **121,860** | **126,401** | **128,307** | **130,306** | **134,904** | **132,697** | **129,950** |

Table 2d Constant price GDP by institutional sector, annual percent growth, FY1997-FY2009

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Enterprise | | 2.5% | -4.1% | 12.0% | 4.6% | 3.5% | 4.1% | 6.0% | -4.3% | 6.9% | 6.2% | -3.2% | -2.2% |
| 1.2 | Public Enterprise | | -4.2% | -4.7% | 11.8% | 4.4% | 8.3% | -2.1% | -4.8% | 1.3% | -4.0% | 27.0% | -12.8% | 4.4% |
| 2 | Finance (Banks) | | 5.6% | 4.6% | 2.2% | 9.5% | -0.5% | -2.7% | 7.2% | 0.5% | 2.6% | 9.6% | 10.1% | 2.6% |
| 3 | Government | | -5.4% | 0.6% | 1.6% | 5.8% | 6.1% | 3.2% | 3.5% | 4.4% | 2.7% | 0.5% | -1.4% | -1.5% |
| 4 | NGOs | | 2.2% | -2.4% | 0.7% | 3.9% | 3.0% | -3.5% | 3.7% | 10.0% | -5.0% | 0.9% | -5.7% | -1.8% |
| 5 | Households | | -5.6% | -1.0% | 0.4% | 1.9% | -4.9% | 2.3% | 2.0% | 1.2% | 0.1% | 2.9% | 2.7% | 0.4% |
| | **GDP at Factor Cost (Gross)** | | **-2.5%** | **-1.6%** | **5.6%** | **4.8%** | **3.4%** | **2.3%** | **3.2%** | **0.7%** | **2.7%** | **6.0%** | **-2.4%** | **-0.5%** |
| | Indirect taxes less Subsidies | | -2.0% | 20.7% | 7.8% | -9.6% | -12.4% | 3.6% | 11.7% | 15.1% | -9.9% | -26.5% | 11.4% | -36.3% |
| | Less intermediate FISIM | | 1.4% | 5.2% | 13.7% | 4.3% | 6.7% | -16.2% | 3.1% | 7.2% | 10.9% | 18.2% | -6.2% | -13.6% |
| | **Real GDP at Market Prices (Gross)** | | **-2.5%** | **-0.3%** | **5.6%** | **3.7%** | **2.2%** | **2.8%** | **3.7%** | **1.5%** | **1.6%** | **3.5%** | **-1.6%** | **-2.1%** |

Table 2e Current price GDP by institutional sector, FY1997-FY2009

| | (US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Enterprise | 29,194 | 29,169 | 28,847 | 32,436 | 34,034 | 34,534 | 34,512 | 36,588 | 35,340 | 39,022 | 41,328 | 43,101 | 44,169 |
| 1.2 | Public Enterprise | 11,051 | 14,532 | 13,583 | 13,251 | 13,337 | 17,064 | 15,830 | 14,392 | 12,877 | 12,481 | 18,349 | 14,207 | 16,943 |
| 2 | Finance (Banks) | 3,979 | 4,283 | 4,569 | 5,082 | 4,933 | 5,574 | 5,357 | 5,840 | 6,704 | 7,664 | 8,580 | 8,089 | 7,065 |
| 3 | Government | 34,004 | 33,807 | 34,041 | 35,890 | 37,993 | 41,522 | 44,694 | 48,399 | 51,997 | 54,055 | 54,010 | 54,587 | 54,620 |
| 4 | NGOs | 1,749 | 1,731 | 1,765 | 1,783 | 1,952 | 2,022 | 2,038 | 2,027 | 2,326 | 2,197 | 2,247 | 2,194 | 2,258 |
| 5 | Households | 17,825 | 16,340 | 16,990 | 17,177 | 17,314 | 16,760 | 17,259 | 18,011 | 18,638 | 19,361 | 20,583 | 24,677 | 25,788 |
| | **GDP at Factor Cost (Gross)** | **97,802** | **99,863** | **99,795** | **105,619** | **109,564** | **117,476** | **119,689** | **125,257** | **127,882** | **134,781** | **145,097** | **146,854** | **150,844** |
| | Indirect taxes less Subsidies | 10,956 | 11,322 | 10,730 | 9,047 | 8,112 | 9,104 | 10,251 | 11,081 | 14,012 | 13,178 | 11,345 | 11,717 | 7,723 |
| | Less intermediate FISIM | -2,226 | -2,250 | -2,445 | -2,855 | -2,960 | -3,187 | -2,730 | -2,839 | -3,108 | -3,492 | -4,135 | -4,021 | -3,565 |
| | **Nominal GDP at Market Prices (Gross)** | **106,531** | **108,935** | **108,079** | **111,811** | **114,716** | **123,392** | **127,210** | **133,498** | **138,786** | **144,466** | **152,307** | **154,549** | **155,002** |

*Source: EPPSO estimates*

Table 2f Implicit GDP price deflators by institutional sector, FY1997-FY2009

| | (FY2000=100) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Enterprise | 99.1 | 96.7 | 99.6 | 100.0 | 100.3 | 98.3 | 94.4 | 94.4 | 95.3 | 98.4 | 98.1 | 105.7 | 110.8 |
| 1.2 | Public Enterprise | 85.1 | 116.9 | 114.6 | 100.0 | 96.4 | 113.8 | 107.9 | 103.0 | 90.9 | 91.8 | 106.2 | 94.3 | 107.8 |
| 2 | Finance (Banks) | 88.4 | 90.1 | 91.9 | 100.0 | 88.7 | 100.7 | 99.5 | 101.2 | 115.6 | 128.8 | 131.6 | 112.6 | 95.9 |
| 3 | Government | 91.6 | 96.3 | 96.3 | 100.0 | 100.0 | 103.1 | 107.5 | 112.4 | 115.6 | 117.1 | 116.4 | 119.3 | 121.1 |
| 4 | NGOs | 98.5 | 95.4 | 99.6 | 100.0 | 105.4 | 105.9 | 110.6 | 106.1 | 110.6 | 110.0 | 111.5 | 115.5 | 121.0 |
| 5 | Households | 97.4 | 94.6 | 99.3 | 100.0 | 98.9 | 100.6 | 101.3 | 103.7 | 106.1 | 110.0 | 113.7 | 132.8 | 138.2 |
| | **GDP at Factor Cost (Gross)** | **93.9** | **98.3** | **99.8** | **100.0** | **99.0** | **102.6** | **102.2** | **103.6** | **105.1** | **107.9** | **109.6** | **113.6** | **117.3** |
| | Indirect taxes less Subsidies | 154.4 | 162.8 | 127.9 | 100.0 | 99.1 | 127.0 | 138.1 | 133.6 | 146.7 | 153.2 | 179.4 | 166.3 | 172.1 |
| | Less intermediate FISIM | 94.5 | 94.3 | 97.4 | 100.0 | 99.4 | 100.4 | 102.6 | 103.5 | 105.6 | 107.0 | 107.2 | 111.1 | 114.0 |
| | **GDP at Market Prices (Gross)** | **97.8** | **102.6** | **102.1** | **100.0** | **99.0** | **104.1** | **104.4** | **105.6** | **108.2** | **110.9** | **112.9** | **116.5** | **119.3** |

Table 2g Share of GDP by institutional sector, current prices, FY1997-FY2009

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Enterprise | 27.4% | 26.8% | 26.7% | 29.0% | 29.7% | 28.0% | 27.1% | 27.4% | 25.5% | 27.0% | 27.1% | 27.9% | 28.5% |
| 1.2 | Public Enterprise | 10.4% | 13.3% | 12.6% | 11.9% | 11.6% | 13.8% | 12.4% | 10.8% | 9.3% | 8.6% | 12.0% | 9.2% | 10.9% |
| 2 | Finance (Banks) | 3.7% | 3.9% | 4.2% | 4.5% | 4.3% | 4.5% | 4.2% | 4.4% | 4.8% | 5.3% | 5.6% | 5.2% | 4.6% |
| 3 | Government | 31.9% | 31.0% | 31.5% | 32.1% | 33.1% | 33.7% | 35.1% | 36.3% | 37.5% | 37.4% | 35.5% | 35.3% | 35.2% |
| 4 | NGOs | 1.6% | 1.6% | 1.6% | 1.6% | 1.7% | 1.6% | 1.6% | 1.5% | 1.7% | 1.5% | 1.5% | 1.4% | 1.5% |
| 5 | Households | 16.7% | 15.0% | 15.7% | 15.4% | 15.1% | 13.6% | 13.6% | 13.5% | 13.4% | 13.4% | 13.5% | 16.0% | 16.6% |
| | **GDP at Factor Cost (Gross)** | **91.8%** | **91.7%** | **92.3%** | **94.5%** | **95.5%** | **95.2%** | **94.1%** | **93.8%** | **92.1%** | **93.3%** | **95.3%** | **95.0%** | **97.3%** |
| | Indirect taxes less Subsidies | 10.3% | 10.4% | 9.9% | 8.1% | 7.1% | 7.4% | 8.1% | 8.3% | 10.1% | 9.1% | 7.4% | 7.6% | 5.0% |
| | Less intermediate FISIM | -2.1% | -2.1% | -2.3% | -2.6% | -2.6% | -2.6% | -2.1% | -2.1% | -2.2% | -2.4% | -2.7% | -2.6% | -2.3% |
| | **Real GDP at Market Prices (Gross)** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

*Source: EPPSO estimates*

Table 2h GDP by income component, current prices, FY1997-FY2009

| (US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Compensation of employees | 62,146 | 62,531 | 63,009 | 66,361 | 71,003 | 75,520 | 77,951 | 81,348 | 85,363 | 89,385 | 92,135 | 94,779 | 96,449 |
| Operating surplus (Gross before depreciatior | 17,831 | 20,992 | 19,795 | 22,081 | 21,247 | 25,196 | 24,479 | 25,898 | 23,881 | 26,035 | 32,379 | 27,398 | 28,607 |
| Household mixed income | 4,084 | 2,967 | 3,246 | 3,517 | 3,368 | 2,958 | 3,602 | 3,920 | 4,045 | 4,138 | 4,941 | 6,740 | 6,893 |
| Indirect taxes less Subsidies | 10,956 | 11,322 | 10,730 | 9,047 | 8,112 | 9,104 | 10,251 | 11,081 | 14,012 | 13,178 | 11,345 | 11,717 | 7,723 |
| Less intermediate FISIM | -2,226 | -2,250 | -2,445 | -2,855 | -2,960 | -3,187 | -2,730 | -2,839 | -3,108 | -3,492 | -4,135 | -4,021 | -3,565 |
| **Total Monetary** | **92,791** | **95,562** | **94,335** | **98,152** | **100,771** | **109,590** | **113,553** | **119,408** | **124,193** | **129,243** | **136,665** | **136,613** | **136,108** |
| *Percentage Monetary* | *87.1%* | *87.7%* | *87.3%* | *87.8%* | *87.8%* | *88.8%* | *89.3%* | *89.4%* | *89.5%* | *89.5%* | *89.7%* | *88.4%* | *87.8%* |
| Household subsistence | 6,876 | 6,924 | 7,136 | 6,932 | 7,177 | 7,161 | 7,033 | 7,260 | 7,414 | 7,614 | 7,775 | 8,795 | 9,608 |
| Owner occupied housing | 6,865 | 6,449 | 6,608 | 6,728 | 6,769 | 6,641 | 6,624 | 6,830 | 7,179 | 7,609 | 7,867 | 9,142 | 9,286 |
| **Total Non-Monetary** | **13,741** | **13,373** | **13,744** | **13,660** | **13,946** | **13,802** | **13,657** | **14,090** | **14,593** | **15,223** | **15,642** | **17,937** | **18,894** |
| *Percentage Non-Monetary* | *12.9%* | *12.3%* | *12.7%* | *12.2%* | *12.2%* | *11.2%* | *10.7%* | *10.6%* | *10.5%* | *10.5%* | *10.3%* | *11.6%* | *12.2%* |
| **Nominal GDP at Market Prices (Gross)** | **106,531** | **108,935** | **108,079** | **111,811** | **114,716** | **123,392** | **127,210** | **133,498** | **138,786** | **144,466** | **152,307** | **154,549** | **155,002** |

Table 2i GDP by income component, constant prices, FY1997-FY2009

| (constant prices of FY2000, US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Compensation of employees | 66,281 | 65,904 | 64,823 | 66,361 | 70,912 | 75,076 | 76,118 | 78,761 | 80,663 | 83,410 | 86,079 | 86,401 | 85,711 |
| Operating surplus (Gross before depreciatior | 19,570 | 18,397 | 18,057 | 22,081 | 22,263 | 22,766 | 23,947 | 24,720 | 23,466 | 23,966 | 28,259 | 24,282 | 24,219 |
| Household mixed income | 3,802 | 3,523 | 3,221 | 3,517 | 3,806 | 3,100 | 3,601 | 3,830 | 3,871 | 3,821 | 4,249 | 4,598 | 4,554 |
| Indirect taxes less Subsidies | 7,094 | 6,954 | 8,392 | 9,047 | 8,183 | 7,168 | 7,422 | 8,294 | 9,550 | 8,601 | 6,325 | 7,047 | 4,488 |
| Less intermediate FISIM | -2,355 | -2,387 | -2,511 | -2,855 | -2,977 | -3,176 | -2,661 | -2,744 | -2,942 | -3,264 | -3,858 | -3,621 | -3,128 |
| **Total Monetary** | **94,392** | **92,391** | **91,983** | **98,152** | **102,188** | **104,934** | **108,426** | **112,860** | **114,607** | **116,534** | **121,054** | **118,708** | **115,844** |
| *Percentage Monetary* | *86.7%* | *87.0%* | *86.9%* | *87.8%* | *88.2%* | *88.6%* | *89.0%* | *89.3%* | *89.3%* | *89.4%* | *89.7%* | *89.5%* | *89.1%* |
| Household subsistence | 7,232 | 7,123 | 7,219 | 6,932 | 7,059 | 7,009 | 6,842 | 6,879 | 6,934 | 6,959 | 6,985 | 7,034 | 7,074 |
| Owner occupied housing | 7,262 | 6,629 | 6,668 | 6,728 | 6,646 | 6,547 | 6,592 | 6,662 | 6,766 | 6,814 | 6,864 | 6,955 | 7,032 |
| **Total Non-Monetary** | **14,494** | **13,752** | **13,887** | **13,660** | **13,705** | **13,556** | **13,434** | **13,541** | **13,700** | **13,772** | **13,850** | **13,989** | **14,106** |
| *Percentage Non-Monetary* | *13.3%* | *13.0%* | *13.1%* | *12.2%* | *11.8%* | *11.4%* | *11.0%* | *10.7%* | *10.7%* | *10.6%* | *10.3%* | *10.5%* | *10.9%* |
| **Real GDP at Market Prices (Gross)** | **108,887** | **106,143** | **105,870** | **111,811** | **115,893** | **118,490** | **121,860** | **126,401** | **128,307** | **130,306** | **134,904** | **132,697** | **129,950** |

*Source: EPPSO estimates*

Table 2j Current price GDP by institutional sector and income components, FY1997-FY2009

| | (US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Enterprise | *29,194* | *29,169* | *28,847* | *32,436* | *34,034* | *34,534* | *34,512* | *36,588* | *35,340* | *39,022* | *41,328* | *43,101* | *44,169* |
| | Compensation of employees | 16,476 | 17,120 | 17,773 | 17,768 | 19,549 | 19,705 | 17,741 | 17,577 | 18,067 | 19,541 | 21,147 | 21,684 | 21,711 |
| | Pelagic fishing & related (1) | 246 | 169 | 27 | 961 | 1,188 | 1,595 | 1,814 | 1,471 | 773 | 950 | 1,040 | 1,843 | 2,933 |
| | Operating surplus (gross) | 12,308 | 11,769 | 11,029 | 13,171 | 12,771 | 12,548 | 14,118 | 16,815 | 16,174 | 18,215 | 18,970 | 20,145 | 19,186 |
| | Pelagic fishing & related (1) | 164 | 112 | 18 | 536 | 525 | 686 | 838 | 724 | 326 | 316 | 171 | -572 | 339 |
| 1.2 | Public Enterprise | 8,743 | 11,894 | 12,214 | 11,259 | 10,729 | 13,197 | 11,988 | 11,307 | 10,179 | 8,464 | 10,484 | 7,306 | 8,564 |
| | Compensation of employees | 8,151 | 8,090 | 7,646 | 8,127 | 8,212 | 8,307 | 9,379 | 9,356 | 9,295 | 9,429 | 10,280 | 11,015 | 11,347 |
| | Operating surplus (gross) | 2,900 | 6,443 | 5,936 | 5,124 | 5,126 | 8,757 | 6,451 | 5,037 | 3,582 | 3,052 | 8,069 | 3,192 | 5,596 |
| | Less Subsidies | -2,308 | -2,639 | -1,368 | -1,993 | -2,609 | -3,868 | -3,842 | -3,085 | -2,697 | -4,017 | -7,865 | -6,900 | -8,380 |
| 2 | Finance (Banks) | 3,979 | 4,283 | 4,569 | 5,082 | 4,933 | 5,574 | 5,357 | 5,840 | 6,704 | 7,664 | 8,580 | 8,089 | 7,065 |
| | Compensation of employees | 1,520 | 1,614 | 1,758 | 1,833 | 2,108 | 2,370 | 2,285 | 2,518 | 2,904 | 3,212 | 3,411 | 3,456 | 3,579 |
| | Operating surplus (gross) | 2,459 | 2,669 | 2,812 | 3,249 | 2,824 | 3,205 | 3,072 | 3,323 | 3,800 | 4,452 | 5,168 | 4,633 | 3,486 |
| 3 | Government (compensation of employees) | 34,004 | 33,807 | 34,041 | 35,890 | 37,993 | 41,522 | 44,694 | 48,399 | 51,997 | 54,055 | 54,010 | 54,587 | 54,620 |
| 3.1 | RMI Government | 22,041 | 20,736 | 19,204 | 19,446 | 20,779 | 23,523 | 26,842 | 30,385 | 33,396 | 37,109 | 36,924 | 37,299 | 37,541 |
| 3.2 | Government Agencies | 4,780 | 5,656 | 6,944 | 7,891 | 8,605 | 9,449 | 9,656 | 9,297 | 9,436 | 7,551 | 7,628 | 7,972 | 8,400 |
| 3.3 | Local Government | 7,183 | 7,414 | 7,893 | 8,553 | 8,609 | 8,550 | 8,196 | 8,718 | 9,165 | 9,396 | 9,458 | 9,315 | 8,679 |
| 4 | NGOs (compensation of employees) | 1,749 | 1,731 | 1,765 | 1,783 | 1,952 | 2,022 | 2,038 | 2,027 | 2,326 | 2,197 | 2,247 | 2,194 | 2,258 |
| 5 | Households | 17,825 | 16,340 | 16,990 | 17,177 | 17,314 | 16,760 | 17,259 | 18,011 | 18,638 | 19,361 | 20,583 | 24,677 | 25,788 |
| | Mixed Income | 4,084 | 2,967 | 3,246 | 3,517 | 3,368 | 2,958 | 3,602 | 3,920 | 4,045 | 4,138 | 4,941 | 6,740 | 6,893 |
| | Copra production | 2,062 | 821 | 1,007 | 1,183 | 949 | 478 | 1,027 | 1,186 | 1,178 | 1,115 | 1,810 | 3,153 | 2,889 |
| | Fishing | 909 | 975 | 1,043 | 1,116 | 1,194 | 1,278 | 1,367 | 1,462 | 1,565 | 1,674 | 1,748 | 2,012 | 2,280 |
| | Handicrafts | 913 | 962 | 980 | 998 | 1,004 | 985 | 992 | 1,048 | 1,067 | 1,100 | 1,125 | 1,276 | 1,421 |
| | Other | 200 | 209 | 216 | 220 | 222 | 217 | 217 | 224 | 235 | 249 | 258 | 299 | 304 |
| | Subsistence | 6,876 | 6,924 | 7,136 | 6,932 | 7,177 | 7,161 | 7,033 | 7,260 | 7,414 | 7,614 | 7,775 | 8,795 | 9,608 |
| | Home Ownership | 6,865 | 6,449 | 6,608 | 6,728 | 6,769 | 6,641 | 6,624 | 6,830 | 7,179 | 7,609 | 7,867 | 9,142 | 9,286 |
| | Indirect taxes | 13,264 | 13,961 | 12,098 | 11,040 | 10,720 | 12,971 | 14,093 | 14,166 | 16,709 | 17,195 | 19,209 | 18,617 | 16,103 |
| | Import and fuel taxes (REPMAR) | 7,810 | 8,335 | 6,227 | 4,523 | 4,451 | 6,323 | 7,040 | 6,681 | 8,830 | 8,601 | 9,354 | 8,672 | 7,138 |
| | Other Indirect taxes (REPMAR) | 2,725 | 2,663 | 2,545 | 2,993 | 2,901 | 2,995 | 3,407 | 4,015 | 3,882 | 4,778 | 5,851 | 5,849 | 5,394 |
| | Indirect taxes (Local Government) | 2,728 | 2,963 | 3,327 | 3,524 | 3,369 | 3,654 | 3,646 | 3,470 | 3,997 | 3,816 | 4,003 | 4,095 | 3,571 |
| | Less intermediate FISIM | -2,226 | -2,250 | -2,445 | -2,855 | -2,960 | -3,187 | -2,730 | -2,839 | -3,108 | -3,492 | -4,135 | -4,021 | -3,565 |
| | **Nominal GDP at Market Prices (Gross)** | **106,531** | **108,935** | **108,079** | **111,811** | **114,716** | **123,392** | **127,210** | **133,498** | **138,786** | **144,466** | **152,307** | **154,549** | **155,002** |
| | Memo items: | | | | | | | | | | | | | |
| | Non-resident pelagic fishing vessels (2) | 3,020 | 2,728 | 0 | 0 | 13,879 | 15,975 | 15,418 | 19,477 | 24,314 | 19,162 | 35,577 | 26,225 | 24,455 |
| | Labor Income, Kwajalein base (3) | 15,022 | 15,175 | 16,630 | 19,182 | 20,129 | 19,100 | 20,393 | 20,643 | 21,231 | 23,323 | 22,172 | 19,719 | 19,910 |

(1) Value added for shore based processing and support units directly related to pelagic fishing, and one purse seiner treated as resident from FY2009
(2) Estimated value added for pelagic fishing vessels of RMI incorporated companies that are treated as economic non-residents and outside the RMI GDP
(3) Income earned by Marshallese workers on Kwajalein military base and in foreign embassies in Majuro - outside the economic territory and GDP of the RMI
*Source: EPPSO estimates*

Table 2k Constant price GDP by institutional sector and income components, FY1997-FY2009

| (US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 Private Enterprise | *29,454* | *30,178* | *28,952* | *32,436* | *33,940* | *35,119* | *36,573* | *38,759* | *37,099* | *39,658* | *42,129* | *40,767* | *39,876* |
| Compensation of employees | 16,287 | 17,676 | 17,593 | 17,768 | 19,608 | 20,374 | 19,498 | 20,211 | 20,719 | 21,947 | 23,464 | 23,130 | 22,008 |
| Pelagic fishing & related (1) | 220 | 157 | 24 | 961 | 1,196 | 1,667 | 2,080 | 1,762 | 822 | 999 | 1,076 | 1,878 | 2,945 |
| Operating surplus (gross) | 12,801 | 12,240 | 11,319 | 13,171 | 12,690 | 12,436 | 13,903 | 16,322 | 15,275 | 16,657 | 17,106 | 16,643 | 15,609 |
| Pelagic fishing & related (1) | 146 | 105 | 16 | 536 | 446 | 642 | 1,092 | 464 | 283 | 55 | 483 | -884 | -686 |
| 1.2 Public Enterprise | 10,538 | 9,636 | 10,445 | 11,259 | 11,214 | 11,138 | 10,929 | 10,994 | 11,609 | 9,846 | 9,934 | 8,851 | 8,368 |
| Compensation of employees | 9,325 | 9,425 | 8,277 | 8,127 | 8,068 | 8,753 | 9,092 | 9,546 | 9,706 | 9,708 | 10,396 | 10,891 | 10,998 |
| Operating surplus (gross) | 3,655 | 3,009 | 3,574 | 5,124 | 5,769 | 6,240 | 5,582 | 4,430 | 4,456 | 3,893 | 6,875 | 4,172 | 4,723 |
| Less Subsidies | -2,442 | -2,798 | -1,405 | -1,993 | -2,624 | -3,854 | -3,745 | -2,982 | -2,554 | -3,755 | -7,338 | -6,212 | -7,352 |
| 2 Finance (Banks) | 4,499 | 4,753 | 4,970 | 5,082 | 5,562 | 5,534 | 5,384 | 5,771 | 5,801 | 5,952 | 6,521 | 7,182 | 7,367 |
| Compensation of employees | 1,532 | 1,710 | 1,822 | 1,833 | 2,204 | 2,085 | 2,015 | 2,267 | 2,349 | 2,590 | 2,727 | 2,831 | 2,794 |
| Operating surplus (gross) | 2,967 | 3,043 | 3,148 | 3,249 | 3,358 | 3,449 | 3,370 | 3,504 | 3,452 | 3,362 | 3,794 | 4,351 | 4,573 |
| 3 Government (compensation of employees) | 37,141 | 35,121 | 35,337 | 35,890 | 37,983 | 40,288 | 41,590 | 43,065 | 44,964 | 46,169 | 46,401 | 45,771 | 45,101 |
| 3.1 RMI Government | 24,283 | 22,128 | 20,021 | 19,446 | 19,951 | 23,215 | 24,852 | 26,199 | 27,679 | 31,664 | 31,488 | 31,553 | 31,038 |
| 3.2 Government Agencies | 5,624 | 5,095 | 6,825 | 7,891 | 9,004 | 8,820 | 8,936 | 8,329 | 8,513 | 5,673 | 6,487 | 6,066 | 6,290 |
| 3.3 Local Government | 7,234 | 7,899 | 8,490 | 8,553 | 9,028 | 8,253 | 7,803 | 8,537 | 8,772 | 8,832 | 8,427 | 8,152 | 7,773 |
| 4 NGOs (compensation of employees) | 1,776 | 1,815 | 1,771 | 1,783 | 1,853 | 1,909 | 1,843 | 1,910 | 2,102 | 1,997 | 2,016 | 1,900 | 1,866 |
| 5 Households | 18,296 | 17,275 | 17,108 | 17,177 | 17,511 | 16,656 | 17,035 | 17,371 | 17,571 | 17,593 | 18,099 | 18,587 | 18,660 |
| Mixed Income | 3,802 | 3,523 | 3,221 | 3,517 | 3,806 | 3,100 | 3,601 | 3,830 | 3,871 | 3,821 | 4,249 | 4,598 | 4,554 |
| Copra production | 1,599 | 1,264 | 929 | 1,183 | 1,455 | 735 | 1,186 | 1,348 | 1,360 | 1,287 | 1,676 | 1,989 | 1,819 |
| Fishing | 1,025 | 1,055 | 1,085 | 1,116 | 1,148 | 1,181 | 1,214 | 1,249 | 1,284 | 1,321 | 1,358 | 1,397 | 1,437 |
| Handicrafts | 966 | 989 | 989 | 998 | 985 | 971 | 987 | 1,022 | 1,006 | 985 | 982 | 971 | 1,076 |
| Other | 212 | 215 | 218 | 220 | 218 | 214 | 214 | 211 | 221 | 229 | 233 | 242 | 223 |
| Subsistence | 7,232 | 7,123 | 7,219 | 6,932 | 7,059 | 7,009 | 6,842 | 6,879 | 6,934 | 6,959 | 6,985 | 7,034 | 7,074 |
| Home Ownership | 7,262 | 6,629 | 6,668 | 6,728 | 6,646 | 6,547 | 6,592 | 6,662 | 6,766 | 6,814 | 6,864 | 6,955 | 7,032 |
| Indirect taxes | 9,536 | 9,752 | 9,798 | 11,040 | 10,807 | 11,022 | 11,167 | 11,275 | 12,104 | 12,356 | 13,663 | 13,260 | 11,840 |
| Import and fuel taxes (REPMAR) | 3,767 | 3,785 | 3,767 | 4,523 | 4,501 | 4,396 | 4,292 | 4,041 | 4,644 | 4,323 | 4,468 | 4,306 | 3,974 |
| Other Indirect taxes (REPMAR) | 2,883 | 2,824 | 2,614 | 2,993 | 2,918 | 2,984 | 3,322 | 3,880 | 3,676 | 4,466 | 5,459 | 5,266 | 4,733 |
| Indirect taxes (Local Government) | 2,886 | 3,143 | 3,417 | 3,524 | 3,388 | 3,641 | 3,554 | 3,354 | 3,784 | 3,567 | 3,735 | 3,687 | 3,133 |
| Less intermediate FISIM | -2,355 | -2,387 | -2,511 | -2,855 | -2,977 | -3,176 | -2,661 | -2,744 | -2,942 | -3,264 | -3,858 | -3,621 | -3,128 |
| **Real GDP at Market Prices (Gross)** | **108,887** | **106,143** | **105,870** | **111,811** | **115,893** | **118,490** | **121,860** | **126,401** | **128,307** | **130,306** | **134,904** | **132,697** | **129,950** |
| Memo items: | | | | | | | | | | | | | |
| Non-resident pelagic fishing vessels (2) | 3,410 | 3,323 | 0 | 0 | 18,615 | 20,701 | 20,085 | 25,001 | 30,511 | 23,201 | 32,064 | 18,527 | 24,022 |
| Labor Income, Kwajalein base (3) | 17,427 | 16,975 | 17,703 | 19,013 | 19,626 | 18,801 | 22,262 | 18,837 | 18,504 | 18,985 | 18,287 | 16,807 | 15,757 |

(1) Value added for shore based processing and support units directly related to pelagic fishing, and one purse seiner treated as resident from FY2009
(2) Estimated value added for pelagic fishing vessels of RMI incorporated companies that are treated as economic non-residents and outside the RMI GDP
(3) Income earned by Marshallese workers on Kwajalein military base and in foreign embassies in Majuro - outside the economic territory and GDP of the RMI
*Source: EPPSO estimates*

Table 3a Employment by institutional sector, numbers, FY1997-FY2010

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Sector | 2,524 | 2,718 | 2,684 | 3,191 | 3,548 | 3,788 | 3,844 | 4,018 | 3,421 | 3,676 | 3,911 | 4,024 | 4,060 | 4,146 |
| 1.2 | Public Enterprise | 676 | 683 | 600 | 589 | 585 | 635 | 659 | 692 | 704 | 704 | 762 | 811 | 829 | 809 |
| 2 | Banks | 103 | 115 | 123 | 124 | 149 | 141 | 136 | 153 | 158 | 175 | 184 | 191 | 188 | 196 |
| 3.1 | RMI Government | 1,856 | 1,692 | 1,531 | 1,487 | 1,525 | 1,775 | 1,900 | 2,003 | 2,116 | 2,421 | 2,407 | 2,412 | 2,373 | 2,423 |
| 3.2 | Government Agencies | 401 | 363 | 487 | 563 | 642 | 629 | 637 | 594 | 607 | 405 | 454 | 411 | 417 | 468 |
| 3.3 | Local Government | 893 | 975 | 1,048 | 1,056 | 1,114 | 1,019 | 963 | 1,054 | 1,083 | 1,090 | 1,040 | 1,006 | 959 | 903 |
| 4 | NGO's and Non-Profits | 339 | 346 | 338 | 340 | 354 | 364 | 352 | 364 | 401 | 381 | 385 | 363 | 356 | 349 |
| 5 | Households | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| 6.1 | Foreign Embassies | 12 | 12 | 13 | 14 | 15 | 13 | 14 | 14 | 15 | 16 | 17 | 16 | 16 | 28 |
| 6.2 | Kwajalein US Base | 1,137 | 1,108 | 1,155 | 1,241 | 1,281 | 1,227 | 1,453 | 1,229 | 1,208 | 1,239 | 1,193 | 1,097 | 1,028 | 994 |
| | **Total** | **7,941** | **8,012** | **7,978** | **8,602** | **9,212** | **9,589** | **9,957** | **10,121** | **9,711** | **10,105** | **10,352** | **10,330** | **10,226** | **10,317** |

*Source: Social Security plus EPPSO 'non-reported' estimate*

Table 3b Employment by institutional sector, wage costs, FY1997-FY2010

| | (US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Sector | 14,538 | 14,979 | 15,474 | 16,398 | 17,993 | 18,330 | 16,936 | 16,941 | 16,229 | 17,657 | 19,090 | 19,955 | 20,446 | 20,787 |
| 1.2 | Public Enterprise | 7,009 | 7,023 | 6,265 | 6,402 | 6,352 | 6,798 | 7,553 | 7,851 | 8,160 | 8,225 | 8,674 | 9,755 | 10,061 | 10,241 |
| 2 | Banks | 1,388 | 1,600 | 1,569 | 1,534 | 1,683 | 1,952 | 1,999 | 2,262 | 2,665 | 2,975 | 3,217 | 3,156 | 3,264 | 2,989 |
| 3.1 | RMI Government | 17,485 | 15,854 | 15,843 | 16,645 | 17,938 | 20,665 | 21,863 | 26,478 | 27,500 | 30,233 | 30,144 | 30,425 | 30,897 | 32,557 |
| 3.2 | Government Agencies | 4,049 | 4,071 | 5,499 | 6,741 | 7,066 | 7,522 | 8,043 | 7,646 | 7,996 | 6,372 | 6,686 | 6,555 | 6,849 | 7,365 |
| 3.3 | Local Government | 6,486 | 6,672 | 6,952 | 7,244 | 7,628 | 7,436 | 7,021 | 7,513 | 7,912 | 8,221 | 8,248 | 8,213 | 7,390 | 6,783 |
| 4 | NGO's and Non-Profits | 1,543 | 1,528 | 1,558 | 1,574 | 1,711 | 1,756 | 1,766 | 1,758 | 2,018 | 1,904 | 1,947 | 1,902 | 1,958 | 2,120 |
| 5 | Households | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| 6.1 | Foreign Embassies | 106 | 113 | 140 | 150 | 165 | 143 | 147 | 175 | 182 | 199 | 221 | 208 | 199 | 304 |
| 6.2 | Kwajalein US Base | 13,181 | 13,323 | 14,603 | 16,877 | 17,601 | 16,566 | 17,689 | 17,892 | 18,413 | 20,123 | 19,230 | 17,064 | 17,292 | 15,739 |
| | **Total** | **65,785** | **65,163** | **67,904** | **73,565** | **78,138** | **81,168** | **83,018** | **88,515** | **91,075** | **95,908** | **97,457** | **97,233** | **98,355** | **98,885** |

*Source: Social Security plus EPPSO 'non-reported' estimate. Wage Costs = Gross wages and salaries as per Social Security regulations*

Table 3c Employment by institutional sector, average wage and salary rates, FY1997-FY2010

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.1 | Private Sector | 5,760 | 5,510 | 5,767 | 5,139 | 5,072 | 4,839 | 4,405 | 4,216 | 4,745 | 4,803 | 4,882 | 4,959 | 5,036 | 5,014 |
| 1.2 | Public Enterprise | 10,368 | 10,279 | 10,442 | 10,867 | 10,860 | 10,715 | 11,459 | 11,345 | 11,597 | 11,687 | 11,382 | 12,028 | 12,140 | 12,655 |
| 2 | Banks | 13,445 | 13,879 | 12,785 | 12,422 | 11,334 | 13,892 | 14,729 | 14,807 | 16,840 | 17,046 | 17,509 | 16,547 | 17,336 | 15,230 |
| 3.1 | RMI Government | 9,420 | 9,373 | 10,352 | 11,198 | 11,762 | 11,645 | 11,508 | 13,221 | 12,997 | 12,490 | 12,523 | 12,614 | 13,022 | 13,435 |
| 3.2 | Government Agencies | 10,097 | 11,207 | 11,300 | 11,981 | 11,007 | 11,961 | 12,624 | 12,875 | 13,173 | 15,753 | 14,726 | 15,948 | 16,424 | 15,737 |
| 3.3 | Local Government | 7,265 | 6,845 | 6,635 | 6,863 | 6,847 | 7,300 | 7,292 | 7,131 | 7,309 | 7,543 | 7,931 | 8,164 | 7,704 | 7,509 |
| 4 | NGO's and Non-Profits | 4,556 | 4,414 | 4,610 | 4,626 | 4,841 | 4,823 | 5,024 | 4,824 | 5,031 | 4,996 | 5,064 | 5,246 | 5,501 | 6,074 |
| 5 | Households | | | | | | | | | | | | | | |
| 6.1 | Foreign Embassies | 8,803 | 9,586 | 10,540 | 11,106 | 10,793 | 11,010 | 10,713 | 12,489 | 12,523 | 12,860 | 13,392 | 13,185 | 12,637 | 10,948 |
| 6.2 | Kwajalein US Base | 11,590 | 12,027 | 12,641 | 13,602 | 13,743 | 13,503 | 12,176 | 14,555 | 15,249 | 16,243 | 16,114 | 15,559 | 16,817 | 15,838 |
| | **Total** | **8,284** | **8,133** | **8,512** | **8,552** | **8,482** | **8,465** | **8,338** | **8,746** | **9,379** | **9,492** | **9,415** | **9,413** | **9,618** | **9,585** |

*Source: Social Security plus EPPSO 'non-reported' estimate*

Table 3d Employment by industry, numbers, FY1997-FY2010

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Agriculture, Hunting and Forestry | 10 | 9 | 8 | 7 | 1 | ~ | 21 | 24 | 24 | 27 | 31 | 28 | 25 | 25 |
| B | Fisheries (1) | 83 | 84 | 48 | 546 | 618 | 735 | 902 | 1,002 | 280 | 343 | 314 | 464 | 716 | 969 |
| C | Mining and Quarrying | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| D | Manufacturing | 75 | 86 | 61 | 48 | 41 | 48 | 48 | 41 | 48 | 48 | 60 | 57 | 50 | 43 |
| E | Electricity, Gas and Water Supply | 230 | 233 | 220 | 218 | 231 | 251 | 261 | 281 | 285 | 279 | 274 | 286 | 297 | 311 |
| F | Construction | 405 | 610 | 613 | 424 | 490 | 636 | 563 | 498 | 516 | 705 | 851 | 813 | 675 | 587 |
| G | Wholesale and Retail Trade | 1,424 | 1,400 | 1,422 | 1,583 | 1,777 | 1,748 | 1,657 | 1,766 | 1,838 | 1,850 | 1,827 | 1,835 | 1,731 | 1,749 |
| H | Hotels and Restaurants | 245 | 242 | 233 | 258 | 268 | 269 | 311 | 272 | 240 | 265 | 306 | 300 | 269 | 262 |
| I | Transport, Storage and Communications | 415 | 393 | 392 | 408 | 410 | 450 | 474 | 540 | 561 | 577 | 710 | 672 | 703 | 638 |
| J | Financial Intermediation | 121 | 133 | 139 | 140 | 168 | 159 | 151 | 169 | 174 | 193 | 208 | 211 | 208 | 213 |
| K | Real Estate, Renting and Businesss Activities | 217 | 230 | 194 | 212 | 224 | 222 | 221 | 232 | 248 | 208 | 215 | 223 | 253 | 270 |
| L | Public Administration | 2,877 | 2,799 | 2,673 | 2,636 | 2,728 | 2,885 | 2,957 | 3,123 | 3,297 | 3,608 | 3,540 | 3,513 | 3,403 | 3,393 |
| M | Education (2) | 456 | 401 | 520 | 561 | 627 | 624 | 606 | 590 | 624 | 383 | 435 | 399 | 417 | 447 |
| N | Health and Social Work (2) | 183 | 207 | 213 | 217 | 235 | 238 | 234 | 251 | 268 | 276 | 281 | 283 | 284 | 256 |
| O | Community, Social & Personal Service Activities | 44 | 62 | 71 | 87 | 94 | 80 | 79 | 82 | 83 | 84 | 86 | 121 | 136 | 127 |
| P | Private Households With Employed Persons | 6 | 4 | 4 | 3 | 4 | 5 | 8 | 8 | 6 | 4 | 5 | 12 | 15 | 8 |
| Q | Extra-Territorial Organizations and Bodies | 1,152 | 1,120 | 1,169 | 1,254 | 1,296 | 1,240 | 1,467 | 1,243 | 1,222 | 1,254 | 1,210 | 1,113 | 1,044 | 1,022 |
| | **Total** | **7,941** | **8,012** | **7,978** | **8,602** | **9,212** | **9,589** | **9,957** | **10,121** | **9,711** | **10,105** | **10,352** | **10,330** | **10,226** | **10,317** |

(1) Includes Shore based fish processed and vessel support services. 2) Not including government workers which are included under "Public Administration"

*Source: Social Security plus EPPSO 'non-reported' estimate*

Table 3e Employment by industry, wage costs, FY1997-FY2010

| | (US$'000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Agriculture, Hunting and Forestry | 24 | 19 | 18 | 14 | 1 | ~ | 54 | 68 | 79 | 73 | 85 | 82 | 78 | 76 |
| B | Fisheries (1) | 423 | 416 | 421 | 1,686 | 1,911 | 2,018 | 2,203 | 2,547 | 1,528 | 1,847 | 1,856 | 2,182 | 2,792 | 3,169 |
| C | Mining and Quarrying | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| D | Manufacturing | 379 | 365 | 237 | 230 | 219 | 278 | 277 | 281 | 317 | 318 | 391 | 313 | 290 | 322 |
| E | Electricity, Gas and Water Supply | 2,605 | 2,682 | 2,426 | 2,615 | 2,587 | 2,843 | 3,298 | 3,425 | 3,655 | 3,592 | 3,396 | 3,888 | 4,043 | 4,121 |
| F | Construction | 2,589 | 3,604 | 3,825 | 2,590 | 3,009 | 3,369 | 3,017 | 2,685 | 2,746 | 3,980 | 4,712 | 4,815 | 4,342 | 4,144 |
| G | Wholesale and Retail Trade | 7,815 | 7,458 | 7,755 | 8,667 | 9,622 | 9,177 | 7,883 | 8,080 | 8,266 | 7,987 | 8,253 | 8,469 | 8,681 | 8,751 |
| H | Hotels and Restaurants | 1,289 | 1,291 | 1,265 | 1,346 | 1,286 | 1,397 | 1,445 | 1,208 | 1,185 | 1,345 | 1,527 | 1,471 | 1,452 | 1,369 |
| I | Transport, Storage and Communications | 4,175 | 3,927 | 3,853 | 3,964 | 4,018 | 4,200 | 4,559 | 4,962 | 4,666 | 4,681 | 5,443 | 5,998 | 6,198 | 6,232 |
| J | Financial Intermediation | 1,585 | 1,800 | 1,774 | 1,717 | 1,909 | 2,130 | 2,164 | 2,433 | 2,857 | 3,181 | 3,434 | 3,389 | 3,493 | 3,234 |
| K | Real Estate, Renting and Businesss Activities | 1,592 | 1,468 | 1,380 | 1,414 | 1,489 | 1,630 | 1,619 | 1,316 | 1,350 | 1,332 | 1,351 | 1,433 | 1,715 | 1,961 |
| L | Public Administration | 25,650 | 24,364 | 24,313 | 25,449 | 26,907 | 29,497 | 30,177 | 34,906 | 36,784 | 39,872 | 39,654 | 39,887 | 39,230 | 40,242 |
| M | Education (2) | 2,827 | 2,748 | 4,210 | 5,031 | 5,369 | 5,824 | 6,393 | 6,341 | 6,708 | 4,643 | 5,015 | 4,899 | 5,325 | 5,852 |
| N | Health and Social Work (2) | 1,276 | 1,270 | 1,313 | 1,389 | 1,544 | 1,599 | 1,625 | 1,698 | 1,868 | 2,242 | 2,313 | 2,291 | 2,278 | 2,524 |
| O | Community, Social & Personal Service Activities | 247 | 297 | 350 | 407 | 480 | 479 | 444 | 472 | 437 | 458 | 518 | 750 | 872 | 808 |
| P | Private Households With Employed Persons | 19 | 17 | 21 | 18 | 20 | 17 | 23 | 27 | 35 | 34 | 57 | 95 | 76 | 39 |
| Q | Extra-Territorial Organizations and Bodies | 13,289 | 13,436 | 14,743 | 17,027 | 17,766 | 16,709 | 17,836 | 18,067 | 18,595 | 20,322 | 19,451 | 17,272 | 17,491 | 16,043 |
| | **Total** | **65,785** | **65,163** | **67,904** | **73,565** | **78,138** | **81,168** | **83,018** | **88,515** | **91,075** | **95,908** | **97,457** | **97,233** | **98,355** | **98,885** |

(1) Includes Shore based fish processed and vessel support services. 2) Not including government workers which are included under "Public Administration"

*Source: Social Security plus EPPSO 'non-reported' estimate. Wage Costs = Gross wages and salaries as per Social Security regulations*

Table 3f Employment by industry, average wage and salary rates, FY1997-FY2010

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Agriculture, Hunting and Forestry | | | | | | | 2,614 | 2,830 | 3,315 | 2,713 | 2,741 | 2,966 | 3,132 | 3,035 |
| B | Fisheries (1) | 5,131 | 4,948 | 8,865 | 3,088 | 3,093 | 2,747 | 2,443 | 2,542 | 5,456 | 5,382 | 5,922 | 4,701 | 3,898 | 3,272 |
| C | Mining and Quarrying | | | | | | | | | | | | | | |
| D | Manufacturing | 5,047 | 4,247 | 3,902 | 4,777 | 5,308 | 5,787 | 5,777 | 6,884 | 6,569 | 6,695 | 6,487 | 5,484 | 5,779 | 7,528 |
| E | Electricity, Gas and Water Supply | 11,313 | 11,522 | 11,025 | 11,983 | 11,211 | 11,350 | 12,631 | 12,211 | 12,830 | 12,891 | 12,401 | 13,606 | 13,600 | 13,261 |
| F | Construction | 6,396 | 5,904 | 6,239 | 6,111 | 6,141 | 5,297 | 5,361 | 5,393 | 5,325 | 5,646 | 5,537 | 5,921 | 6,435 | 7,062 |
| G | Wholesale and Retail Trade | 5,488 | 5,327 | 5,454 | 5,477 | 5,414 | 5,251 | 4,756 | 4,574 | 4,498 | 4,316 | 4,518 | 4,616 | 5,015 | 5,004 |
| H | Hotels and Restaurants | 5,264 | 5,329 | 5,422 | 5,210 | 4,791 | 5,202 | 4,651 | 4,450 | 4,930 | 5,070 | 4,992 | 4,898 | 5,398 | 5,234 |
| I | Transport, Storage and Communications | 10,051 | 9,992 | 9,836 | 9,710 | 9,796 | 9,329 | 9,614 | 9,189 | 8,321 | 8,113 | 7,665 | 8,920 | 8,812 | 9,775 |
| J | Financial Intermediation | 13,157 | 13,560 | 12,788 | 12,252 | 11,381 | 13,418 | 14,329 | 14,420 | 16,418 | 16,483 | 16,510 | 16,079 | 16,836 | 15,167 |
| K | Real Estate, Renting and Businesss Activities | 7,321 | 6,386 | 7,117 | 6,679 | 6,659 | 7,328 | 7,340 | 5,668 | 5,450 | 6,417 | 6,288 | 6,425 | 6,780 | 7,269 |
| L | Public Administration | 8,917 | 8,705 | 9,095 | 9,653 | 9,862 | 10,226 | 10,206 | 11,176 | 11,158 | 11,050 | 11,203 | 11,354 | 11,528 | 11,860 |
| M | Education (2) | 6,197 | 6,846 | 8,099 | 8,965 | 8,560 | 9,337 | 10,559 | 10,749 | 10,755 | 12,122 | 11,522 | 12,277 | 12,786 | 13,085 |
| N | Health and Social Work (2) | 6,986 | 6,143 | 6,174 | 6,399 | 6,572 | 6,718 | 6,960 | 6,769 | 6,981 | 8,115 | 8,239 | 8,097 | 8,012 | 9,863 |
| O | Community, Social & Personal Service Activities | 5,590 | 4,798 | 4,967 | 4,694 | 5,132 | 5,974 | 5,631 | 5,785 | 5,298 | 5,461 | 6,039 | 6,183 | 6,410 | 6,384 |
| P | Private Households With Employed Persons | | | | | | | | | | | | 7,793 | 5,071 | 4,978 |
| Q | Extra-Territorial Organizations and Bodies | 11,541 | 12,002 | 12,617 | 13,575 | 13,708 | 13,477 | 12,162 | 14,532 | 15,217 | 16,201 | 16,077 | 15,525 | 16,754 | 15,705 |
| | **Total** | **8,284** | **8,133** | **8,512** | **8,552** | **8,482** | **8,465** | **8,338** | **8,746** | **9,379** | **9,492** | **9,415** | **9,413** | **9,618** | **9,585** |

(1) Includes Shore based fish processed and vessel support services. 2) Not including government workers which are included under "Public Administration"

*Source: Social Security plus EPPSO 'non-reported' estimate*

Table 3g Employment in private sector by industry, numbers, FY1997-FY2010

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Agriculture, Hunting and Forestry | 8 | 8 | 8 | 7 | 1 | ~ | ~ | 2 | 2 | 1 | ~ | ~ | ~ | ~ |
| B | Fisheries (1) | 82 | 81 | 45 | 516 | 574 | 688 | 852 | 947 | 218 | 267 | 236 | 397 | 647 | 885 |
| C | Mining and Quarrying | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| D | Manufacturing | 4 | 13 | 8 | 9 | 14 | 15 | 14 | 14 | 20 | 18 | 29 | 27 | 22 | 19 |
| E | Electricity, Gas and Water Supply | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 3 | 9 | 11 | 12 | 8 | 3 | 3 |
| F | Construction | 405 | 610 | 613 | 424 | 490 | 636 | 563 | 498 | 516 | 705 | 851 | 813 | 675 | 587 |
| G | Wholesale and Retail Trade | 1,424 | 1,400 | 1,422 | 1,583 | 1,777 | 1,748 | 1,657 | 1,766 | 1,838 | 1,850 | 1,827 | 1,835 | 1,731 | 1,749 |
| H | Hotels and Restaurants | 149 | 150 | 148 | 171 | 179 | 165 | 208 | 185 | 151 | 165 | 200 | 199 | 177 | 170 |
| I | Transport, Storage and Communications | 171 | 148 | 162 | 168 | 175 | 209 | 224 | 256 | 298 | 318 | 405 | 344 | 353 | 314 |
| J | Financial Intermediation | 17 | 18 | 16 | 17 | 19 | 18 | 15 | 16 | 16 | 19 | 24 | 20 | 19 | 17 |
| K | Real Estate, Renting and Businesss Activities | 210 | 222 | 186 | 205 | 216 | 215 | 211 | 224 | 240 | 198 | 205 | 213 | 245 | 262 |
| L | Public Administration | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| M | Education | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| N | Health and Social Work | 8 | 7 | 6 | 7 | 8 | 11 | 15 | 20 | 27 | 37 | 40 | 57 | 69 | 38 |
| O | Community, Social & Personal Service Activities | 40 | 57 | 66 | 82 | 89 | 75 | 75 | 79 | 80 | 82 | 74 | 97 | 103 | 97 |
| P | Private Households With Employed Persons | 6 | 4 | 4 | 3 | 4 | 5 | 8 | 8 | 6 | 4 | 5 | 12 | 15 | 8 |
| Q | Extra-Territorial Organizations and Bodies | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| | **Total** | **2,524** | **2,718** | **2,684** | **3,191** | **3,548** | **3,788** | **3,844** | **4,018** | **3,421** | **3,676** | **3,911** | **4,024** | **4,060** | **4,146** |

(1) Includes Shore based fish processed and vessel support services

*Source: Social Security plus EPPSO 'non-reported' estimate*

Table 3h Employment in private sector by industry, wage costs, FY1997-FY2010

| | (US$000) | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Agriculture, Hunting and Forestry | 17 | 17 | 18 | 14 | 1 | ~ | ~ | 2 | 6 | 2 | ~ | ~ | ~ | ~ |
| B | Fisheries (1) | 419 | 399 | 402 | 1,374 | 1,448 | 1,543 | 1,711 | 1,966 | 810 | 1,036 | 1,004 | 1,395 | 1,997 | 2,317 |
| C | Mining and Quarrying | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| D | Manufacturing | 17 | 33 | 20 | 25 | 42 | 51 | 41 | 40 | 62 | 64 | 120 | 79 | 58 | 57 |
| E | Electricity, Gas and Water Supply | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 27 | 44 | 45 | 48 | 35 | 15 | 16 |
| F | Construction | 2,589 | 3,604 | 3,825 | 2,590 | 3,009 | 3,369 | 3,017 | 2,685 | 2,746 | 3,980 | 4,712 | 4,815 | 4,342 | 4,144 |
| G | Wholesale and Retail Trade | 7,815 | 7,458 | 7,755 | 8,667 | 9,622 | 9,177 | 7,883 | 8,080 | 8,266 | 7,987 | 8,253 | 8,469 | 8,681 | 8,751 |
| H | Hotels and Restaurants | 581 | 557 | 555 | 627 | 592 | 613 | 681 | 593 | 559 | 643 | 785 | 755 | 722 | 703 |
| I | Transport, Storage and Communications | 1,137 | 1,036 | 1,099 | 1,191 | 1,186 | 1,347 | 1,442 | 1,556 | 1,654 | 1,651 | 1,924 | 1,962 | 1,840 | 1,815 |
| J | Financial Intermediation | 197 | 201 | 205 | 183 | 226 | 178 | 164 | 172 | 192 | 207 | 217 | 232 | 230 | 245 |
| K | Real Estate, Renting and Businesss Activities | 1,416 | 1,287 | 1,186 | 1,268 | 1,318 | 1,460 | 1,389 | 1,109 | 1,149 | 1,097 | 1,137 | 1,200 | 1,510 | 1,744 |
| L | Public Administration | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| M | Education | 44 | 40 | 14 | 2 | 4 | 5 | 8 | 15 | 13 | 8 | 8 | 12 | 4 | 5 |
| N | Health and Social Work | 44 | 38 | 31 | 39 | 51 | 97 | 138 | 202 | 260 | 449 | 378 | 338 | 354 | 396 |
| O | Community, Social & Personal Service Activities | 242 | 291 | 344 | 400 | 473 | 473 | 439 | 467 | 434 | 454 | 447 | 566 | 617 | 555 |
| P | Private Households With Employed Persons | 19 | 17 | 21 | 18 | 20 | 17 | 23 | 27 | 35 | 34 | 57 | 95 | 76 | 39 |
| Q | Extra-Territorial Organizations and Bodies | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| | **Total** | **14,538** | **14,979** | **15,474** | **16,398** | **17,993** | **18,330** | **16,936** | **16,941** | **16,229** | **17,657** | **19,090** | **19,955** | **20,446** | **20,787** |

(1) Includes Shore based fish processed and vessel support services

*Source: Social Security plus EPPSO 'non-reported' estimate. Wage Costs = Gross wages and salaries as per Social Security regulations*

Table 3i Employment in private sector by industry, average wage and salary rates, FY1997-FY2010

| | | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Agriculture, Hunting and Forestry | | | | | | | | | | | | | | |
| B | Fisheries (1) | 5,144 | 4,925 | 8,926 | 2,664 | 2,523 | 2,243 | 2,008 | 2,077 | 3,724 | 3,880 | 4,257 | 3,517 | 3,087 | 2,620 |
| C | Mining and Quarrying | | | | | | | | | | | | | | |
| D | Manufacturing | | 2,580 | | | 3,033 | 3,446 | 2,992 | 2,924 | 3,165 | 3,481 | 4,112 | 2,928 | 2,688 | 3,099 |
| E | Electricity, Gas and Water Supply | | | | | | | | | | 3,936 | 3,982 | | | |
| F | Construction | 6,396 | 5,904 | 6,239 | 6,111 | 6,141 | 5,297 | 5,361 | 5,393 | 5,325 | 5,646 | 5,537 | 5,921 | 6,435 | 7,062 |
| G | Wholesale and Retail Trade | 5,488 | 5,327 | 5,454 | 5,477 | 5,414 | 5,251 | 4,756 | 4,574 | 4,498 | 4,316 | 4,518 | 4,616 | 5,015 | 5,004 |
| H | Hotels and Restaurants | 3,911 | 3,710 | 3,761 | 3,659 | 3,313 | 3,713 | 3,269 | 3,202 | 3,698 | 3,908 | 3,920 | 3,796 | 4,068 | 4,145 |
| I | Transport, Storage and Communications | 6,633 | 7,024 | 6,784 | 7,093 | 6,783 | 6,444 | 6,429 | 6,082 | 5,550 | 5,189 | 4,752 | 5,702 | 5,212 | 5,788 |
| J | Financial Intermediation | 11,433 | 11,459 | 12,806 | 10,989 | 11,742 | 9,771 | 10,764 | 10,733 | 12,180 | 11,178 | 8,941 | 11,617 | 11,944 | 14,438 |
| K | Real Estate, Renting and Businesss Activities | 6,756 | 5,799 | 6,380 | 6,202 | 6,090 | 6,790 | 6,588 | 4,959 | 4,798 | 5,553 | 5,549 | 5,633 | 6,162 | 6,670 |
| L | Public Administration | | | | | | | | | | | | | | |
| M | Education | | | | | | | | | | | | | | |
| N | Health and Social Work | | | | | | 8,607 | 9,388 | 10,104 | 9,546 | 12,137 | 9,445 | 5,908 | 5,153 | 10,565 |
| O | Community, Social & Personal Service Activities | 6,011 | 5,089 | 5,249 | 4,903 | 5,349 | 6,286 | 5,825 | 5,948 | 5,404 | 5,565 | 6,024 | 5,834 | 6,009 | 5,755 |
| P | Private Households With Employed Persons | | | | | | | | | | | | 7,793 | 5,071 | |
| Q | Extra-Territorial Organizations and Bodies | | | | | | | | | | | | | | |
| | **Total** | **5,760** | **5,510** | **5,766** | **5,139** | **5,072** | **4,839** | **4,405** | **4,216** | **4,745** | **4,803** | **4,882** | **4,959** | **5,036** | **5,014** |

(1) Includes Shore based fish processed and vessel support services

*Source: Social Security plus EPPSO 'non-reported' estimate*

Table 4a National government employment by department, FY1999-FY2010

| | | FY1999[1] | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008[2] | FY2009 | FY2010[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 | President & Cabinet | 24 | 23 | 22 | 23 | 23 | 22 | 26 | 27 | 32 | 33 | 30 | 15 |
| 11 | Chief Secretary Office | 15 | 14 | 14 | 13 | 12 | 18 | 20 | 21 | 25 | 25 | 31 | 19 |
| 12 | Special Appropriations | ~ | 1 | 2 | 2 | 2 | ~ | 2 | ~ | ~ | 10 | ~ | ~ |
| 13 | Council of Iroij | 17 | 17 | 17 | 15 | 14 | 15 | 15 | 16 | 15 | 15 | 17 | 17 |
| 14 | Nitijela | 39 | 35 | 37 | 37 | 38 | 42 | 45 | 48 | 49 | 50 | 51 | 51 |
| 15 | Auditor General | 7 | 7 | 8 | 11 | 11 | 11 | 10 | 11 | 10 | 7 | 7 | 8 |
| 16 | Foreign Affairs | 30 | 56 | 34 | 34 | 33 | 32 | 36 | 34 | 37 | 37 | 39 | 37 |
| 17 | Public Service Commission | 12 | 11 | 12 | 11 | 11 | 13 | 13 | 14 | 15 | 15 | 15 | 16 |
| 18 | Judiciary | 22 | 21 | 22 | 22 | 20 | 30 | 35 | 40 | 40 | 37 | 35 | 34 |
| 19 | Attorney General Office | 9 | 10 | 16 | 18 | 24 | 25 | 25 | 26 | 25 | 22 | 23 | 23 |
| 20 | Ministry of Education | 472 | 474 | 478 | 671 | 706 | 720 | 800 | 1,028 | 1,032 | 1,067 | 1,073 | 1,083 |
| 30 | Health & Environment | 386 | 389 | 376 | 389 | 437 | 480 | 529 | 535 | 540 | 529 | 497 | 500 |
| 40 | Transport & Communications | 33 | 24 | 41 | 84 | 92 | 108 | 108 | 100 | 54 | 18 | 19 | 18 |
| 45 | R & D | 61 | 45 | 33 | 33 | 32 | 27 | 26 | 28 | 29 | 27 | 31 | 33 |
| 50 | Internal Affairs | 51 | 54 | 56 | 53 | 54 | 69 | 61 | 64 | 63 | 102 | 79 | 98 |
| 55 | Justice | 158 | 170 | 153 | 144 | 163 | 168 | 168 | 170 | 166 | 167 | 171 | 174 |
| 60 | Finance | 89 | 86 | 93 | 99 | 104 | 107 | 112 | 121 | 121 | 128 | 116 | 117 |
| 70 | Public Works | 52 | 50 | 111 | 114 | 115 | 99 | 100 | 99 | 90 | 91 | 92 | 90 |
| 75 | Epa | ~ | ~ | ~ | ~ | ~ | 16 | 18 | 19 | 19 | 19 | 19 | 17 |
| 80 | Compact II Capital | ~ | ~ | ~ | ~ | ~ | 1 | 2 | 3 | 3 | 3 | 5 | 5 |
| | **Total** | 1,475 | 1,486 | 1,522 | 1,771 | 1,892 | 1,999 | 2,151 | 2,402 | 2,363 | 2,400 | 2,346 | 2,353 |

1) Based on last 2 quarters of FY1999.
2) Temporary election staff adjusted for full time equivalent basis.
3) Based on first two quarters of FY2010

Table 4b National government wage costs by department, FY1999-FY2010

| | (US$'000 [1]) | FY1999[2] | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 | President & Cabinet | 549 | 537 | 586 | 650 | 649 | 720 | 702 | 740 | 760 | 702 | 777 | 817 |
| 11 | Chief Secretary Office | 249 | 225 | 244 | 264 | 262 | 385 | 455 | 465 | 473 | 543 | 583 | 639 |
| 12 | Special Appropriations | ~ | 15 | 41 | 41 | 40 | ~ | 14 | ~ | ~ | 189 | ~ | ~ |
| 13 | Council of Iroij | 195 | 205 | 204 | 187 | 180 | 248 | 249 | 252 | 248 | 240 | 268 | 245 |
| 14 | Nitijela | 815 | 628 | 792 | 819 | 798 | 791 | 907 | 919 | 1,022 | 870 | 997 | 993 |
| 15 | Auditor General | 98 | 109 | 124 | 167 | 165 | 176 | 164 | 167 | 158 | 132 | 107 | 114 |
| 16 | Foreign Affairs | 596 | 788 | 743 | 781 | 756 | 723 | 800 | 762 | 841 | 826 | 866 | 877 |
| 17 | Public Service Commission | 270 | 267 | 250 | 257 | 258 | 331 | 323 | 334 | 342 | 346 | 342 | 372 |
| 18 | Judiciary | 359 | 345 | 376 | 480 | 479 | 547 | 520 | 529 | 578 | 574 | 516 | 438 |
| 19 | Attorney General Office | 171 | 263 | 321 | 357 | 442 | 459 | 474 | 479 | 462 | 424 | 422 | 432 |
| 20 | Ministry of Education | 3,883 | 4,087 | 4,290 | 5,775 | 5,953 | 8,015 | 8,010 | 10,444 | 10,500 | 10,857 | 11,139 | 11,559 |
| 30 | Health & Environment | 3,948 | 4,054 | 4,145 | 4,502 | 5,026 | 5,971 | 6,704 | 6,805 | 7,093 | 7,249 | 7,027 | 7,152 |
| 40 | Transport & Communications | 488 | 428 | 494 | 919 | 1,094 | 1,412 | 1,398 | 1,241 | 723 | 324 | 334 | 351 |
| 45 | R & D | 635 | 445 | 387 | 431 | 415 | 361 | 320 | 369 | 398 | 363 | 438 | 478 |
| 50 | Internal Affairs | 549 | 589 | 677 | 704 | 689 | 1,074 | 895 | 958 | 854 | 968 | 1,081 | 1,216 |
| 55 | Justice | 1,507 | 1,931 | 1,728 | 1,630 | 1,825 | 2,147 | 2,157 | 2,124 | 2,060 | 2,124 | 2,225 | 2,320 |
| 60 | Finance | 1,266 | 1,259 | 1,329 | 1,415 | 1,472 | 1,641 | 1,848 | 1,933 | 1,915 | 2,021 | 1,838 | 1,970 |
| 70 | Public Works | 459 | 434 | 1,172 | 1,230 | 1,267 | 1,172 | 1,156 | 1,200 | 1,117 | 1,166 | 1,174 | 1,152 |
| 75 | Epa | ~ | ~ | ~ | ~ | ~ | 223 | 274 | 288 | 282 | 295 | 287 | 276 |
| 80 | Compact II Capital | ~ | ~ | ~ | ~ | ~ | 42 | 51 | 98 | 96 | 91 | 132 | 139 |
| | **Total** | 16,037 | 16,608 | 17,903 | 20,609 | 21,771 | 26,438 | 27,422 | 30,107 | 29,922 | 30,305 | 30,552 | 31,539 |

1) Sum of gross galary and wages, does not include benefits.
2) Based on last 2 quarters of FY1999.
3) Based on first two quarters of FY2010

Table 4c National government average wage and salary rates by department, FY1999-FY2010

| | (US$ per annum) | FY1999[1] | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 | President & Cabinet | 23,366 | 23,859 | 26,329 | 27,952 | 28,777 | 32,382 | 26,753 | 27,174 | 23,754 | 21,601 | 26,106 | 55,383 |
| 11 | Chief Secretary Office | 16,584 | 16,347 | 17,740 | 21,136 | 21,363 | 21,974 | 22,482 | 21,868 | 19,321 | 21,715 | 19,106 | 34,086 |
| 12 | Special Appropriations | | 14,749 | 20,394 | 20,500 | 19,787 | | 6,829 | | | 18,470 | | |
| 13 | Council of Iroij | 11,318 | 12,069 | 11,837 | 12,258 | 13,058 | 16,820 | 16,300 | 16,000 | 16,558 | 16,249 | 15,980 | 14,825 |
| 14 | Nitijela | 20,892 | 17,944 | 21,550 | 22,143 | 20,802 | 18,939 | 20,166 | 19,245 | 21,082 | 17,571 | 19,644 | 19,468 |
| 15 | Auditor General | 14,003 | 16,099 | 16,490 | 15,199 | 14,950 | 15,980 | 16,008 | 15,492 | 16,221 | 18,899 | 14,772 | 14,212 |
| 16 | Foreign Affairs | 20,046 | 14,140 | 21,860 | 23,150 | 22,855 | 22,959 | 22,368 | 22,756 | 22,877 | 22,463 | 22,213 | 23,711 |
| 17 | Public Service Commission | 22,460 | 24,237 | 21,270 | 23,362 | 23,435 | 25,441 | 24,880 | 24,289 | 23,178 | 23,089 | 22,405 | 23,239 |
| 18 | Judiciary | 16,695 | 16,218 | 17,487 | 22,318 | 23,911 | 18,530 | 14,762 | 13,233 | 14,351 | 15,625 | 14,744 | 12,881 |
| 19 | Attorney General Office | 20,090 | 25,661 | 20,035 | 20,386 | 18,178 | 18,164 | 18,959 | 18,615 | 18,467 | 19,065 | 18,749 | 18,772 |
| 20 | Ministry of Education | 8,235 | 8,618 | 8,974 | 8,604 | 8,431 | 11,136 | 10,019 | 10,162 | 10,172 | 10,176 | 10,386 | 10,678 |
| 30 | Health & Environment | 10,236 | 10,435 | 11,032 | 11,573 | 11,509 | 12,453 | 12,668 | 12,726 | 13,147 | 13,716 | 14,139 | 14,305 |
| 40 | Transport & Communications | 14,670 | 18,219 | 12,128 | 10,936 | 11,827 | 13,137 | 12,917 | 12,377 | 13,451 | 17,769 | 18,075 | 19,489 |
| 45 | R & D | 10,414 | 9,880 | 11,804 | 13,271 | 13,042 | 13,620 | 12,414 | 13,402 | 13,722 | 13,320 | 14,357 | 14,489 |
| 50 | Internal Affairs | 10,874 | 10,915 | 12,142 | 13,351 | 12,664 | 15,568 | 14,729 | 15,081 | 13,656 | 9,515 | 13,776 | 12,407 |
| 55 | Justice | 9,570 | 11,342 | 11,316 | 11,359 | 11,203 | 12,799 | 12,838 | 12,510 | 12,388 | 12,716 | 12,992 | 13,334 |
| 60 | Finance | 14,189 | 14,599 | 14,295 | 14,255 | 14,149 | 15,374 | 16,501 | 15,977 | 15,858 | 15,819 | 15,911 | 16,909 |
| 70 | Public Works | 8,778 | 8,776 | 10,585 | 10,810 | 10,990 | 11,872 | 11,593 | 12,123 | 12,414 | 12,810 | 12,832 | 12,797 |
| 75 | Epa | | | | | | 13,749 | 15,210 | 14,955 | 14,866 | 15,946 | 15,488 | 16,736 |
| 80 | Compact II Capital | | | | | | 41,537 | 34,150 | 32,775 | 32,102 | 30,424 | 26,405 | 27,885 |
| | **Total** | 10,876 | 11,180 | 11,761 | 11,639 | 11,505 | 13,224 | 12,750 | 12,537 | 12,665 | 12,628 | 13,026 | 13,407 |

1) Based on last 2 quarters of FY99.
2) Based on first two quarters of FY2010

Table 4d National government employment by fund, FY2004 - FY2010 Quarter 2

| Fund | 2004-Q1 | 2004-Q2 | 2004-Q3 | 2004-Q4 | 2005-Q1 | 2005-Q2 | 2005-Q3 | 2005-Q4 | 2006-Q1 | 2006-Q2 | 2006-Q3 | 2006-Q4 | 2007-Q1 | 2007-Q2 | 2007-Q3 | 2007-Q4 | 2008-Q1 | 2008-Q2 | 2008-Q3 | 2008-Q4 | 2009-Q1 | 2009-Q2 | 2009-Q3 | 2009-Q4 | 2010-Q1 | 2010-Q2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | 855 | 804 | 817 | 838 | 870 | 863 | 871 | 861 | 881 | 890 | 851 | 858 | 897 | 893 | 812 | 816 | 998 | 859 | 866 | 908 | 911 | 927 | 932 | 930 | 925 | 970 |
| Compact II | 892 | 881 | 891 | 925 | 938 | 936 | 934 | 1,117 | 1,207 | 1,202 | 1,158 | 1,184 | 1,110 | 1,122 | 1,103 | 1,117 | 1,128 | 1,152 | 1,139 | 1,120 | 1,099 | 1,107 | 1,101 | 1,119 | 1,117 | 1,128 |
| Special Revenue | 67 | 71 | 70 | 73 | 74 | 74 | 76 | 71 | 74 | 78 | 79 | 78 | 79 | 79 | 80 | 78 | 93 | 88 | 82 | 84 | 81 | 51 | 56 | 52 | 48 | 43 |
| US Federal Grant | 166 | 167 | 164 | 169 | 176 | 179 | 182 | 243 | 183 | 210 | 270 | 271 | 283 | 289 | 284 | 283 | 234 | 233 | 225 | 220 | 216 | 218 | 220 | 224 | 227 | 229 |
| ROC | 36 | 36 | 36 | 35 | 34 | 33 | 33 | 30 | 30 | 31 | 30 | 28 | 27 | 27 | 26 | 26 | 26 | 26 | 73 | 25 | 27 | 31 | 27 | 26 | 26 | 26 |
| UNDP | ~ | ~ | 2 | 2 | 1 | 2 | 2 | 3 | 1 | 3 | 3 | 6 | 4 | 5 | 6 | 4 | 4 | 5 | 5 | 6 | 6 | 5 | 7 | 9 | 9 | 10 |
| **Total** | **2,016** | **1,959** | **1,980** | **2,042** | **2,093** | **2,087** | **2,098** | **2,325** | **2,376** | **2,414** | **2,391** | **2,425** | **2,400** | **2,415** | **2,311** | **2,324** | **2,483** | **2,363** | **2,390** | **2,363** | **2,340** | **2,339** | **2,343** | **2,360** | **2,352** | **2,406** |

Table 4e National government wage costs by fund, FY2004 - FY2010 Quarter 2

| Fund [2] ($US000) | 2004-Q1 | 2004-Q2 | 2004-Q3 | 2004-Q4 | 2005-Q1 | 2005-Q2 | 2005-Q3 | 2005-Q4 | 2006-Q1 | 2006-Q2 | 2006-Q3 | 2006-Q4 | 2007-Q1 | 2007-Q2 | 2007-Q3 | 2007-Q4 | 2008-Q1 | 2008-Q2 | 2008-Q3 | 2008-Q4 | 2009-Q1 | 2009-Q2 | 2009-Q3 | 2009-Q4 | 2010-Q1 | 2010-Q2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | 3,215 | 2,669 | 3,133 | 3,287 | 2,962 | 3,016 | 3,481 | 3,446 | 3,008 | 3,521 | 2,966 | 3,458 | 3,125 | 3,626 | 2,929 | 3,370 | 3,120 | 3,444 | 3,100 | 3,772 | 3,293 | 3,898 | 3,317 | 3,836 | 3,499 | 3,883 |
| Compact II | 3,087 | 2,303 | 2,737 | 2,825 | 2,566 | 2,560 | 3,005 | 3,104 | 3,195 | 3,676 | 3,163 | 3,603 | 2,960 | 3,453 | 2,952 | 3,332 | 3,067 | 3,604 | 3,081 | 3,412 | 2,951 | 3,499 | 3,008 | 3,413 | 3,161 | 3,467 |
| Special Revenue | 268 | 238 | 294 | 296 | 262 | 224 | 262 | 255 | 227 | 252 | 234 | 268 | 241 | 277 | 243 | 287 | 275 | 262 | 219 | 250 | 163 | 183 | 165 | 143 | 117 | 140 |
| US Federal Grant | 448 | 351 | 423 | 438 | 414 | 413 | 483 | 597 | 446 | 529 | 561 | 650 | 636 | 750 | 653 | 742 | 548 | 631 | 526 | 574 | 498 | 608 | 525 | 617 | 597 | 644 |
| ROC | 107 | 100 | 101 | 98 | 83 | 81 | 95 | 84 | 76 | 84 | 71 | 81 | 69 | 82 | 66 | 78 | 69 | 73 | 127 | 80 | 73 | 105 | 71 | 86 | 81 | 84 |
| UNDP | ~ | ~ | 11 | 10 | 3 | 13 | 9 | 6 | 3 | 7 | 8 | 18 | 9 | 16 | 13 | 13 | 12 | 15 | 18 | 24 | 17 | 17 | 26 | 41 | 38 | 42 |
| **Total** | **7,125** | **5,661** | **6,699** | **6,953** | **6,290** | **6,305** | **7,335** | **7,491** | **6,954** | **8,070** | **7,003** | **8,080** | **7,040** | **8,204** | **6,855** | **7,822** | **7,092** | **8,030** | **7,070** | **8,113** | **6,995** | **8,310** | **7,112** | **8,136** | **7,492** | **8,261** |

Table 4f National government average wage rates by fund, FY2004 - FY2010 Quarter 2

| Fund (US$) | 2004-Q1 | 2004-Q2 | 2004-Q3 | 2004-Q4 | 2005-Q1 | 2005-Q2 | 2005-Q3 | 2005-Q4 | 2006-Q1 | 2006-Q2 | 2006-Q3 | 2006-Q4 | 2007-Q1 | 2007-Q2 | 2007-Q3 | 2007-Q4 | 2008-Q1 | 2008-Q2 | 2008-Q3 | 2008-Q4 | 2009-Q1 | 2009-Q2 | 2009-Q3 | 2009-Q4 | 2010-Q1 | 2010-Q2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | 15,043 | 13,280 | 15,337 | 15,688 | 13,620 | 13,979 | 15,988 | 16,008 | 13,655 | 15,827 | 13,941 | 16,123 | 13,937 | 16,243 | 14,428 | 16,520 | 12,507 | 16,039 | 14,319 | 16,618 | 14,460 | 16,819 | 14,236 | 16,500 | 15,129 | 16,014 |
| Compact II | 13,841 | 10,457 | 12,289 | 12,215 | 10,944 | 10,940 | 12,870 | 11,116 | 10,589 | 12,233 | 10,925 | 12,173 | 10,667 | 12,312 | 10,704 | 11,931 | 10,875 | 12,513 | 10,818 | 12,187 | 10,740 | 12,642 | 10,928 | 12,199 | 11,320 | 12,295 |
| Special Revenue | 16,010 | 13,398 | 16,829 | 16,215 | 14,148 | 12,108 | 13,815 | 14,344 | 12,244 | 12,906 | 11,832 | 13,756 | 12,204 | 14,014 | 12,157 | 14,731 | 11,824 | 11,918 | 10,675 | 11,914 | 8,058 | 14,319 | 11,798 | 11,029 | 9,714 | 13,043 |
| US Federal Grant | 10,798 | 8,413 | 10,319 | 10,367 | 9,407 | 9,219 | 10,613 | 9,831 | 9,749 | 10,082 | 8,314 | 9,600 | 8,988 | 10,383 | 9,198 | 10,488 | 9,371 | 10,829 | 9,350 | 10,430 | 9,227 | 11,157 | 9,540 | 11,014 | 10,513 | 11,252 |
| ROC | 11,857 | 11,067 | 11,205 | 11,147 | 9,707 | 9,767 | 11,467 | 11,167 | 10,098 | 10,886 | 9,446 | 11,643 | 10,194 | 12,132 | 10,121 | 12,026 | 10,637 | 11,286 | 6,932 | 12,753 | 10,792 | 13,586 | 10,537 | 13,275 | 12,423 | 12,851 |
| UNDP | | | 21,881 | 20,068 | 11,397 | 25,116 | 17,762 | 8,040 | 13,846 | 9,928 | 11,238 | 12,007 | 9,250 | 12,585 | 8,616 | 12,796 | 12,408 | 12,170 | 14,652 | 16,269 | 11,073 | 13,804 | 14,817 | 18,006 | 16,932 | 16,878 |
| **Total** | **14,137** | **11,559** | **13,534** | **13,620** | **12,021** | **12,085** | **13,986** | **12,889** | **11,708** | **13,372** | **11,715** | **13,327** | **11,734** | **13,589** | **11,866** | **13,463** | **11,425** | **13,593** | **11,833** | **13,733** | **11,957** | **14,211** | **12,142** | **13,790** | **12,741** | **13,734** |

1) For 2008 Q1, Q2 and Q3, temporary election staff are adjusted for full time equivalent basis

2) Sum of gross galary and wages, does not include benefits.Quarter on quarter changes may reflect the number of pay days per quarter

## Table 5a Copra production, average producer price and income to producers: 1951-2009

| | Total Production (Short Tons)[1] | Average Producer Price Per S.Ton | Total Producer Income ($,000) |
|---|---|---|---|
| 1951 | 4,980 | 84 | 418 |
| 1961 | 6,060 | 126 | 764 |
| 1971 | 5,344 | 154 | 823 |
| 1981 | 5,760 | 171 | 985 |
| 1991 | 4,213 | 155 | 653 |
| 2001 | 5,256 | 187 | 949 |
| 2002 | 2,653 | 180 | 478 |
| 2003 | 4,283 | 240 | 1,027 |
| 2004 | 4,868 | 240 | 1,186 |
| 2005 | 4,908 | 240 | 1,178 |
| 2006 | 4,646 | 240 | 1,115 |
| 2007 | 6,053 | 299 | 1,810 |
| 2008 | 7,182 | 439 | 3,153 |
| 2009 | 6,567 | 440 | 2,889 |

*Source: Tobolar Processing Plant and EPPSO*

Note [1] Short Ton=0.984, Metric Ton=907.2 Kgs.

## Table 5b PM&O tuna loining plant achievements, Majuro: FY1999 to FY2003

| Fiscal Year | Number of employees | | | Fish processed | Value of fish | Animal feed produced | |
|---|---|---|---|---|---|---|---|
| | Male | Female | Total | (Short Tons) | exported ($) | Quantity *(S.Tons)* | Value ($) |
| FY1999 | 20 | 80 | 100 | 300 | 60,000 | 50 | 15,000 |
| FY2000 | 60 | 240 | 300 | 10,000 | 2,500,000 | 1,600 | 480,000 |
| FY2001 | 80 | 320 | 400 | 9,700 | 2,450,000 | 1,400 | 420,000 |
| FY2002 | 100 | 400 | 500 | 10,200 | 2,550,000 | 1,750 | 525,000 |
| FY2003 | 110 | 420 | 530 | 12,400 | 3,350,000 | 1,300 | 400,000 |
| FY2004 [1] | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *n.a.* |

*Source: PM&O Tuna Loining Plant, Majuro*

1) Loining plant was closed down towards the end of year 2004.

## Table 5c Total fish catch in RMI EEZ, by method: 1998 - 2009

| | Method of catch *(metric tons)* | | | |
|---|---|---|---|---|
| | Long Line | Purse-Seine | Pole and Line | Total |
| 1998 | 2,147 | 65,551 | 18,392 | 86,090 |
| 1999 | 4,829 | 23,743 | 3,944 | 32,515 |
| 2000 | 2,110 | 20,403 | 8,208 | 30,721 |
| 2001 | 4,176 | 36,324 | 16,243 | 56,743 |
| 2002 | 2,090 | 28,915 | 7,316 | 38,321 |
| 2003 | 3,100 | 3,381 | 94 | 6,575 |
| 2004 | 2,232 | 16,425 | 1,171 | 19,828 |
| 2005 | 4,526 | 19,637 | 655 | 24,818 |
| 2006 | 4,768 | 14,618 | 987 | 20,373 |
| 2007 | 3,836 | 9,580 | 4,400 | 17,816 |
| 2008 | 4,473 | 16,177 | 2,467 | 23,117 |
| 2009 [1] | 4,916 | 9,424 | 438 | 14,778 |

*Source: Marshall Islands Marine Resources Authority*

*1) 2009 data are provisional, but coverage is "high"*

## Table 5d Total fish catch by Marshall Islands and domestically based vessels: 2001 - 2009

| | Method of catch *(metric tons)* [1] | |
|---|---|---|
| | Domestic based Long Line | Marshall Islands Purse-Seine |
| 2001 | n.a. | 35,774 |
| 2002 | n.a. | 38,952 |
| 2003 | n.a. | 37,875 |
| 2004 | 2,016 | 46,672 |
| 2005 | 3,175 | 56,164 |
| 2006 | 4,543 | 42,689 |
| 2007 | 3,683 | 59,485 |
| 2008 | 4,473 | 32,878 |
| 2009 [2] | 4,916 | 44,159 |

*Source: Marshall Islands Marine Resources Authority*

*1) Includes fish caught outside RMI EEZ*

*2) 2009 data are provisional, but coverage is "high"*

## Table 5e Visitors to Majuro, by year and purpose of visit: 1991, 1996, and 2001-2009

| Purpose | *1991* | *1996* | 2001 | 2002** | 2003** | 2004 | 2005 | 2006 [1] | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transit/Stop Over | *1,633* | *1,447* | 676 | 997 | 1,988 | 1,779 | 1,590 | 965 | 1,415 | 1,325 | 773 |
| Business | *2,271* | *2,513* | 1,892 | 2,165 | 2,245 | 2,999 | 3,061 | 2,033 | 2,218 | 2,147 | 2,119 |
| Holiday/Vacation | *947* | *1,113* | 1,483 | 1,445 | 1,380 | 2,683 | 2,727 | 1,255 | 2,060 | 1,385 | 1,430 |
| Visiting Friends/Relatives | *606* | *634* | 662 | 763 | 769 | 810 | 931 | 661 | 718 | 587 | 511 |
| Other/Not Stated | *415* | *409* | 731 | 632 | 813 | 736 | 864 | 866 | 548 | 578 | 539 |
| Total | *5,872* | *6,116* | 5,444 | 6,002 | 7,195 | 9,007 | 9,173 | 5,780 | 6,959 | 6,022 | 5,372 |

** Does not include those who arrived at Kwajalein airport
1) In 2006 some visitors arrving by sea were not included

## Table 5f Length of stay, visitors to Majuro, by year and purpose of visit: 2001-2009

| Purpose | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Transit/Stop Over | 1.5 | 1.1 | 0.8 | 0.7 | 0.9 | 2.4 | 1.1 | 1.1 | 1.2 |
| Business | 6.2 | 7.9 | 6.8 | 4.8 | 6.4 | 6.3 | 5.4 | 4.8 | 5.3 |
| Holiday/Vacation | 5.4 | 5.4 | 6.2 | 3.7 | 5.6 | 6.6 | 4.9 | 4.0 | 4.3 |
| Visiting Friends/Relatives | 8.9 | 9.1 | 12.9 | 9.1 | 10.7 | 11.5 | 7.1 | 6.2 | 8.2 |
| Other | 9.0 | 9.8 | 11.8 | 10.3 | 8.8 | 9.5 | 6.8 | 5.5 | 10.2 |
| Not Stated | 0.8 | 1.0 | 0.5 | 1.0 | 1.0 | 1.5 | 0.1 | 2.0 | 1.1 |
| Total | 5.6 | 6.1 | 5.6 | 4.2 | 5.5 | 6.3 | 4.6 | 4.0 | 5.2 |

Prior to 2004 only visitors travelling by air were included
1) In 2006 some visitors arrving by sea were not included

## Table 5g Visitors to Majuro by usual residence: 1998 to 2009

| Usual residence | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 [1] | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA/Canada & other America | 1,975 | 2,071 | 2,022 | 1,994 | 2,156 | 2,189 | 2,099 | 2,554 | 1,831 | 1,690 | 1,480 | 1,547 |
| Australia/ New Zealand | 229 | 223 | 202 | 222 | 263 | 279 | 277 | 578 | 293 | 496 | 275 | 271 |
| Other Pacific Island countries | 1,318 | 864 | 1,181 | 1,070 | 1,072 | 1,650 | 1,669 | 2,024 | 1,236 | 1,024 | 965 | 665 |
| European Countries | 89 | 91 | 129 | 115 | 147 | 196 | 160 | 404 | 180 | 275 | 177 | 153 |
| Japan | 104 | 100 | 856 | 940 | 828 | 961 | 984 | 1,565 | 907 | 1,600 | 1,427 | 1,349 |
| Taiwan | 670 | 585 | 211 | 353 | 347 | 209 | 321 | 476 | 228 | 311 | 375 | 255 |
| People's China | 165 | 85 | 83 | 80 | 159 | 57 | 87 | 142 | 58 | 157 | 61 | 89 |
| Philippines | 211 | 280 | 170 | 180 | 239 | 245 | 192 | 532 | 204 | 255 | 236 | 196 |
| Other Asian Countries | 240 | 223 | 181 | 228 | 489 | 1,021 | 936 | 731 | 565 | 320 | 324 | 207 |
| Others & Not Stated | 43 | 100 | 211 | 262 | 302 | 388 | 2,282 | 167 | 278 | 831 | 702 | 640 |
| Total | 5,044 | 4,622 | 5,246 | 5,444 | 6,002 | 7,195 | 9,007 | 9,173 | 5,780 | 6,959 | 6,022 | 5,372 |

*Source: Marshall Islands Visitors Authority (MIVA), EPPSO*
1) In 2006 some visitors arrving by sea were not included

## Table 6a Assets and liabilities of Deposit Money Banks, 1997-2009

| (US$ millions) | CY1997 | CY1998 | CY1999 | CY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets [1] | 55.1 | 52.7 | 60.7 | 71.8 | 70.6 | 83.3 | 89.1 | 94.3 | 95.6 | 98.3 | 109.3 | 113.9 | 122.0 |
| Foreign assets | 18.8 | 18.1 | 23.5 | 33.0 | 31.1 | 38.3 | 48.3 | 51.0 | 53.6 | 57.6 | 60.7 | 57.1 | 63.6 |
| Claims on central and local governments | 2.9 | 3.1 | 4.3 | 2.9 | 2.6 | 2.3 | 1.4 | 1.3 | 0.5 | 0.3 | 0.5 | 2.9 | 1.7 |
| Claims on public enterprises | | | | | | | | | | | 1.4 | 0.0 | 0.0 |
| Claims on private sector | 32.0 | 31.7 | 33.6 | 37.0 | 38.1 | 40.1 | 40.4 | 43.4 | 43.6 | 43.2 | 49.9 | 58.2 | 62.0 |
| Consumer | 21.2 | 23.2 | 22.8 | 26.4 | 29.5 | 34.5 | 36.9 | 38.5 | 38.2 | 35.2 | 38.5 | 43.9 | 46.1 |
| Commercial | 11.1 | 8.5 | 10.8 | 10.6 | 8.6 | 5.6 | 3.5 | 4.9 | 5.4 | 8.0 | 11.4 | 14.3 | 15.9 |
| Unclassified assets | 1.5 | -0.3 | -0.7 | -1.1 | -1.2 | 2.6 | -1.0 | -1.4 | -2.1 | -2.7 | -3.2 | -4.3 | -5.3 |
| Liabilities [1] | 55.1 | 52.7 | 60.7 | 71.8 | 70.6 | 83.3 | 89.1 | 94.3 | 95.6 | 98.3 | 108.8 | 113.9 | 122.0 |
| Deposits | 45.0 | 46.4 | 54.3 | 61.4 | 59.6 | 66.2 | 72.2 | 74.9 | 74.3 | 75.5 | 85.5 | 89.0 | 93.3 |
| Demand deposits | 16.8 | 13.9 | 15.9 | 20.5 | 19.6 | 20.6 | 23.6 | 27.0 | 26.1 | 25.7 | 25.6 | 24.7 | 24.2 |
| Time deposits | 11.5 | 11.9 | 16.6 | 19.8 | 19.9 | 21.9 | 22.0 | 20.0 | 17.7 | 16.2 | 19.0 | 20.6 | 19.0 |
| Savings deposits | 8.1 | 8.2 | 12.0 | 14.5 | 14.8 | 16.6 | 17.6 | 18.1 | 22.7 | 26.6 | 33.3 | 35.7 | 41.3 |
| Central government deposits [2] | 9.4 | 9.9 | 8.1 | 6.6 | 5.3 | 7.0 | 9.0 | 9.8 | 7.8 | 7.0 | 7.7 | 8.0 | 8.8 |
| Foreign liabilities | 2.3 | 2.8 | 1.6 | 2.6 | 2.7 | 2.7 | 3.5 | 4.1 | 3.8 | 3.7 | 2.2 | 1.6 | 2.4 |
| Capital accounts | 5.7 | 5.4 | 5.9 | 7.1 | 7.4 | 10.0 | 12.9 | 14.8 | 17.0 | 18.6 | 20.4 | 22.5 | 25.6 |
| Unclassified liabilities | 1.4 | 0.6 | 0.4 | 0.7 | 1.0 | 4.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.7 |
| *Memorandum items:* | | | | | | | | | | | | | |
| Loan/deposit ratio (in percent) | 77.3 | 74.9 | 69.9 | 64.9 | 68.3 | 64.1 | 57.8 | 59.7 | 59.3 | 57.6 | 60.5 | 68.7 | 68.3 |
| Deposits (12-month percent change) | -7.4 | 3.2 | 17.0 | 13.1 | -3.0 | 11.1 | 9.1 | 3.6 | -0.8 | 1.6 | 13.3 | 4.1 | 4.8 |
| Loans (12-month percent change) | 9.9 | 0.0 | 9.1 | 5.0 | 2.1 | 4.2 | -1.5 | 7.0 | -1.4 | -1.3 | 17.9 | 18.0 | 4.3 |
| Consumer loans (in percent of total loans) | 61.0 | 66.7 | 60.2 | 66.2 | 72.4 | 81.4 | 88.4 | 86.2 | 86.6 | 81.0 | 75.0 | 84.7 | 72.4 |
| Commercial loans (in percent of total loans) | 31.8 | 24.4 | 28.4 | 26.5 | 21.2 | 13.1 | 8.3 | 10.9 | 12.3 | 18.4 | 22.3 | 27.6 | 25.0 |

*Source: Banking Commision and IMF*

1) Calendar-year basis 4 quarter average to 2000. Fiscal-year basis 5 quarter average from FY2001.

2) Includes deposits of Social Security administration and other trust funds

Table 6b    Income and expense of Domestic Money Banks, 1997-2009

| (US$ '000) | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest Income: | | | | | | | | | | | | | |
| Interest and fees on loans | 5,030 | 5,467 | 5,632 | 6,686 | 6,781 | 7,488 | 7,342 | 7,552 | 7,156 | 7,231 | 8,514 | 9,132 | 8,852 |
| Deposit with banks | 1,218 | 1,133 | 1,038 | 1,504 | 1,431 | 2,022 | 369 | 510 | 1,429 | 2,410 | 2,521 | 833 | 111 |
| Other interest income | 91 | 91 | 195 | 236 | 106 | 95 | 56 | 59 | 46 | 122 | 158 | 115 | 52 |
| Total interest income | 6,339 | 6,691 | 6,865 | 8,426 | 8,318 | 9,605 | 7,767 | 8,121 | 8,631 | 9,763 | 11,193 | 10,080 | 9,015 |
| Interest Expense: | | | | | | | | | | | | | |
| Deposits | 1,610 | 1,509 | 1,554 | 1,941 | 2,085 | 2,228 | 1,578 | 1,241 | 1,136 | 1,370 | 1,669 | 1,447 | 1,428 |
| Other interest expense | 0 | 0 | 10 | 13 | 32 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total interest expense | 1,610 | 1,509 | 1,564 | 1,954 | 2,117 | 2,228 | 1,578 | 1,241 | 1,136 | 1,370 | 1,669 | 1,447 | 1,428 |
| Net interest income | 4,729 | 5,182 | 5,301 | 6,472 | 6,201 | 7,377 | 6,189 | 6,880 | 7,495 | 8,393 | 9,524 | 8,633 | 7,587 |
| Provision for loans losses | 865 | 1,124 | 656 | 732 | 2,327 | 630 | 930 | 988 | 648 | 448 | 422 | 260 | 267 |
| Net interest income after loan loss provisions | 3,864 | 4,058 | 4,645 | 5,740 | 3,874 | 6,747 | 5,259 | 5,892 | 6,847 | 7,945 | 9,102 | 8,373 | 7,320 |
| Noninterest Income: | | | | | | | | | | | | | |
| Service charges and fees | 646 | 712 | 854 | 918 | 985 | 630 | 634 | 640 | 631 | 661 | 613 | 783 | 730 |
| Other noninterest income | 159 | 119 | 287 | 457 | 866 | 1,269 | 773 | 767 | 645 | 724 | 911 | 824 | 966 |
| Total noninterest income | 805 | 831 | 1,141 | 1,375 | 1,851 | 1,899 | 1,407 | 1,407 | 1,276 | 1,385 | 1,524 | 1,607 | 1,696 |
| Noninterest Expense: | | | | | | | | | | | | | |
| Salaries and employee benefits | 1,209 | 1,320 | 1,426 | 1,510 | 1,750 | 2,091 | 1,634 | 1,888 | 2,240 | 2,449 | 2,625 | 2,665 | 2,733 |
| Occupancy | 358 | 392 | 371 | 393 | 398 | 468 | 248 | 261 | 281 | 306 | 333 | 351 | 350 |
| Furniture and equipment | 171 | 200 | 337 | 394 | 393 | 466 | 276 | 180 | 144 | 93 | 109 | 87 | 96 |
| Other operating expense | 1,216 | 1,272 | 1,204 | 1,744 | 2,043 | 1,614 | 1,783 | 1,917 | 1,751 | 1,818 | 1,978 | 2,154 | 2,215 |
| Total noninterest expense | 2,954 | 3,184 | 3,338 | 4,041 | 4,584 | 4,638 | 3,941 | 4,246 | 4,416 | 4,666 | 5,045 | 5,257 | 5,394 |
| Net Income (Loss) | 1,715 | 1,705 | 2,448 | 3,074 | 1,141 | 4,008 | 2,725 | 3,053 | 3,707 | 4,664 | 5,581 | 4,723 | 3,622 |

*Source: Banking Commision and EPPSO*

Table 6c Interest rates of Domestic Money Banks, 1997-2009

| (Percent[1]) | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposit rates | | | | | | | | | | | | | |
| Savings accounts[2] | 2.8 | 2.9 | 3.1 | 2.5 | 2.7 | 2.1 | 1.5 | 1.1 | 1.2 | 1.7 | 1.7 | 1.1 | 1.1 |
| Time deposits[3] | | | | | | | | | | | | | |
| Three months | 4.3 | 3.7 | 4.4 | 4.3 | 3.5 | 2.6 | 1.8 | 1.3 | 2.2 | 2.5 | 2.8 | 1.8 | 2.5 |
| Six months | 5.0 | 4.2 | 4.6 | 4.8 | 3.8 | 2.9 | 2.0 | 1.6 | 2.9 | 3.2 | 3.1 | 2.4 | 3.0 |
| One year or more | 5.4 | 5.1 | 5.0 | 6.8 | 4.4 | 3.5 | 2.6 | 2.1 | 3.5 | 4.0 | 4.1 | 3.6 | 6.0 |
| Loan rates[4] | | | | | | | | | | | | | |
| Consumer loans | 18.0 | 18.7 | 20.5 | 18.3 | 19.2 | 18.4 | 17.7 | 17.4 | 18.5 | 18.5 | 18.5 | 18.5 | 13.9 |
| Commercial loans | 11.0 | 11.5 | 12.5 | 13.3 | 11.8 | 10.8 | 9.8 | 9.7 | 11.0 | 11.0 | 9.5 | 9.4 | 8.9 |

*Source: Banking Commision*

1 year average
2 average of rates offered by deposit money banks.
3 average of minimum rates offered by deposit money banks.
4 average of maximum rates charged by deposit money banks.

Table 7a Majuro Consumer Price Index (CPI) by major groups, 1982-2001

Base 1982=100

| | All Groups | Food | Household & Personal | Apparel | Durables & Fuel |
|---|---|---|---|---|---|
| Weights | 100.0 | 57.7 | 14.8 | 12.0 | 15.6 |
| FY1983 | 102.3 | 104.2 | 99.7 | 98.1 | 100.9 |
| FY1984 | 107.3 | 108.5 | 104.7 | 101.8 | 109.2 |
| FY1985 | 108.1 | 105.0 | 110.1 | 108.4 | 117.5 |
| FY1986 | 110.2 | 108.2 | 109.2 | 109.5 | 119.2 |
| FY1987 | 112.8 | 104.7 | 119.7 | 129.1 | 119.0 |
| FY1988 | 113.7 | 108.0 | 128.9 | 127.7 | 110.0 |
| FY1989 | 116.5 | 113.5 | 125.8 | 124.0 | 112.7 |
| FY1990 | 117.8 | 117.7 | 130.2 | 114.5 | 110.8 |
| FY1991 | 121.6 | 121.6 | 129.8 | 125.0 | 111.3 |
| FY1992 | 131.3 | 129.3 | 152.2 | 128.5 | 121.0 |
| FY1993 | 141.2 | 135.6 | 162.9 | 151.4 | 133.9 |
| FY1994 | 148.1 | 137.2 | 183.3 | 157.3 | 148.0 |
| FY1995 | 158.2 | 139.1 | 212.1 | 175.0 | 165.1 |
| FY1996 | 174.8 | 155.6 | 244.4 | 189.4 | 173.7 |
| FY1997 | 185.0 | 167.2 | 254.6 | 195.0 | 177.9 |
| FY1998 | 191.9 | 173.1 | 270.5 | 200.2 | 181.0 |
| FY1999 | 194.8 | 175.7 | 273.7 | 206.1 | 182.2 |
| FY2000 | 196.6 | 174.3 | 279.6 | 219.2 | 183.5 |
| FY2001 | 199.7 | 175.3 | 288.5 | 232.1 | 180.9 |
| Percent change year-on-year | | | | | |
| FY1984 | 4.8% | 4.1% | 5.1% | 3.8% | 8.1% |
| FY1985 | 0.8% | -3.3% | 5.1% | 6.5% | 7.7% |
| FY1986 | 2.0% | 3.1% | -0.8% | 1.0% | 1.4% |
| FY1987 | 2.3% | -3.2% | 9.6% | 17.9% | -0.2% |
| FY1988 | 0.8% | 3.1% | 7.6% | -1.1% | -7.6% |
| FY1989 | 2.5% | 5.1% | -2.3% | -2.9% | 2.5% |
| FY1990 | 1.2% | 3.7% | 3.5% | -7.6% | -1.7% |
| FY1991 | 3.3% | 3.3% | -0.4% | 9.2% | 0.5% |
| FY1992 | 7.9% | 6.3% | 17.3% | 2.8% | 8.7% |
| FY1993 | 7.6% | 4.9% | 7.0% | 17.8% | 10.7% |
| FY1994 | 4.9% | 1.2% | 12.5% | 3.9% | 10.5% |
| FY1995 | 6.8% | 1.4% | 15.7% | 11.3% | 11.6% |
| FY1996 | 10.5% | 11.8% | 15.2% | 8.3% | 5.2% |
| FY1997 | 5.8% | 7.5% | 4.2% | 2.9% | 2.5% |
| FY1998 | 3.8% | 3.5% | 6.2% | 2.7% | 1.8% |
| FY1999 | 1.5% | 1.5% | 1.2% | 2.9% | 0.7% |
| FY2000 | 0.9% | -0.8% | 2.1% | 6.4% | 0.7% |
| FY2001 | 1.6% | 0.6% | 3.2% | 5.9% | -1.4% |

*Source: EPPSO*

Table 7b Majuro Consumer Price Index (CPI) by major groups, 2003-2009

| Base 2003 1st qtr=100 | All | Food | Alcoholic Beverages | Housing, Utilities, Appliances | Apparel | Transport | Medical Care | Recreation | Education and Comm. | Other Goods and Services |
|---|---|---|---|---|---|---|---|---|---|---|
| Weights | 100.0 | 35.9 | 1.7 | 17.1 | 4.3 | 13.7 | 2.2 | 2.3 | 6.6 | 16.2 |
| 2003 q1 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2003 q2 | 100.5 | 102.3 | 100.0 | 99.3 | 99.7 | 98.1 | 100.0 | 100.2 | 100.0 | 100.5 |
| 2003 q3 | 101.0 | 103.1 | 103.8 | 99.2 | 102.1 | 97.7 | 100.0 | 100.1 | 100.0 | 101.1 |
| 2003 q4 | 102.0 | 105.7 | 101.5 | 99.0 | 102.8 | 97.8 | 100.0 | 99.1 | 100.0 | 101.7 |
| 2004 q1 | 102.2 | 106.3 | 102.3 | 99.0 | 105.7 | 98.0 | 100.0 | 99.6 | 100.0 | 100.8 |
| 2004 q2 | 102.5 | 106.6 | 102.3 | 99.4 | 103.7 | 99.2 | 100.0 | 100.9 | 100.0 | 100.4 |
| 2004 q3 | 103.4 | 105.8 | 102.3 | 100.4 | 103.6 | 102.2 | 100.0 | 96.7 | 111.1 | 101.0 |
| 2004 q4 | 104.4 | 106.3 | 120.3 | 98.9 | 102.4 | 106.9 | 100.0 | 94.2 | 111.1 | 102.1 |
| 2005 q1 | 105.1 | 105.3 | 120.3 | 104.8 | 102.8 | 107.1 | 100.0 | 92.6 | 111.1 | 102.4 |
| 2005 q2 | 106.7 | 106.7 | 123.5 | 105.9 | 102.4 | 110.7 | 100.0 | 95.2 | 111.1 | 104.2 |
| 2005 q3 | 108.3 | 107.3 | 126.4 | 107.1 | 103.8 | 118.4 | 100.0 | 94.5 | 113.8 | 103.1 |
| 2005 q4 | 110.8 | 107.1 | 128.6 | 119.5 | 103.5 | 121.7 | 100.0 | 90.3 | 115.9 | 103.3 |
| 2006 q1 | 111.3 | 110.0 | 131.7 | 119.5 | 104.0 | 121.3 | 100.0 | 91.3 | 115.9 | 99.3 |
| 2006 q2 | 111.6 | 110.2 | 133.4 | 120.9 | 110.0 | 123.1 | 100.0 | 90.0 | 115.9 | 96.3 |
| 2006 q3 | 113.0 | 108.1 | 135.6 | 128.4 | 106.1 | 131.3 | 100.0 | 83.7 | 115.9 | 96.4 |
| 2006 q4 | 113.7 | 110.3 | 130.6 | 127.7 | 104.3 | 131.7 | 100.0 | 84.9 | 115.9 | 96.9 |
| 2007 q1 | 113.2 | 110.6 | 133.1 | 127.9 | 105.8 | 126.3 | 100.0 | 85.6 | 115.9 | 96.9 |
| 2007 q2 | 115.1 | 112.0 | 134.3 | 129.9 | 102.9 | 138.5 | 100.0 | 85.5 | 115.9 | 96.8 |
| 2007 q3 | 116.4 | 109.2 | 136.2 | 142.3 | 103.1 | 138.6 | 100.0 | 85.6 | 115.9 | 94.7 |
| 2007 q4 | 118.6 | 112.6 | 136.2 | 143.5 | 105.3 | 141.5 | 100.0 | 83.7 | 115.9 | 96.7 |
| 2008 q1 | 122.0 | 113.3 | 137.0 | 148.4 | 113.1 | 153.0 | 100.0 | 83.7 | 115.9 | 98.7 |
| 2008 q2 | 134.5 | 126.0 | 138.3 | 192.3 | 104.0 | 159.4 | 100.0 | 83.7 | 115.9 | 98.6 |
| 2008 q3 | 150.6 | 143.0 | 134.5 | 230.3 | 108.1 | 196.9 | 100.0 | 85.6 | 117.1 | 87.2 |
| 2008 q4 | 138.3 | 138.8 | 143.8 | 197.0 | 108.4 | 158.2 | 100.0 | 83.0 | 117.1 | 87.7 |
| 2009 q1 | 129.6 | 137.3 | 143.8 | 157.5 | 105.7 | 148.0 | 100.0 | 83.0 | 117.1 | 88.4 |
| 2009 q2 | 130.2 | 135.4 | 142.7 | 157.1 | 102.0 | 156.9 | 100.2 | 84.0 | 117.1 | 90.0 |
| 2009 q3 | 130.1 | 133.7 | 142.7 | 158.0 | 103.8 | 158.5 | 100.2 | 85.3 | 117.1 | 90.1 |
| 2009 q4 | 130.3 | 134.4 | 143.2 | 158.8 | 104.7 | 156.5 | 100.2 | 85.3 | 117.1 | 90.1 |
| 2010 q1 | 132.9 | 130.8 | 143.2 | 180.3 | 104.7 | 158.4 | 100.2 | 85.3 | 117.1 | 90.1 |
| 2010 q2 | 137.0 | 136.8 | 143.2 | 192.5 | 100.7 | 158.8 | 100.2 | 85.3 | 117.1 | 90.1 |
| FY2003 | 100.5 | 101.8 | 101.3 | 99.5 | 100.6 | 98.6 | 100.0 | 100.1 | 100.0 | 100.5 |
| FY2004 | 102.5 | 106.1 | 102.1 | 99.5 | 103.9 | 99.3 | 100.0 | 99.1 | 102.8 | 101.0 |
| FY2005 | 106.1 | 106.4 | 122.6 | 104.2 | 102.9 | 110.8 | 100.0 | 94.1 | 111.8 | 102.9 |
| FY2006 | 111.7 | 108.9 | 132.3 | 122.1 | 105.9 | 124.3 | 100.0 | 88.8 | 115.9 | 98.8 |
| FY2007 | 114.6 | 110.5 | 133.6 | 131.9 | 104.0 | 133.8 | 100.0 | 85.4 | 115.9 | 96.3 |
| FY2008 | 131.4 | 123.7 | 136.5 | 178.6 | 107.6 | 162.7 | 100.0 | 84.2 | 116.2 | 95.3 |
| FY2009 | 132.1 | 136.3 | 143.2 | 167.4 | 105.0 | 155.4 | 100.1 | 83.8 | 117.1 | 89.0 |

Percent change year-on-year

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2004 q1 | 2.2% | 6.3% | 2.3% | -1.0% | 5.7% | -2.1% | 0.0% | -0.4% | 0.0% | 0.8% |
| 2004 q2 | 2.0% | 4.3% | 2.3% | 0.1% | 4.0% | 1.1% | 0.0% | 0.8% | 0.0% | -0.1% |
| 2004 q3 | 2.4% | 2.6% | -1.5% | 1.1% | 1.5% | 4.6% | 0.0% | -3.4% | 11.1% | -0.1% |
| 2004 q4 | 2.4% | 0.5% | 18.5% | -0.1% | -0.3% | 9.3% | 0.0% | -4.9% | 11.1% | 0.4% |
| 2005 q1 | 2.8% | -0.9% | 17.6% | 5.8% | -2.8% | 9.3% | 0.0% | -7.1% | 11.1% | 1.6% |
| 2005 q2 | 4.1% | 0.0% | 20.7% | 6.5% | -1.3% | 11.6% | 0.0% | -5.7% | 11.1% | 3.8% |
| 2005 q3 | 4.7% | 1.4% | 23.6% | 6.7% | 0.2% | 15.9% | 0.0% | -2.3% | 2.5% | 2.1% |
| 2005 q4 | 6.2% | 0.8% | 6.9% | 20.8% | 1.0% | 13.9% | 0.0% | -4.2% | 4.3% | 1.1% |
| 2006 q1 | 5.9% | 4.5% | 9.5% | 14.0% | 1.2% | 13.3% | 0.0% | -1.3% | 4.3% | -3.1% |
| 2006 q2 | 4.6% | 3.3% | 8.1% | 14.2% | 7.4% | 11.2% | 0.0% | -5.5% | 4.3% | -7.6% |
| 2006 q3 | 4.3% | 0.7% | 7.3% | 19.9% | 2.2% | 10.8% | 0.0% | -11.4% | 1.8% | -6.4% |
| 2006 q4 | 2.6% | 3.0% | 1.5% | 6.9% | 0.7% | 8.2% | 0.0% | -5.9% | 0.0% | -6.1% |
| 2007 q1 | 1.7% | 0.5% | 1.1% | 7.1% | 1.7% | 4.1% | 0.0% | -6.3% | 0.0% | -2.4% |
| 2007 q2 | 3.2% | 1.7% | 0.7% | 7.4% | -6.5% | 12.5% | 0.0% | -5.0% | 0.0% | 0.5% |
| 2007 q3 | 3.1% | 1.0% | 0.5% | 10.8% | -2.8% | 5.6% | 0.0% | 2.3% | 0.0% | -1.8% |
| 2007 q4 | 4.3% | 2.1% | 4.4% | 12.3% | 1.0% | 7.4% | 0.0% | -1.4% | 0.0% | -0.3% |
| 2008 q1 | 7.7% | 2.4% | 2.9% | 16.0% | 6.9% | 21.1% | 0.0% | -2.1% | 0.0% | 1.8% |
| 2008 q2 | 16.8% | 12.5% | 2.9% | 48.0% | 1.1% | 15.1% | 0.0% | -2.1% | 0.0% | 1.9% |
| 2008 q3 | 29.4% | 30.9% | -1.3% | 61.8% | 4.9% | 42.1% | 0.0% | 0.0% | 1.1% | -7.9% |
| 2008 q4 | 16.6% | 23.2% | 5.5% | 37.3% | 2.9% | 11.8% | 0.0% | -0.9% | 1.1% | -9.3% |
| 2009 q1 | 6.3% | 21.2% | 5.0% | 6.1% | -6.5% | -3.3% | 0.0% | -0.9% | 1.1% | -10.4% |
| 2009 q2 | -3.2% | 7.4% | 3.2% | -18.3% | -1.9% | -1.6% | 0.2% | 0.4% | 1.1% | -8.6% |
| 2009 q3 | -13.6% | -6.5% | 6.1% | -31.4% | -4.0% | -19.5% | 0.2% | -0.4% | 0.0% | 3.2% |
| 2009 q4 | -5.8% | -3.2% | -0.4% | -19.4% | -3.4% | -1.1% | 0.2% | 2.7% | 0.0% | 2.7% |
| 2010 q1 | 2.5% | -4.7% | -0.4% | 14.5% | -0.9% | 7.1% | 0.2% | 2.8% | 0.0% | 1.8% |
| 2010 q2 | 5.2% | 1.0% | 0.4% | 22.5% | -1.3% | 1.2% | 0.0% | 1.5% | 0.0% | 0.0% |
| FY2004 | 2.0% | 4.2% | 0.8% | -0.1% | 3.3% | 0.7% | 0.0% | -1.0% | 2.8% | 0.4% |
| FY2005 | 3.5% | 0.3% | 20.1% | 4.7% | -1.0% | 11.6% | 0.0% | -5.0% | 8.8% | 2.0% |
| FY2006 | 5.3% | 2.3% | 7.9% | 17.2% | 2.9% | 12.3% | 0.0% | -5.6% | 3.7% | -4.0% |
| FY2007 | 2.6% | 1.6% | 0.9% | 8.1% | -1.8% | 7.6% | 0.0% | -3.8% | 0.0% | -2.5% |
| FY2008 | 14.7% | 11.9% | 2.2% | 35.4% | 3.5% | 21.6% | 0.0% | -1.4% | 0.3% | -1.1% |
| FY2009 | 0.5% | 10.1% | 4.9% | -6.3% | -2.5% | -4.5% | 0.1% | -0.5% | 0.8% | -6.6% |

*Source: EPPSO*

Table 7c Ebeye Consumer Price Index (CPI) by major groups, 2005-2009

Base 2006 4th quarter=100

| | All | Food | Alcoholic Beverages | Housing, Utilities and Major Appliance | Apparel | Transport | Medical Care | Recreation | Education and Comm. | Other Goods and Service | *Other (old CPI)* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Weights (new) | 100.0 | 46.7 | 1.5 | 15.9 | 6.1 | 12.3 | 0.9 | 2.2 | 4.4 | 10.1 | *19.0* |
| Old Ebeye CPI [(1)] | | | | | | | | | | | |
| *2005 q1* | *92.2* | *91.9* | *n.a.* | *70.1* | *115.6* | *80.0* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *111.5* |
| *2005 q2* | *95.4* | *94.4* | *n.a.* | *77.2* | *115.6* | *88.0* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *111.5* |
| *2005 q3* | *96.1* | *90.5* | *n.a.* | *84.5* | *115.6* | *93.7* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *114.9* |
| *2005 q4* | *96.7* | *91.6* | *n.a.* | *86.7* | *121.4* | *93.9* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *111.6* |
| *2006 q1* | *95.6* | *92.4* | *n.a.* | *84.8* | *110.8* | *89.4* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *111.4* |
| *2006 q2* | *98.3* | *96.7* | *n.a.* | *97.7* | *110.8* | *97.6* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *99.0* |
| *2006 q3* | *99.9* | *98.0* | *n.a.* | *100.9* | *100.7* | *106.1* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *99.0* |
| New Ebeye CPI | | | | | | | | | | | |
| 2006 q4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |
| 2007 q1 | 100.4 | 100.1 | 101.5 | 100.0 | 101.8 | 101.9 | 100.0 | 100.0 | 100.0 | 100.5 | |
| 2007 q2 | 102.2 | 102.3 | 101.5 | 100.0 | 101.7 | 105.1 | 100.0 | 100.0 | 100.0 | 101.1 | |
| 2007 q3 | 104.3 | 106.3 | 101.5 | 99.5 | 97.1 | 110.5 | 100.0 | 100.0 | 100.0 | 103.6 | |
| 2007 q4 | 107.0 | 108.3 | 101.5 | 103.1 | 101.2 | 120.1 | 100.0 | 100.0 | 100.0 | 101.5 | |
| 2008 q1 | 111.5 | 111.8 | 101.5 | 103.4 | 101.2 | 135.4 | 100.0 | 107.9 | 100.0 | 108.2 | |
| 2008 q2 | 118.9 | 116.6 | 102.8 | 120.6 | 115.3 | 145.5 | 100.0 | 107.9 | 100.0 | 111.4 | |
| 2008 q3 | 128.5 | 126.1 | 94.6 | 143.5 | 129.9 | 149.7 | 100.0 | 108.0 | 100.0 | 113.5 | |
| 2008 q4 | 119.9 | 125.8 | 97.5 | 118.1 | 118.2 | 119.9 | 100.0 | 108.0 | 100.0 | 112.5 | |
| 2009 q1 | 114.3 | 125.6 | 97.5 | 91.4 | 114.5 | 109.0 | 100.0 | 108.0 | 100.0 | 115.1 | |
| 2009 q2 | 116.5 | 126.7 | 98.9 | 92.2 | 114.5 | 119.4 | 100.0 | 107.8 | 100.0 | 118.2 | |
| 2009 q3 | 118.5 | 129.6 | 100.2 | 93.0 | 114.5 | 121.7 | 100.0 | 107.8 | 100.0 | 120.3 | |
| 2009 q4 | 121.0 | 135.6 | 100.4 | 93.4 | 114.5 | 123.0 | 100.0 | 107.8 | 100.0 | 115.1 | |
| 2010 q1 | 126.0 | 139.7 | 100.4 | 109.5 | 122.3 | 124.8 | 100.0 | 107.8 | 100.0 | 113.3 | |
| 2010 q2 | 127.7 | 140.0 | 100.4 | 117.6 | 122.7 | 126.4 | 100.0 | 107.8 | 100.0 | 114.2 | |
| FY2006 | 97.6 | 94.7 | *n.a.* | 92.5 | 110.9 | 96.8 | *n.a.* | *n.a.* | *n.a.* | *n.a.* | |
| FY2007 | 101.7 | 102.2 | 101.1 | 99.9 | 100.2 | 104.4 | 100.0 | 100.0 | 100.0 | 101.3 | |
| FY2008 | 116.5 | 115.7 | 100.1 | 117.7 | 111.9 | 137.7 | 100.0 | 105.9 | 100.0 | 108.6 | |
| FY2009 | 117.3 | 126.9 | 98.5 | 98.7 | 115.4 | 117.5 | 100.0 | 107.9 | 100.0 | 116.5 | |

Percent change year-on-year

| | All | Food | Alcoholic Beverages | Housing, Utilities and Major Appliance | Apparel | Transport | Medical Care | Recreation | Education and Comm. | Other Goods and Service |
|---|---|---|---|---|---|---|---|---|---|---|
| 2006 q1 | 3.7% | 0.5% | n.a. | 21.1% | -4.2% | 11.8% | n.a. | n.a. | n.a. | n.a. |
| 2006 q2 | 3.0% | 2.5% | n.a. | 26.6% | -4.2% | 11.0% | n.a. | n.a. | n.a. | n.a. |
| 2006 q3 | 3.9% | 8.4% | n.a. | 19.5% | -12.9% | 13.3% | n.a. | n.a. | n.a. | n.a. |
| 2006 q4 | 3.4% | 9.2% | n.a. | 15.4% | -17.6% | 6.5% | n.a. | n.a. | n.a. | n.a. |
| 2007 q1 | 5.0% | 8.4% | n.a. | 17.9% | -8.1% | 14.0% | n.a. | n.a. | n.a. | n.a. |
| 2007 q2 | 3.9% | 5.8% | n.a. | 2.4% | -8.2% | 7.6% | n.a. | n.a. | n.a. | n.a. |
| 2007 q3 | 4.5% | 8.4% | n.a. | -1.4% | -3.6% | 4.1% | n.a. | n.a. | n.a. | n.a. |
| 2007 q4 | 7.0% | 8.3% | 1.5% | 3.1% | 1.2% | 20.1% | 0.0% | 0.0% | 0.0% | 1.5% |
| 2008 q1 | 11.1% | 11.7% | 0.0% | 3.4% | -0.6% | 32.9% | 0.0% | 7.9% | 0.0% | 7.6% |
| 2008 q2 | 16.4% | 14.0% | 1.3% | 20.6% | 13.3% | 38.5% | 0.0% | 7.9% | 0.0% | 10.2% |
| 2008 q3 | 23.2% | 18.7% | -6.8% | 44.2% | 33.8% | 35.5% | 0.0% | 8.0% | 0.0% | 9.6% |
| 2008 q4 | 12.0% | 16.1% | -3.9% | 14.6% | 16.9% | -0.1% | 0.0% | 8.0% | 0.0% | 10.9% |
| 2009 q1 | 2.5% | 12.3% | -3.9% | -11.6% | 13.2% | -19.5% | 0.0% | 0.2% | 0.0% | 6.4% |
| 2009 q2 | -2.0% | 8.7% | -3.8% | -23.6% | -0.7% | -17.9% | 0.0% | -0.1% | 0.0% | 6.1% |
| 2009 q3 | -7.8% | 2.8% | 5.9% | -35.2% | -11.9% | -18.7% | 0.0% | -0.2% | 0.0% | 6.0% |
| 2009 q4 | 0.9% | 7.8% | 3.0% | -20.9% | -3.2% | 2.6% | 0.0% | -0.2% | 0.0% | 2.3% |
| 2010 q1 | 10.3% | 11.3% | 3.0% | 19.8% | 6.8% | 14.5% | 0.0% | -0.2% | 0.0% | -1.5% |
| 2010 q2 | 9.6% | 10.5% | 1.6% | 27.5% | 7.1% | 5.8% | 0.0% | 0.0% | 0.0% | -3.4% |
| FY2007 | 4.2% | 7.9% | n.a. | 8.0% | -9.7% | 7.9% | n.a. | n.a. | n.a. | n.a. |
| FY2008 | 14.5% | 13.3% | -1.0% | 17.8% | 11.7% | 31.9% | 0.0% | 5.9% | 0.0% | 7.2% |
| FY2009 | 0.7% | 9.7% | -1.6% | -16.1% | 3.2% | -14.6% | 0.0% | 1.9% | 0.0% | 7.3% |

*Source: EPPSO*

(1) Data prior to 2006 q4, are old Ebeye CPI series, using the new CPI weights

Table 8a Marshall Islands: Balance of Payments (summary), FY1995-FY2009

| (US$ millions) | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Current account balance*** | -30.6 | -39.2 | -23.5 | -19.0 | -21.6 | -20.5 | -15.1 | -0.7 | -10.2 | -3.1 | -6.8 | -4.4 | -2.4 | -2.0 | -23.9 |
| *Goods and services balance* | -83.5 | -83.9 | -74.3 | -79.2 | -82.7 | -91.1 | -95.0 | -76.4 | -86.8 | -85.0 | -98.4 | -98.5 | -106.0 | -105.2 | -124.1 |
| *Goods balance* | -57.7 | -57.0 | -48.5 | -50.6 | -53.9 | -62.5 | -64.8 | -49.3 | -57.9 | -53.2 | -61.7 | -63.9 | -69.2 | -68.6 | -74.9 |
| Exports of goods | 11.8 | 12.0 | 13.6 | 11.8 | 10.0 | 15.4 | 13.9 | 15.1 | 17.5 | 18.8 | 23.4 | 17.9 | 18.3 | 21.7 | 22.1 |
| Fish 1/ | 0.3 | 0.3 | 0.0 | 1.0 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.7 | 0.8 | 4.8 |
| Other | 11.4 | 11.7 | 13.5 | 10.8 | 9.6 | 15.1 | 13.5 | 14.7 | 17.1 | 18.4 | 23.0 | 17.4 | 17.6 | 20.9 | 17.3 |
| Imports of goods f.o.b. | 69.5 | 69.0 | 62.1 | 62.3 | 64.0 | 77.9 | 78.6 | 64.4 | 75.4 | 72.0 | 85.1 | 81.8 | 87.6 | 90.3 | 97.0 |
| *Services balance* | -25.8 | -26.9 | -25.8 | -28.6 | -28.7 | -28.6 | -30.3 | -27.1 | -28.8 | -31.8 | -36.7 | -34.6 | -36.8 | -36.6 | -49.2 |
| Exports of services | 7.0 | 6.8 | 6.7 | 7.0 | 6.7 | 9.5 | 9.1 | 10.4 | 11.8 | 10.8 | 10.2 | 10.2 | 10.0 | 10.7 | 12.2 |
| Fish processing | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 2.5 | 2.5 | 3.2 | 4.3 | 3.7 | 2.0 | 2.3 | 2.3 | 3.5 | 4.8 |
| Travel | 2.6 | 2.4 | 2.3 | 2.4 | 2.4 | 2.6 | 2.4 | 2.8 | 3.1 | 3.0 | 3.1 | 3.1 | 2.9 | 2.7 | 2.9 |
| Other | 4.4 | 4.4 | 4.4 | 4.6 | 4.3 | 4.4 | 4.1 | 4.4 | 4.4 | 4.1 | 5.1 | 4.8 | 4.7 | 4.5 | 4.6 |
| Imports of services | 32.8 | 33.8 | 32.5 | 35.7 | 35.5 | 38.1 | 39.4 | 37.5 | 40.6 | 42.5 | 46.9 | 44.8 | 46.7 | 47.3 | 61.4 |
| Transport | 18.5 | 17.8 | 15.7 | 17.4 | 17.4 | 20.7 | 20.4 | 18.7 | 21.5 | 22.5 | 25.5 | 26.0 | 27.2 | 28.0 | 26.3 |
| Freight and postal services | 12.2 | 11.9 | 10.1 | 11.1 | 11.0 | 13.8 | 13.2 | 10.9 | 12.8 | 12.2 | 14.4 | 13.8 | 14.4 | 15.1 | 14.1 |
| Passenger services | 6.4 | 5.9 | 5.6 | 6.2 | 6.3 | 7.0 | 7.2 | 7.8 | 8.7 | 10.3 | 11.1 | 12.2 | 12.9 | 12.9 | 12.2 |
| Construction services | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 12.3 |
| Other | 14.3 | 15.9 | 16.8 | 18.3 | 18.1 | 17.4 | 18.9 | 18.8 | 19.1 | 20.1 | 21.4 | 18.8 | 19.5 | 19.3 | 22.7 |
| *Primary income balance* | 25.6 | 22.4 | 24.4 | 28.8 | 33.4 | 34.9 | 36.1 | 35.6 | 34.8 | 35.3 | 38.7 | 37.7 | 39.7 | 39.5 | 38.5 |
| Primary income, inflows | 37.1 | 36.0 | 37.0 | 41.0 | 44.7 | 44.5 | 45.0 | 44.0 | 43.4 | 46.1 | 49.8 | 53.9 | 54.5 | 53.5 | 49.7 |
| Compensation of employees | 14.1 | 14.1 | 15.0 | 15.2 | 16.6 | 19.2 | 20.1 | 19.1 | 20.4 | 20.6 | 21.2 | 23.3 | 22.3 | 19.9 | 20.1 |
| Ship registration fees | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 1.1 | 1.0 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.8 | 2.0 | 3.3 |
| Fishing licence fees | 2.2 | 2.0 | 1.9 | 3.8 | 4.8 | 2.8 | 0.9 | 1.1 | 1.2 | 0.9 | 1.4 | 1.6 | 0.8 | 1.7 | 1.4 |
| Dividends and interest | 8.2 | 7.1 | 7.7 | 8.6 | 9.4 | 9.2 | 11.1 | 10.6 | 8.9 | 7.9 | 10.2 | 11.8 | 13.2 | 12.9 | 7.0 |
| Other | 11.9 | 11.9 | 11.6 | 12.6 | 13.0 | 12.3 | 11.9 | 12.1 | 11.9 | 15.7 | 16.0 | 16.2 | 16.5 | 17.0 | 18.0 |
| Primary income, outflows | 11.5 | 13.5 | 12.7 | 12.2 | 11.2 | 9.6 | 8.8 | 8.4 | 8.6 | 10.7 | 11.2 | 16.2 | 14.7 | 13.9 | 11.2 |
| *Secondary income balance* | 27.3 | 22.2 | 26.5 | 31.4 | 27.6 | 35.7 | 43.8 | 40.1 | 41.8 | 46.6 | 52.9 | 56.4 | 63.8 | 63.7 | 61.7 |
| Secondary income, inflows | 30.4 | 25.2 | 29.3 | 34.3 | 30.5 | 38.7 | 46.9 | 43.3 | 45.2 | 50.0 | 56.6 | 60.2 | 67.8 | 67.7 | 65.8 |
| Government grants | 19.8 | 14.5 | 18.4 | 23.3 | 19.2 | 27.1 | 35.2 | 33.4 | 35.9 | 40.1 | 46.0 | 49.6 | 53.6 | 57.2 | 54.5 |
| Compact current grants | 14.2 | 7.0 | 7.6 | 7.4 | 8.0 | 8.1 | 8.1 | 13.4 | 13.5 | 17.4 | 22.9 | 26.0 | 30.8 | 39.7 | 43.1 |
| Other budget and off-budget grants | 5.6 | 7.5 | 10.8 | 15.9 | 11.3 | 19.1 | 27.2 | 19.9 | 22.4 | 22.8 | 23.1 | 23.6 | 22.8 | 17.5 | 11.3 |
| College of Marshall Islands | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.9 | 4.8 | 4.9 | 4.7 | 5.2 | 5.4 | 4.8 | 5.2 | 4.8 | 6.1 |
| Other 3/ | 5.8 | 5.9 | 6.1 | 6.2 | 6.4 | 6.7 | 6.9 | 5.0 | 4.6 | 4.7 | 5.2 | 5.7 | 9.0 | 5.7 | 5.2 |
| Secondary income, outflows 3/ | 3.2 | 2.9 | 2.8 | 2.9 | 2.9 | 3.0 | 3.1 | 3.2 | 3.4 | 3.5 | 3.6 | 3.8 | 4.0 | 4.0 | 4.0 |
| ***Capital account balance*** | 28.5 | 72.9 | 28.2 | 29.1 | 28.2 | 28.2 | 28.6 | 20.6 | 19.2 | 10.3 | 17.9 | 33.8 | 32.9 | 29.4 | 33.8 |
| Capital inflows | 28.5 | 72.9 | 28.2 | 29.1 | 28.2 | 28.2 | 28.6 | 20.6 | 19.2 | 10.3 | 17.9 | 33.8 | 32.9 | 29.4 | 33.8 |
| National Gov't, Compact capital grants | 22.2 | 27.6 | 22.8 | 23.5 | 23.0 | 23.0 | 23.4 | 19.3 | 19.2 | 3.2 | 4.7 | 9.5 | 16.6 | 11.3 | 13.2 |
| Other capital grants to government | 6.3 | 45.3 | 5.4 | 5.6 | 5.2 | 5.2 | 5.2 | 1.3 | ~ | 7.2 | 13.2 | 24.3 | 16.4 | 18.1 | 20.5 |
| ***Net lending/Borrowing (Curr + Cap)*** | -2.1 | 33.6 | 4.7 | 10.1 | 6.6 | 7.7 | 13.5 | 19.9 | 9.1 | 7.2 | 11.1 | 29.4 | 30.5 | 27.4 | 9.9 |
| ***Financial account balance*** | 29.7 | -44.1 | 6.1 | 10.7 | -11.3 | -7.3 | -5.9 | 1.1 | -3.1 | 16.9 | -12.6 | 7.6 | -12.1 | 9.9 | 4.9 |
| *Direct investment* | 0.8 | 0.8 | 0.9 | 0.9 | 3.9 | 0.9 | 0.9 | 1.0 | -1.0 | 1.3 | 3.4 | -0.7 | 7.2 | 5.9 | 3.2 |
| *Portfolio investment (increase in assets: -)* | 24.7 | -44.4 | -4.9 | -5.4 | -18.2 | -7.0 | -16.5 | -0.2 | 4.3 | 17.9 | -10.9 | 2.2 | -14.8 | 4.9 | -2.7 |
| Assets | 9.4 | -30.5 | 9.0 | 10.2 | 9.2 | 8.9 | 6.0 | -0.2 | 3.6 | 17.3 | -10.6 | 2.3 | -13.3 | 5.5 | -3.5 |
| National Gov't, Compact Trust Fund | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | -32.0 | -11.8 | -11.5 | -9.7 | -9.7 | -12.5 |
| Other public sector investments 2/ | 9.4 | -30.5 | 9.0 | 10.2 | 9.2 | 8.9 | 6.0 | -0.2 | 3.6 | 49.3 | 1.2 | 13.7 | -3.6 | 15.2 | 9.1 |
| Liabilities (mainly MTN) | 15.3 | -14.0 | -13.9 | -15.6 | -27.4 | -15.9 | -22.5 | -0.0 | 0.8 | 0.6 | -0.3 | -0.1 | -1.5 | -0.6 | 0.8 |
| *Other investment (increase in assets: -)* | 4.2 | -0.5 | 10.2 | 15.3 | 3.0 | -1.2 | 9.7 | 0.3 | -6.4 | -2.3 | -5.2 | 6.1 | -4.6 | -0.9 | 4.4 |
| Assets (bank deposits) | 0.7 | -2.4 | 1.3 | 0.7 | -5.3 | -9.6 | 1.9 | -7.2 | -10.0 | -2.7 | -2.6 | -4.0 | -3.2 | 3.6 | -6.5 |
| Liabilities (public sector loans) | 3.5 | 1.9 | 8.9 | 14.6 | 8.4 | 8.4 | 7.8 | 7.5 | 3.6 | 0.3 | -2.5 | 10.1 | -1.4 | -4.6 | 10.9 |
| ***Errors and omissions*** | 27.6 | -10.4 | 10.8 | 20.8 | -4.7 | 0.4 | 7.6 | 21.0 | 6.0 | 24.1 | -1.5 | 36.9 | 18.4 | 37.3 | 14.8 |
| **MEMO ITEM** | | | | | | | | | | | | | | | |
| "Exports", non-resident fishing vessels 1/ | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 28.3 | 35.2 | 33.7 | 44.1 | 56.0 | 47.1 | 81.2 | 66.7 | 64.7 |

1/ Pelagic fishing vessels operated economically from abroad are treated as non-resident; thus, their sales are not included in exports in the main dataset.

2/ Coverage of nuclear-related trust funds is incomplete.

3/ Mainly households

Table 8b Marshall Islands: Balance of Payments (detail), FY1995-FY2009

| (US$ millions) | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Current account balance*** | ***-30.6*** | ***-39.2*** | ***-23.5*** | ***-19.0*** | ***-21.6*** | ***-20.5*** | ***-15.1*** | ***-0.7*** | ***-10.2*** | ***-3.1*** | ***-6.8*** | ***-4.4*** | ***-2.4*** | ***-2.0*** | ***-23.9*** |
| *Goods and services balance* | *-83.5* | *-83.9* | *-74.3* | *-79.2* | *-82.7* | *-91.1* | *-95.0* | *-76.4* | *-86.8* | *-85.0* | *-98.4* | *-98.5* | *-106.0* | *-105.2* | *-124.1* |
| *Goods balance* | *-57.7* | *-57.0* | *-48.5* | *-50.6* | *-53.9* | *-62.5* | *-64.8* | *-49.3* | *-57.9* | *-53.2* | *-61.7* | *-63.9* | *-69.2* | *-68.6* | *-74.9* |
| Exports of goods | 11.8 | 12.0 | 13.6 | 11.8 | 10.0 | 15.4 | 13.9 | 15.1 | 17.5 | 18.8 | 23.4 | 17.9 | 18.3 | 21.7 | 22.1 |
| Re-exports | 9.2 | 9.4 | 9.9 | 9.0 | 8.2 | 12.7 | 11.9 | 13.3 | 15.3 | 17.4 | 20.4 | 17.0 | 15.5 | 16.6 | 15.3 |
| Copra/ coconut oil | 2.3 | 2.3 | 3.6 | 1.8 | 1.4 | 2.4 | 1.6 | 1.4 | 1.9 | 0.9 | 2.6 | 0.4 | 2.2 | 4.4 | 2.0 |
| Fish | 0.3 | 0.3 | 0.0 | 1.0 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.7 | 0.8 | 4.8 |
| Imports of goods f.o.b. | 69.5 | 69.0 | 62.1 | 62.3 | 64.0 | 77.9 | 78.6 | 64.4 | 75.4 | 72.0 | 85.1 | 81.8 | 87.6 | 90.3 | 97.0 |
| *Services balance* | *-25.8* | *-26.9* | *-25.8* | *-28.6* | *-28.7* | *-28.6* | *-30.3* | *-27.1* | *-28.8* | *-31.8* | *-36.7* | *-34.6* | *-36.8* | *-36.6* | *-49.2* |
| Exports of services | 7.0 | 6.8 | 6.7 | 7.0 | 6.7 | 9.5 | 9.1 | 10.4 | 11.8 | 10.8 | 10.2 | 10.2 | 10.0 | 10.7 | 12.2 |
| Fish processing | ~ | ~ | ~ | ~ | 0.1 | 2.5 | 2.5 | 3.2 | 4.3 | 3.7 | 2.0 | 2.3 | 2.3 | 3.5 | 4.8 |
| Transport | 2.3 | 2.3 | 2.2 | 2.5 | 2.2 | 2.2 | 2.0 | 2.2 | 2.4 | 2.2 | 3.2 | 2.8 | 2.6 | 2.3 | 2.4 |
| Government services | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.3 | 1.4 |
| Travel | 2.6 | 2.4 | 2.3 | 2.4 | 2.4 | 2.6 | 2.4 | 2.8 | 3.1 | 3.0 | 3.1 | 3.1 | 2.9 | 2.7 | 2.9 |
| Telecommunication | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.2 | 1.1 | 1.1 | 1.0 | 0.9 | 0.8 | 0.9 | 0.9 | 0.9 | 0.8 |
| Imports of services | 32.8 | 33.8 | 32.5 | 35.7 | 35.5 | 38.1 | 39.4 | 37.5 | 40.6 | 42.5 | 46.9 | 44.8 | 46.7 | 47.3 | 61.4 |
| Transport | 18.5 | 17.8 | 15.7 | 17.4 | 17.4 | 20.7 | 20.4 | 18.7 | 21.5 | 22.5 | 25.5 | 26.0 | 27.2 | 28.0 | 26.3 |
| Freight and postal services | 12.2 | 11.9 | 10.1 | 11.1 | 11.0 | 13.8 | 13.2 | 10.9 | 12.8 | 12.2 | 14.4 | 13.8 | 14.4 | 15.1 | 14.1 |
| Passenger services | 6.4 | 5.9 | 5.6 | 6.2 | 6.3 | 7.0 | 7.2 | 7.8 | 8.7 | 10.3 | 11.1 | 12.2 | 12.9 | 12.9 | 12.2 |
| Construction services | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 12.3 |
| Business services | 5.1 | 6.5 | 7.2 | 8.4 | 6.8 | 6.0 | 6.2 | 6.3 | 6.5 | 6.8 | 7.5 | 7.7 | 8.1 | 7.9 | 9.1 |
| Medical referral programme | 1.7 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 2.0 | 2.0 | 2.1 | 1.9 | 2.1 | 2.2 | 2.6 | 2.7 | 2.9 |
| Other travel | 6.4 | 6.3 | 6.3 | 6.4 | 7.7 | 7.7 | 9.0 | 9.0 | 9.0 | 9.7 | 10.0 | 7.1 | 7.0 | 6.8 | 7.4 |
| Repair of aircraft | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 1.4 |
| Technical assistance | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 |
| Other | 0.8 | 1.0 | 1.1 | 1.2 | 1.3 | 1.3 | 1.2 | 1.0 | 1.0 | 1.2 | 1.3 | 1.3 | 1.2 | 1.4 | 1.3 |
| *Primary income balance* | *25.6* | *22.4* | *24.4* | *28.8* | *33.4* | *34.9* | *36.1* | *35.6* | *34.8* | *35.3* | *38.7* | *37.7* | *39.7* | *39.5* | *38.5* |
| Primary income, inflows | 37.1 | 36.0 | 37.0 | 41.0 | 44.7 | 44.5 | 45.0 | 44.0 | 43.4 | 46.1 | 49.8 | 53.9 | 54.5 | 53.5 | 49.7 |
| Compensation of employees | 14.1 | 14.1 | 15.0 | 15.2 | 16.6 | 19.2 | 20.1 | 19.1 | 20.4 | 20.6 | 21.2 | 23.3 | 22.3 | 19.9 | 20.1 |
| of which: Kwajalein | 14.0 | 14.0 | 14.9 | 15.0 | 16.5 | 19.0 | 19.9 | 18.9 | 20.2 | 20.4 | 21.0 | 23.1 | 21.9 | 19.5 | 19.7 |
| Rent receipts for use of Kwajalein land | 10.8 | 10.9 | 10.7 | 10.9 | 10.9 | 10.9 | 11.1 | 11.2 | 11.2 | 15.0 | 15.2 | 15.4 | 15.8 | 16.2 | 17.1 |
| Ship registration fees | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 1.1 | 1.0 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.8 | 2.0 | 3.3 |
| Fishing licence fees | 2.2 | 2.0 | 1.9 | 3.8 | 4.8 | 2.8 | 0.9 | 1.1 | 1.2 | 0.9 | 1.4 | 1.6 | 0.8 | 1.7 | 1.4 |
| Taxes on foreign-owned businesses | 1.1 | 1.0 | 1.0 | 1.7 | 2.1 | 1.4 | 0.8 | 0.9 | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.7 | 0.9 |
| Dividends and interest | 8.2 | 7.1 | 7.7 | 8.6 | 9.4 | 9.2 | 11.1 | 10.6 | 8.9 | 7.9 | 10.2 | 11.8 | 13.2 | 12.9 | 7.0 |
| Government and social security | 3.3 | 1.2 | 1.2 | 1.5 | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | 1.2 | 1.3 | 1.6 | 1.7 | 1.1 |
| Trust Funds | 3.7 | 4.7 | 5.3 | 5.9 | 7.2 | 6.6 | 8.6 | 7.5 | 7.6 | 6.4 | 7.6 | 8.1 | 8.2 | 9.5 | 5.0 |
| Direct investment | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 0.8 | 0.8 | 0.8 |
| Commercial banks | 1.1 | 1.1 | 1.2 | 1.1 | 1.0 | 1.5 | 1.4 | 2.0 | 0.4 | 0.5 | 1.4 | 2.4 | 2.5 | 0.8 | 0.1 |
| Primary income, outflows | 11.5 | 13.5 | 12.7 | 12.2 | 11.2 | 9.6 | 8.8 | 8.4 | 8.6 | 10.7 | 11.2 | 16.2 | 14.7 | 13.9 | 11.2 |
| Non-resident Kwajalein land owners | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 | 2.3 |
| Dividends related to direct investment | 3.8 | 4.0 | 4.1 | 4.1 | 4.1 | 4.3 | 4.2 | 4.6 | 4.7 | 6.1 | 6.6 | 10.7 | 8.8 | 8.2 | 5.7 |
| Interest on loans | 1.5 | 1.6 | 1.6 | 2.0 | 2.0 | 2.1 | 2.1 | 2.2 | 2.3 | 2.5 | 2.5 | 3.3 | 3.7 | 3.3 | 3.1 |
| Interest on bonds | 4.6 | 6.3 | 5.5 | 4.6 | 3.6 | 1.7 | 0.9 | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| Compensation of employees | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |

*continued…*

Table 8b Marshall Islands: Balance of Payments, detail, continued

| (US$ millions) | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Secondary income balance* | *27.3* | *22.2* | *26.5* | *31.4* | *27.6* | *35.7* | *43.8* | *40.1* | *41.8* | *46.6* | *52.9* | *56.4* | *63.8* | *63.7* | *61.7* |
| Secondary income, inflows | 30.4 | 25.2 | 29.3 | 34.3 | 30.5 | 38.7 | 46.9 | 43.3 | 45.2 | 50.0 | 56.6 | 60.2 | 67.8 | 67.7 | 65.8 |
| Government grants | 22.2 | 16.9 | 20.8 | 25.7 | 21.6 | 29.5 | 37.6 | 34.0 | 35.9 | 40.1 | 46.2 | 49.9 | 53.7 | 57.2 | 54.5 |
| Compact current grants | 14.2 | 7.0 | 7.6 | 7.4 | 8.0 | 8.1 | 8.1 | 13.4 | 13.5 | 17.4 | 22.9 | 26.0 | 30.8 | 39.7 | 43.1 |
| Other budget and off-budget grants | 8.0 | 9.9 | 13.2 | 18.3 | 13.7 | 21.5 | 29.6 | 20.5 | 22.4 | 22.8 | 23.3 | 23.8 | 22.9 | 17.5 | 11.3 |
| Income tax from Kwajalein US workers | 1.6 | 1.6 | 1.7 | 1.7 | 1.9 | 2.2 | 2.3 | 2.2 | 2.3 | 2.3 | 2.4 | 2.6 | 2.5 | 2.3 | 1.5 |
| College of Marshall Islands | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.9 | 4.8 | 4.9 | 4.7 | 5.2 | 5.4 | 4.8 | 5.2 | 4.8 | 6.1 |
| Transfers to NPISH | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Households | 1.7 | 1.8 | 1.9 | 1.9 | 2.0 | 2.0 | 2.1 | 2.1 | 2.2 | 2.3 | 2.5 | 2.7 | 2.9 | 3.2 | 3.6 |
| Non-life insurance, claims | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 3.4 | ~ | ~ |
| Secondary income, outflows | 3.2 | 2.9 | 2.8 | 2.9 | 2.9 | 3.0 | 3.1 | 3.2 | 3.4 | 3.5 | 3.6 | 3.8 | 4.0 | 4.0 | 4.0 |
| Household remittances | 2.9 | 2.7 | 2.6 | 2.7 | 2.6 | 2.7 | 2.8 | 3.0 | 3.1 | 3.2 | 3.4 | 3.5 | 3.7 | 3.8 | 3.8 |
| Non-life insurance, net premiums | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| ***Capital account balance*** | ***28.5*** | ***72.9*** | ***28.2*** | ***29.1*** | ***28.2*** | ***28.2*** | ***28.6*** | ***20.6*** | ***19.2*** | ***10.3*** | ***17.9*** | ***33.8*** | ***32.9*** | ***29.4*** | ***33.8*** |
| Capital inflows | 28.5 | 72.9 | 28.2 | 29.1 | 28.2 | 28.2 | 28.6 | 20.6 | 19.2 | 10.3 | 17.9 | 33.8 | 32.9 | 29.4 | 33.8 |
| National Gov't, Compact capital grants | 22.2 | 27.6 | 22.8 | 23.5 | 23.0 | 23.0 | 23.4 | 19.3 | 19.2 | 3.2 | 4.7 | 9.5 | 16.6 | 11.3 | 13.2 |
| National Gov't, Compact Trust Fund grants | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 7.0 | 9.3 | 9.0 | 9.7 | 9.7 | 12.5 |
| Local Government, Trust Fund grants 1/ | 5.2 | 44.9 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 1.3 | ~ | ~ | 1.8 | 1.8 | 1.8 | ~ | ~ |
| Other capital grants to government | 1.1 | 0.4 | 0.2 | 0.4 | 0.0 | ~ | ~ | ~ | ~ | 0.2 | 2.1 | 13.6 | 4.9 | 8.4 | 8.0 |
| Capital outflows | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| ***Net lending/Borrowing (Curr + Cap)*** | ***-2.1*** | ***33.6*** | ***4.7*** | ***10.1*** | ***6.6*** | ***7.7*** | ***13.5*** | ***19.9*** | ***9.1*** | ***7.2*** | ***11.1*** | ***29.4*** | ***30.5*** | ***27.4*** | ***9.9*** |
| ***Financial account balance*** | ***29.7*** | ***-44.1*** | ***6.1*** | ***10.7*** | ***-11.3*** | ***-7.3*** | ***-5.9*** | ***1.1*** | ***-3.1*** | ***16.9*** | ***-12.6*** | ***7.6*** | ***-12.1*** | ***9.9*** | ***4.9*** |
| *Direct investment* | *0.8* | *0.8* | *0.9* | *0.9* | *3.9* | *0.9* | *0.9* | *1.0* | *-1.0* | *1.3* | *3.4* | *-0.7* | *7.2* | *5.9* | *3.2* |
| Abroad (increase: -) | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | -2.9 | ~ | ~ | ~ |
| In the RMI (increase: +) | 0.8 | 0.8 | 0.9 | 0.9 | 3.9 | 0.9 | 0.9 | 1.0 | -1.0 | 1.3 | 3.4 | 2.2 | 7.2 | 5.9 | 3.2 |
| *Portfolio investment (increase in assets: -)* | *24.7* | *-44.4* | *-4.9* | *-5.4* | *-18.2* | *-7.0* | *-16.5* | *-0.2* | *4.3* | *17.9* | *-10.9* | *2.2* | *-14.8* | *4.9* | *-2.7* |
| Assets (increase: -) | 9.4 | -30.5 | 9.0 | 10.2 | 9.2 | 8.9 | 6.0 | 17.3 | 12.5 | -7.7 | -10.6 | 2.3 | -13.3 | 5.5 | -3.5 |
| National Gov't, Compact Trust Fund | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | -32.0 | -11.8 | -11.5 | -9.7 | -9.7 | -12.5 |
| National Gov't, Investment Portfolio 2/ | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Local Government, Trust Funds 2/ | 9.4 | -30.5 | 9.0 | 10.2 | 9.2 | 8.9 | 11.1 | 17.1 | 13.9 | 29.7 | 6.1 | 17.3 | 2.8 | 7.2 | 11.8 |
| Social Security | ~ | ~ | ~ | ~ | ~ | ~ | -5.2 | 0.2 | -1.9 | -5.9 | -4.8 | -3.8 | -6.4 | 8.0 | -2.8 |
| National Telecommunications Authority | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 0.5 | 0.5 | -0.0 | 0.3 | -0.0 | -0.0 | 0.1 |
| Liabilities (increase: +) | 15.3 | -14.0 | -13.9 | -15.6 | -27.4 | -15.9 | -22.5 | -0.0 | 0.8 | 0.6 | -0.3 | -0.1 | -1.5 | -0.6 | 0.8 |
| Banks, capital & reinvested earnings | -1.6 | 0.4 | 0.8 | 0.5 | -1.1 | 1.0 | 0.1 | -0.0 | 0.8 | 0.6 | -0.3 | -0.1 | -1.5 | -0.6 | 0.8 |
| Government, medium-term notes | 16.9 | -14.3 | -14.7 | -16.1 | -26.3 | -16.8 | -22.6 | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| *Other investment (increase in assets: -)* | *4.2* | *-0.5* | *10.2* | *15.3* | *3.0* | *-1.2* | *9.7* | *0.3* | *-6.4* | *-2.3* | *-5.2* | *6.1* | *-4.6* | *-0.9* | *4.4* |
| Assets (increase: -) | 0.7 | -2.4 | 1.3 | 0.7 | -5.3 | -9.6 | 1.9 | -7.2 | -10.0 | -2.7 | -2.6 | -4.0 | -3.2 | 3.6 | -6.5 |
| Banks, deposits | 0.7 | -2.4 | 1.3 | 0.7 | -5.3 | -9.6 | 1.9 | -7.2 | -10.0 | -2.7 | -2.6 | -4.0 | -3.2 | 3.6 | -6.5 |
| Liabilities (increase: +) | 3.5 | 1.9 | 8.9 | 14.6 | 8.4 | 8.4 | 7.8 | 7.5 | 3.6 | 0.3 | -2.5 | 10.1 | -1.4 | -4.6 | 10.9 |
| Loans, government | 4.1 | 2.1 | 10.7 | 8.0 | 3.3 | 9.0 | 9.2 | 9.2 | 4.9 | 1.7 | -1.3 | 0.3 | -1.2 | -1.1 | -1.8 |
| Loans, public entities | -0.6 | -0.2 | -1.8 | 6.7 | 5.1 | -0.7 | -1.4 | -1.7 | -1.3 | -1.4 | -1.2 | 9.8 | -0.2 | -3.5 | 12.7 |
| ***Errors and omissions*** | ***27.6*** | ***-10.4*** | ***10.8*** | ***20.8*** | ***-4.7*** | ***0.4*** | ***7.6*** | ***21.0*** | ***6.0*** | ***24.1*** | ***-1.5*** | ***36.9*** | ***18.4*** | ***37.3*** | ***14.8*** |
| **MEMO ITEM** | | | | | | | | | | | | | | | |
| "Exports", non-resident fishing vessels 1/ | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 28.3 | 35.2 | 33.7 | 44.1 | 56.0 | 47.1 | 81.2 | 66.7 | 64.7 |

1/ Pelagic fishing vessels operated economically from abroad are treated as non-resident; thus, their sales are not included in exports in the main dataset.

2/ Coverage of national government investment portfolio and local government trust funds is incomplete.

Table 8c    Marshall Islands: International Investment Position, FY1995-FY2009

| (US$ millions) | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***TOTAL STOCKS, NET*** | ***64.2*** | ***137.5*** | ***165.8*** | ***194.5*** | ***249.1*** | ***248.8*** | ***233.9*** | ***210.5*** | ***230.6*** | ***263.2*** | ***281.3*** | ***292.6*** | ***351.7*** | ***289.3*** | ***297.6*** |
| **Direct investment, net** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** |
| ***Portfolio investment, net*** | ***80.7*** | ***152.0*** | ***191.1*** | ***234.5*** | ***292.4*** | ***291.2*** | ***286.3*** | ***263.5*** | ***276.3*** | ***306.5*** | ***319.7*** | ***338.2*** | ***392.8*** | ***329.5*** | ***343.3*** |
| Assets | 186.4 | 243.8 | 268.9 | 296.6 | 327.2 | 316.5 | 289.0 | 266.2 | 279.8 | 310.6 | 323.5 | 341.9 | 395.0 | 331.1 | 345.7 |
| National Government, portfolio 1/ | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 32.2 | 48.9 | 66.2 | 89.5 | 80.2 | 97.0 |
| of which: Compact Trust Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.2 | 48.9 | 66.2 | 89.5 | 80.2 | 97.0 |
| Local Government, Trust Funds 2/ | 165.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.2 | 48.9 | 66.2 | 89.5 | 80.2 | 97.0 |
| Social security portfolio | 20.0 | 222.4 | 247.6 | 275.3 | 305.9 | 295.2 | 262.6 | 240.0 | 252.1 | 245.4 | 236.7 | 234.2 | 257.6 | 210.9 | 206.0 |
| NTA portfolio | 1.3 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 25.2 | 24.9 | 26.8 | 32.7 | 37.6 | 41.4 | 47.8 | 39.8 | 42.6 |
| Liabilities | 105.7 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 0.8 | 0.4 | 0.4 | 0.1 | 0.2 | 0.2 | 0.1 |
| Equity: Capital and retained earnings | 1.2 | 91.7 | 77.8 | 62.2 | 34.8 | 25.2 | 2.7 | 2.7 | 3.5 | 4.1 | 3.8 | 3.7 | 2.2 | 1.6 | 2.4 |
| Debt: Medium-term notes | 104.5 | 1.5 | 2.3 | 2.8 | 1.6 | 2.6 | 2.7 | 2.7 | 3.5 | 4.1 | 3.8 | 3.7 | 2.2 | 1.6 | 2.4 |
| ***Other investment, net*** | ***-16.5*** | ***90.2*** | ***75.5*** | ***59.4*** | ***33.1*** | ***22.6*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** |
| Assets | 17.7 | -14.5 | -25.3 | -40.0 | -43.3 | -42.4 | -52.4 | -53.0 | -45.7 | -43.4 | -38.3 | -45.7 | -41.1 | -40.2 | -45.7 |
| Deposits, commercial banks 3/ | 17.7 | 20.1 | 18.8 | 18.1 | 23.5 | 33.0 | 31.1 | 38.3 | 48.3 | 51.0 | 53.6 | 57.6 | 60.7 | 57.1 | 63.6 |
| Liabilities, loans | 34.2 | 20.1 | 18.8 | 18.1 | 23.5 | 33.0 | 31.1 | 38.3 | 48.3 | 51.0 | 53.6 | 57.6 | 60.7 | 57.1 | 63.6 |
| Government | 6.4 | 34.6 | 44.1 | 58.1 | 66.7 | 75.4 | 83.4 | 91.4 | 94.0 | 94.4 | 91.9 | 103.3 | 101.9 | 97.3 | 109.3 |
| Public entities | 27.8 | 8.5 | 19.2 | 27.1 | 30.4 | 39.4 | 48.7 | 57.9 | 62.8 | 64.5 | 63.2 | 63.6 | 62.4 | 61.3 | 59.6 |

1/ Data on other investments of national government than the Compact Trust Fund is missing.
2/ Coverage of local government trust funds is incomplete.
3/ At banks abroad

Table 8d External debt, original value, and outstanding principle by loan

| Loan | Lender | Number | Year | Original debt, $'000 | Estimated outstanding principal September 2009, $'000 |
|---|---|---|---|---|---|
| Ebeye Fisheries Loan | ADB | 1102-MAR (SF) | 1992 | 3,522 | 2,959 |
| Emergency Rehabilitation Loan (Typhoon Gay) | ADB | 1218 MAR (SF) | 1993 | 508 | 443 |
| Basic Education Project Loan | ADB | 1249 MAR (SF) | 1993 | 8,383 | 6,943 |
| Majuro Water Supply Project Loan No. 1 | ADB | 1250 MAR (SF) | 1993 | 765 | 635 |
| Majuro Water Supply Project Loan No. 2 | ADB | 1389-RMI (SF) | 1995 | 8,400 | 7,639 |
| Health and Population Project Loan | ADB | 1316-RMI (SF) | 1995 | 5,861 | 4,701 |
| Public Sector Reform Program | ADB | 1513-RMI (SF) | 1997 | 12,000 | 10,726 |
| Ebeye Health and Infrastructure | ADB | 1694-RMI (SF) | 1999 | 9,250 | 8,207 |
| Skills Training and Vocational Education Project Loan | ADB | 1791-RMI (SF) | 2001 | 7,600 | 4,821 |
| Fiscal and Financial Management Program Loan | ADB | 1829-RMI (SF) | 2001 | 8,000 | 8,389 |
| Fiscal and Financial Management Program loan | ADB | 1828-RMI | 2001 | 4,000 | 2,869 |
| Outer-Islands Transport and Infrastructure Loan | ADB | 1948-RMI (SF) | 2003 | 7,900 | 508 |
| Marshalls Energy Company - New Powerplant Loan | RUS | | 1997 | 12,500 | 6,996 |
| Marshalls Energy Company - Consolidation Loan | BoG | | 2007 | 12,000 | 9,472 |
| NTA Loan | RUS | | 1989 | 18,800 | 14,110 |
| NTA Loan Supplement | RUS | | 1993 | 3,900 | 0 |
| MIDB ICBC Loan | ICBC | | 2004 | 4,000 | 2,275 |
| PRC Loan for Garment Factory | PRC | | 1991 | 1,900 | 0 |
| RMI Ports Authority | n.a. | | 2007 | 568 | 0 |
| NTA Loan for undersea fibre-optic connection | RUS | | 2009 | 14,459 | 14,459 |
| Total | | | | 144,317 | 106,151 |

Table 8e External debt and debt service, RMI and national government, FY1992-FY2009

| (US$ millions) | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **External Debt Total** | | | | | | | | | | | | | | | |
| New | 34.39 | 3.21 | 11.32 | 15.25 | 5.85 | 10.09 | 10.42 | 9.25 | 4.98 | 6.05 | 1.04 | 9.83 | 12.00 | - | 14.46 |
| Outstanding | 151.89 | 140.96 | 126.19 | 126.74 | 118.58 | 100.49 | 94.52 | 78.94 | 86.18 | 94.11 | 92.79 | 101.91 | 111.73 | 99.09 | 95.60 |
| Debt Service | 20.14 | 23.13 | 23.34 | 23.54 | 34.38 | 22.05 | 27.77 | 3.54 | 3.24 | 3.70 | 4.51 | 6.42 | 16.83 | 7.52 | 7.78 |
| Principal | 14.04 | 15.20 | 16.28 | 16.94 | 28.80 | 18.32 | 24.97 | 1.58 | 1.17 | 1.38 | 2.03 | 3.09 | 13.22 | 4.24 | 4.74 |
| Interest | 6.11 | 7.92 | 7.06 | 6.60 | 5.58 | 3.73 | 2.80 | 1.96 | 2.07 | 2.32 | 2.48 | 3.33 | 3.61 | 3.28 | 3.03 |
| Principal balance | 137.80 | 125.80 | 119.44 | 117.30 | 94.72 | 93.32 | 78.94 | 87.10 | 90.02 | 94.69 | 92.08 | 99.73 | 99.09 | 94.61 | 106.75 |
| External debt (adjusted) as % of GDP | 114.6% | 113.5% | 112.1% | 107.7% | 87.6% | 83.5% | 68.8% | 70.6% | 70.8% | 70.9% | 66.3% | 69.0% | 65.1% | 61.2% | 68.9% |
| Debt service as % of general fund revenues[1] | 62.8% | 80.5% | 90.8% | 103.6% | 138.0% | 80.0% | 96.2% | 10.1% | 8.8% | 11.7% | 14.1% | 19.9% | 48.7% | 21.7% | 23.1% |
| ***Memorandum items:*** | | | | | | | | | | | | | | | |
| Debt to ADB (all concessional) | 4.49 | 6.60 | 17.27 | 25.22 | 28.52 | 37.54 | 46.76 | 56.01 | 60.91 | 62.63 | 63.13 | 63.04 | 61.70 | 60.60 | 58.84 |
| ADB Debt Servicing | 0.02 | 0.07 | 0.07 | 0.17 | 0.25 | 0.29 | 0.40 | 0.48 | 0.63 | 1.10 | 1.41 | 1.12 | 2.18 | 1.94 | 2.61 |
| Interest | 0.02 | 0.07 | 0.07 | 0.17 | 0.25 | 0.29 | 0.39 | 0.45 | 0.52 | 0.85 | 0.87 | 0.84 | 0.83 | 0.84 | 0.84 |
| Principal | - | - | - | - | - | - | 0.01 | 0.03 | 0.11 | 0.25 | 0.54 | 0.28 | 1.35 | 1.09 | 1.77 |
| General Fund Revenues | 32.06 | 28.74 | 25.72 | 22.73 | 24.92 | 27.54 | 28.86 | 34.96 | 36.75 | 31.49 | 31.90 | 32.20 | 34.53 | 34.66 | 33.69 |
| ADB Share of General Fund | 0.1% | 0.2% | 0.3% | 0.8% | 1.0% | 1.0% | 1.4% | 1.4% | 1.7% | 3.5% | 4.4% | 3.5% | 6.3% | 5.6% | 7.7% |
| GDP | 120.23 | 110.86 | 106.53 | 108.94 | 108.08 | 111.81 | 114.72 | 123.39 | 127.21 | 133.50 | 138.79 | 144.47 | 152.31 | 154.55 | 155.00 |
| Export of Goods and Services | 18.81 | 18.85 | 20.27 | 18.78 | 16.79 | 24.96 | 22.95 | 25.51 | 29.29 | 29.55 | 33.68 | 28.08 | 28.31 | 32.46 | 34.26 |

Source: *Department of Finance and Administration and EPPSO estimates.*

1) General Fund revenue = uncommitted government revenue available for debt service

Table 8f External debt and debt service projections, FY2009-FY2038

| | Total External Debt (US$ millions) | | | | Debt to ADB | | | |
|---|---|---|---|---|---|---|---|---|
| | Outstanding | Debt Service | Principal | Interest | Debt to ADB (concessional) | ADB Debt Servicing | General Fund Revenues (est.) | ADB Share of General Fund |
| FY10 | 106.2 | 7.7 | 4.2 | 3.5 | 57.6 | 2.9 | 34.9 | 8.4% |
| FY11 | 103.2 | 7.2 | 3.9 | 3.3 | 55.3 | 2.9 | 36.1 | 8.1% |
| FY12 | 99.1 | 7.6 | 4.6 | 3.1 | 52.7 | 3.2 | 37.4 | 8.5% |
| FY13 | 94.3 | 7.6 | 4.8 | 2.8 | 50.1 | 3.2 | 38.7 | 8.2% |
| FY14 | 89.4 | 7.5 | 5.0 | 2.5 | 47.5 | 3.1 | 40.1 | 7.8% |
| FY15 | 84.0 | 7.1 | 5.1 | 2.1 | 44.9 | 3.1 | 41.5 | 7.6% |
| FY16 | 78.7 | 7.2 | 5.3 | 1.9 | 42.1 | 3.3 | 42.9 | 7.6% |
| FY17 | 73.3 | 6.8 | 5.1 | 1.7 | 39.0 | 3.5 | 44.5 | 7.8% |
| FY18 | 67.8 | 5.2 | 3.7 | 1.5 | 35.9 | 3.4 | 46.0 | 7.4% |
| FY19 | 64.0 | 4.8 | 3.4 | 1.4 | 32.9 | 3.4 | 47.6 | 7.1% |
| FY20 | 60.5 | 4.8 | 3.8 | 1.0 | 30.2 | 3.0 | 49.3 | 6.0% |
| FY21 | 56.6 | 4.7 | 3.8 | 0.9 | 27.5 | 2.9 | 51.1 | 5.8% |
| FY22 | 52.8 | 4.7 | 3.8 | 0.9 | 24.8 | 2.9 | 52.9 | 5.5% |
| FY23 | 48.9 | 4.7 | 3.8 | 0.9 | 22.2 | 2.9 | 54.7 | 5.3% |
| FY24 | 45.0 | 4.6 | 3.8 | 0.8 | 19.5 | 2.8 | 56.7 | 5.0% |
| FY25 | 41.2 | 4.0 | 3.5 | 0.4 | 16.9 | 2.8 | 58.6 | 4.8% |
| FY26 | 37.6 | 3.4 | 3.0 | 0.4 | 14.7 | 2.3 | 60.7 | 3.7% |
| FY27 | 14.7 | 2.2 | 2.1 | 0.2 | 12.6 | 2.2 | 62.9 | 3.6% |
| FY28 | 12.6 | 2.2 | 2.1 | 0.1 | 10.5 | 2.2 | 65.1 | 3.4% |
| FY29 | 10.5 | 2.2 | 2.1 | 0.1 | 8.5 | 2.2 | 67.4 | 3.2% |
| FY30 | 8.5 | 2.0 | 1.9 | 0.1 | 6.6 | 2.0 | 69.7 | 2.8% |
| FY31 | 6.6 | 1.6 | 1.5 | 0.1 | 5.1 | 1.6 | 72.2 | 2.2% |
| FY32 | 5.1 | 1.4 | 1.4 | 0.1 | 3.7 | 1.4 | 74.7 | 1.9% |
| FY33 | 3.7 | 1.4 | 1.4 | 0.0 | 2.4 | 1.4 | 77.4 | 1.8% |
| FY34 | 2.4 | 1.3 | 1.3 | 0.0 | 1.1 | 1.3 | 80.1 | 1.7% |
| FY35 | 1.3 | 0.8 | 0.8 | 0.0 | 0.6 | 0.8 | 82.9 | 1.0% |
| FY36 | 0.6 | 0.5 | 0.5 | 0.0 | 0.1 | 0.5 | 85.9 | 0.5% |
| FY37 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 88.9 | 0.1% |
| FY38 | - | - | - | - | - | - | - | - |

Table 9a RMI Government Finances (GFS Format) FY1997-FY2009

| US$ millions | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total revenue and grants | 69.1 | 71.8 | 65.5 | 74.1 | 81.7 | 79.7 | 83.3 | 76.1 | 85.6 | 94.8 | 108.2 | 107.1 | 104.9 |
| Total domestic revenue | 28.1 | 25.0 | 23.7 | 24.4 | 23.6 | 27.5 | 28.7 | 33.4 | 35.5 | 36.4 | 38.6 | 39.1 | 37.8 |
| Taxes | 18.9 | 19.0 | 16.9 | 17.0 | 18.4 | 20.1 | 23.1 | 22.5 | 24.3 | 25.1 | 27.1 | 26.2 | 24.3 |
| Income | 8.1 | 7.6 | 7.6 | 8.7 | 9.6 | 9.6 | 12.0 | 10.6 | 10.9 | 11.1 | 11.2 | 11.0 | 11.2 |
| Gross revenue | 2.7 | 2.7 | 2.5 | 3.2 | 3.8 | 3.5 | 3.4 | 4.0 | 3.9 | 4.8 | 5.9 | 5.8 | 5.4 |
| Imports | 7.8 | 8.3 | 6.2 | 4.5 | 4.5 | 6.3 | 7.0 | 6.7 | 8.8 | 8.6 | 9.4 | 8.7 | 7.1 |
| Other | 0.3 | 0.3 | 0.5 | 0.6 | 0.4 | 0.6 | 0.6 | 1.2 | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 |
| Nontax | 9.2 | 6.0 | 6.8 | 7.3 | 5.3 | 7.4 | 5.6 | 11.0 | 11.2 | 11.2 | 11.5 | 12.9 | 13.5 |
| Fishing rights | 1.9 | 1.3 | 2.3 | 3.7 | 1.8 | 3.3 | 1.7 | 0.9 | 1.4 | 1.5 | 1.3 | 1.5 | 1.5 |
| Social contributions (6) | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 6.3 | 6.2 | 6.4 | 6.3 | 6.9 | 6.7 |
| Fees and charges (2) | 1.9 | 0.6 | 0.6 | 0.9 | 1.0 | 1.6 | 0.8 | 1.4 | 1.4 | 1.3 | 1.2 | 1.5 | 1.4 |
| Investment income | 0.8 | 1.6 | 0.6 | 0.5 | 0.4 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.4 | 0.1 |
| Other | 4.6 | 2.4 | 3.3 | 2.3 | 2.0 | 2.1 | 2.8 | 2.1 | 2.2 | 1.8 | 2.4 | 2.7 | 3.8 |
| Grants | 41.0 | 46.8 | 41.8 | 49.7 | 58.1 | 52.2 | 54.6 | 42.6 | 50.1 | 58.5 | 69.6 | 68.0 | 67.1 |
| Of which: current grants | 18.0 | 22.9 | 18.8 | 26.7 | 34.8 | 32.9 | 35.4 | 39.5 | 45.4 | 49.0 | 53.0 | 56.7 | 53.9 |
| Compact (3) | 30.4 | 30.9 | 30.9 | 31.1 | 31.4 | 32.7 | 32.7 | 20.5 | 27.6 | 35.5 | 47.4 | 51.0 | 56.3 |
| Other | 10.6 | 15.9 | 10.9 | 18.6 | 26.7 | 19.5 | 21.9 | 22.1 | 22.5 | 23.0 | 22.2 | 16.9 | 10.7 |
| Total expenditure | 60.4 | 56.6 | 55.3 | 65.1 | 72.1 | 72.9 | 69.4 | 77.8 | 90.2 | 92.9 | 107.8 | 101.3 | 107.7 |
| Current expenditure | 52.9 | 51.8 | 48.4 | 52.9 | 52.8 | 55.8 | 55.7 | 66.7 | 77.5 | 78.3 | 82.1 | 82.9 | 90.8 |
| Wages and salaries | 18.8 | 18.0 | 17.0 | 17.4 | 18.7 | 21.5 | 25.6 | 30.1 | 32.8 | 34.1 | 33.5 | 34.2 | 34.3 |
| Goods and services | 17.8 | 21.6 | 18.8 | 20.1 | 17.9 | 22.3 | 21.9 | 26.8 | 31.2 | 32.9 | 31.7 | 34.9 | 37.5 |
| Interest payments | 6.8 | 5.4 | 4.3 | 2.0 | 1.5 | 0.6 | 0.9 | 0.8 | 0.9 | 0.9 | 0.9 | 1.3 | 0.9 |
| Subsidies to public enterprises | 2.3 | 2.6 | 1.4 | 2.0 | 2.6 | 3.9 | 3.8 | 3.1 | 2.7 | 4.0 | 7.9 | 6.9 | 8.4 |
| Other subsidies and transfers | 5.2 | 3.5 | 6.1 | 11.1 | 12.1 | 7.7 | 3.5 | 5.9 | 9.8 | 6.4 | 8.2 | 5.6 | 9.7 |
| Subsidies and transfers | 7.5 | 6.2 | 7.5 | 13.1 | 14.7 | 11.5 | 7.4 | 9.0 | 12.5 | 10.5 | 16.0 | 12.5 | 18.1 |
| Grants and subsidies | 5.1 | 4.8 | 4.2 | 5.0 | 4.7 | 4.4 | 14.7 | 13.1 | 14.2 | 15.1 | 16.6 | 13.1 | 18.6 |
| Transfers | 2.4 | 1.4 | 3.2 | 8.1 | 10.0 | 7.1 | -7.3 | -4.2 | -1.6 | -4.7 | -0.5 | -0.5 | -0.5 |
| RIF payment 3/ | 2.1 | 0.6 | 0.8 | 0.3 | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| Capital expenditure (4) | 7.5 | 4.8 | 6.9 | 12.1 | 19.4 | 17.1 | 13.8 | 11.1 | 12.7 | 14.5 | 25.7 | 18.5 | 16.9 |
| Current balance | -6.9 | -3.9 | -5.9 | -1.9 | 5.6 | 4.5 | 8.4 | 6.2 | 3.4 | 7.0 | 9.5 | 12.9 | 1.0 |
| Overall balance | 8.7 | 15.2 | 10.2 | 9.0 | 9.6 | 6.8 | 13.8 | -1.8 | -4.7 | 1.9 | 0.4 | 5.7 | -2.8 |
| Financing | -8.7 | -15.2 | -10.2 | -10.3 | -9.6 | -6.8 | -13.8 | 1.8 | 4.7 | -1.9 | -0.4 | -5.7 | 2.8 |
| Net government debt repayment | -7.3 | -11.0 | -27.0 | -5.6 | -14.8 | 8.6 | 4.1 | 2.1 | 0.5 | -0.6 | -1.7 | -1.1 | -2.2 |
| Principal repayment | -17.9 | -19.0 | -42.3 | -16.7 | -24.0 | -1.1 | -0.2 | -0.2 | -0.5 | -0.7 | -1.8 | -1.1 | -2.2 |
| Gross borrowing | 10.7 | 7.9 | 15.3 | 11.1 | 9.2 | 9.6 | 4.3 | 2.3 | 1.0 | 0.1 | 0.1 | ~ | ~ |
| Asset sales 5/ | ~ | ~ | ~ | -1.3 | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| Payment to refunded bond escrow | ~ | ~ | 22.2 | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| Change in government financial assets | -1.4 | -4.1 | 16.8 | -3.4 | 5.2 | -15.3 | -18.0 | -0.3 | 4.1 | -1.3 | 1.4 | -4.6 | 4.9 |
| *Of which: Intergenerational Trust Fund* | ~ | ~ | ~ | ~ | ~ | -17.5 | -16.0 | ~ | -0.3 | -0.6 | 5.9 | ~ | ~ |
| *(In percent of GDP)* | | | | | | | | | | | | | |
| Revenue and grants | 64.9 | 65.9 | 60.6 | 66.2 | 71.3 | 64.6 | 65.5 | 57.0 | 61.7 | 65.6 | 71.0 | 69.3 | 67.7 |
| Revenue | 26.4 | 23.0 | 21.9 | 21.8 | 20.6 | 22.3 | 22.5 | 25.1 | 25.6 | 25.2 | 25.3 | 25.3 | 24.4 |
| Taxes | 17.8 | 17.4 | 15.6 | 15.2 | 16.0 | 16.3 | 18.1 | 16.9 | 17.5 | 17.4 | 17.8 | 16.9 | 15.7 |
| Grants | 38.5 | 43.0 | 38.7 | 44.4 | 50.7 | 42.3 | 42.9 | 31.9 | 36.1 | 40.5 | 45.7 | 44.0 | 43.3 |
| Expenditure | 56.7 | 52.0 | 51.1 | 58.2 | 62.9 | 59.1 | 54.6 | 58.3 | 65.0 | 64.3 | 70.8 | 65.6 | 69.5 |
| Current | 49.7 | 47.6 | 44.8 | 47.3 | 46.0 | 45.2 | 43.8 | 50.0 | 55.8 | 54.2 | 53.9 | 53.6 | 58.5 |
| Wages and salaries | 17.7 | 16.5 | 15.7 | 15.5 | 16.3 | 17.4 | 20.1 | 22.6 | 23.6 | 23.6 | 22.0 | 22.1 | 22.1 |
| Goods and services | 16.7 | 19.8 | 17.3 | 18.0 | 15.6 | 18.0 | 17.2 | 20.1 | 22.5 | 22.8 | 20.8 | 22.6 | 24.2 |
| Capital | 7.0 | 4.4 | 6.4 | 10.9 | 16.9 | 13.8 | 10.8 | 8.3 | 9.2 | 10.1 | 16.9 | 12.0 | 10.9 |
| Current balance | -6.4 | -3.6 | -5.5 | -1.7 | 4.9 | 3.7 | 6.6 | 4.6 | 2.4 | 4.8 | 6.2 | 8.4 | 0.6 |
| Overall balance | 8.2 | 13.9 | 9.5 | 8.1 | 8.4 | 5.5 | 10.9 | -1.3 | -3.4 | 1.3 | 0.2 | 3.7 | -1.8 |
| *(In percent of GDP)* | | | | | | | | | | | | | |
| Memorandum items: | | | | | | | | | | | | | |
| Total expenditure excl. non-compact grants | 49.8 | 40.8 | 44.4 | 46.5 | 45.4 | 53.4 | 47.5 | 55.8 | 67.7 | 69.9 | 85.6 | 84.4 | 96.9 |
| Foreign Contributions | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 7.0 | 14.1 | 2.6 | ~ | ~ | ~ |
| Compact Trust Fund | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 7.0 | 14.1 | 2.6 | ~ | ~ | ~ |
| Trust Fund Balances | ~ | ~ | ~ | ~ | ~ | 15.9 | 32.9 | 40.4 | 41.4 | 47.6 | 46.7 | 36.9 | 37.4 |
| Intergenerational | ~ | ~ | ~ | ~ | ~ | 15.9 | 32.9 | 40.4 | 7.5 | 5.8 | ~ | ~ | ~ |
| Compact | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | 33.9 | 41.9 | 46.7 | 36.9 | 37.4 |
| Closing Fund Balances | 42.5 | 47.0 | 29.6 | 34.1 | 28.9 | 16.3 | 5.0 | 8.3 | 3.0 | 3.2 | 8.0 | 12.6 | 12.1 |
| Of which | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| Usable government financial assets (5) | 9.3 | 12.4 | 4.8 | 2.8 | 1.5 | 2.7 | 0.8 | 5.3 | 1.6 | 0.3 | 1.7 | -2.9 | 2.0 |
| Outstanding government debt | 108.1 | 97.0 | 70.1 | 97.9 | 49.6 | 58.2 | 62.4 | 64.5 | 66.1 | 66.9 | 68.8 | 69.8 | 72.0 |
| ADB and others | 21.0 | 28.5 | 31.2 | ~ | ~ | ~ | 4.3 | 6.6 | 7.6 | 7.7 | 7.8 | 7.8 | 7.8 |
| Compact backed | 87.1 | 68.5 | 38.9 | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ | ~ |
| Government Guaranteed Debt | ~ | ~ | 39.9 | ~ | 40.1 | 29.4 | 28.7 | 38.9 | ~ | ~ | ~ | ~ | ~ |
| Debt from financing | ~ | ~ | ~ | 97.9 | 131.1 | 141.8 | 146.3 | 148.7 | 150.3 | 151.1 | 153.0 | 154.1 | 156.2 |
| Check Debt | ~ | ~ | ~ | ~ | 81.5 | 83.6 | 83.9 | 84.2 | 84.2 | 84.2 | 84.2 | 84.2 | 84.2 |
| Nominal GDP | 106.5 | 108.9 | 108.1 | 111.8 | 114.7 | 123.4 | 127.2 | 133.5 | 138.8 | 144.5 | 152.3 | 154.5 | 155.0 |

Sources: Government of RMI Audits

1/ The fiscal year ends on September 30.
2/ From FY04 onward figures include fees and charges related to the Ministry of Health's health fund.
3/ Does not include Compact funds earmarked for Kwajalein rental payments and trust fund contributions.
4/ Excludes \$10.4 million in FY02 and \$1.37 million in FY05 for loan write-offs.
5/ Cash and cash equivalents that are not reserved for specific uses.
6/ In FY02 employer and employee contributions (7% of payroll) for health insurance were transferred from the Marshall Island Social Security Administration to Government. Only in FY04 did the audit capture these changes

Table 9b Transfers (including subsidies and capital transfers) to Public Enterprises, FY1997-FY2009

| US$000 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Air Marshall Islands | 785 | 500 | 1,874 | 2,000 | - | 1,500 | 913 | 716 | 400 | 397 | 2,100 | 2,740 | 499 |
| Kwajalein Atoll Joint Utilities Resources | 488 | 325 | 325 | 2,030 | 550 | 1,825 | 3,104 | 1,253 | 1,470 | 2,081 | 3,821 | 3,585 | 3,076 |
| Majuro Water and Sewer Company | 100 | - | - | 100 | 100 | 1,465 | 155 | 155 | 235 | 226 | 395 | 1,258 | 347 |
| Marshalls Energy Co. Inc. | 601 | - | - | - | - | 1,867 | 1,867 | 205 | 400 | 1,470 | 874 | 356 | 3,370 |
| Marshall Islands Airports Authority | - | - | - | 50 | 89 | - | - | - | - | - | - | - | - |
| Marshall Islands Development Bank | - | - | - | 50 | 970 | 995 | 165 | 207 | 194 | 347 | 249 | 249 | 250 |
| Marshall Islands Ports Authority | 395 | 115 | - | - | - | - | - | - | 99 | - | - | - | - |
| National Telecommunications Authority | - | - | - | - | - | - | - | - | - | - | - | - | 1,000 |
| Outrigger - Marshall Islands Resort | 420 | 1,120 | 462 | 100 | 186 | - | - | 545 | - | - | - | - | - |
| Marshall Islands Shipping Corporation | | | | | | | | | | | 1,468 | 1,008 | 1,092 |
| Tobolar | 450 | 579 | 581 | 845 | 3,050 | 1,449 | 1,096 | 900 | 895 | 900 | 1,200 | 1,092 | 997 |
| **Total** | **3,239** | **2,639** | **3,242** | **5,174** | **4,945** | **9,100** | **7,300** | **3,981** | **3,693** | **5,422** | **10,106** | **10,288** | **10,631** |
| *Memo: Units treated as government agencies in the RMI economic statistics* | | | | | | | | | | | | | |
| Majuro Atoll Waste Company | | | | | | | | | | | 425 | 1,111 | 695 |
| College of Marshall Islands (current transfers from REPMAR) | | | n.a. | n.a. | n.a. | n.a. | 1,942 | 2,200 | 4,540 | 3,326 | 3,327 | 3,093 | 3,247 |
| College of Marshall Islands (capital transfer, from REPMAR) | | | n.a. | n.a. | n.a. | n.a. | n.a. | 200 | 108 | 1,000 | 5,507 | 4,848 | 5,766 |

Source: Compiled from Government of RMI and selected Public Enterprise Audits. Data for earlier years may be incomplete.

Table 9c Transfers treated as current subsidies in GDP estimates, FY1997-FY2009

| US$000 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Air Marshall Islands | 785 | 500 | - | - | - | 418 | 913 | 716 | 400 | 397 | 308 | 935 | 499 |
| Kwajalein Atoll Joint Utilities Resources | 488 | 325 | 325 | 898 | 550 | 817 | 744 | 769 | 1,119 | 2,074 | 3,536 | 3,020 | 2,708 |
| Majuro Water and Sewer Company | - | - | - | 100 | 100 | 751 | 155 | 155 | 235 | 226 | 395 | 489 | 346 |
| Marshalls Energy Co. Inc. | 115 | - | - | - | - | 934 | 934 | - | - | 420 | 874 | 356 | 2,738 |
| Marshall Islands Airports Authority | - | - | - | 50 | - | - | - | - | - | - | - | - | - |
| Marshall Islands Development Bank | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Marshall Islands Ports Authority | 50 | 115 | - | - | - | - | - | - | 99 | - | - | - | - |
| National Telecommunications Authority | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Outrigger - Marshall Islands Resort | 420 | 1,120 | 462 | 100 | 110 | - | - | 545 | - | - | 84 | - | - |
| Marshall Islands Shipping Corporation | | | | | | | | | | | 1,468 | 1,008 | 1,092 |
| Tobolar | 450 | 579 | 581 | 845 | 1,849 | 949 | 1,096 | 900 | 845 | 900 | 1,200 | 1,092 | 997 |
| **Total** | **2,308** | **2,639** | **1,368** | **1,993** | **2,609** | **3,868** | **3,842** | **3,085** | **2,697** | **4,017** | **7,865** | **6,900** | **8,380** |

Source: EPPSO GDP estimates

Table 9d RMI: Compact grants awarded, FY2004-FY2010

| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | FY2004-2010 |
|---|---|---|---|---|---|---|---|---|
| Education | 9,648,932 | 10,066,921 | 10,834,083 | 11,408,682 | 11,336,978 | 12,457,410 | 11,600,728 | 77,353,734 |
| Health | 5,894,448 | 5,564,197 | 5,597,181 | 5,815,108 | 6,512,349 | 7,040,240 | 7,159,858 | 43,583,381 |
| Public Sector Capacity Building | ~ | 103,514 | 103,514 | ~ | 300,000 | 425,000 | 413,380 | 1,345,408 |
| Private Sector Development | 356,620 | 361,943 | 361,943 | ~ | ~ | ~ | ~ | 1,080,506 |
| Environment | 400,000 | 404,720 | 408,000 | 210,579 | 215,860 | 228,138 | 230,202 | 2,097,499 |
| Ebeye Special Needs | 3,100,000 | 3,136,580 | 3,185,560 | 3,263,969 | 3,345,830 | 3,536,134 | 3,451,055 | 23,019,128 |
| Kwajalein Development Fund | 1,900,000 | 1,922,420 | 1,952,440 | 2,000,497 | 2,050,670 | 2,167,308 | 2,115,163 | 14,108,498 |
| Infrastructure | 13,700,000 | 13,385,745 | 12,495,679 | 12,573,086 | 11,855,213 | 11,547,382 | 11,189,235 | 86,746,340 |
| Supplemental Education Grant | ~ | 6,100,000 | 5,941,769 | 5,990,490 | 5,895,668 | 5,886,017 | 5,895,667 | 35,709,611 |
| Inflation correction | ~ | ~ | ~ | ~ | ~ | 1,098,701 | 12,110 | 1,110,811 |
| Trust Fund Contribution | 7,000,000 | 7,588,500 | 8,220,800 | 8,949,592 | 9,713,700 | 10,784,291 | 11,132,214 | 63,389,097 |
| Kwajalein Land Owners | 15,000,000 | 15,177,000 | 15,414,000 | 15,793,397 | 16,189,500 | 17,110,328 | 16,698,653 | 111,382,878 |
| **Total** | **57,000,000** | **63,811,540** | **64,514,969** | **66,005,400** | **67,415,768** | **72,280,949** | **69,898,265** | **460,926,891** |