

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)**

**REPUBLIC OF THE MARSHALL ISLANDS**

**December 1999**

## **CURRENCY EQUIVALENTS**

(as of 30 November 1999)

The Marshall Islands uses the United States dollar as its currency.

## **ABBREVIATIONS**

ADB	-	Asian Development Bank
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
KADA	-	Kwajalein Atoll Development Authority
KAJUR	-	Kwajalein Joint Utility Resource
NTA	-	National Telecommunications Authority
OCR	-	ordinary capital resources
PDMCs	-	Pacific Developing Member Countries
PIER	-	Pacific Island Economic Report
POHQ	-	Pacific Operations Division
RETA	-	Regional Technical Assistance
RMI	-	Republic of Marshall Islands
SPRM	-	South Pacific Regional Mission
TA	-	Technical Assistance
UNDP	-	United Nations Development Programme
US	-	United States

## **NOTES**

- (i) In this Report, "\$" refers to US dollars.
- (ii) The fiscal year (FY) of the Government ends on 30 September. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY 1998 ends on September 1998.

## FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for the Marshall Islands covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of the Marshall Islands, and other stakeholders. The CAP was discussed with the Board of Directors in October 1999 and has been revised by the ADB to incorporate recent developments. The assistance plan described in the CAP is only indicative and may be revised to reflect future developments.

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## MARSHALL ISLANDS

### I. Country Performance Assessment

#### A. Economic Performance Assessment

1. Real GDP in the Marshall Islands declined for the third successive year in 1998, falling by an estimated 5.0 percent. With population continuing to grow at 3.5 percent annually, GDP per capita dropped to \$1,565, from \$1,893 in 1995 (Appendix 1, page 1). Declines in output occurred in all sectors of the economy and were caused by cuts in government expenditure and employment made under the Public Sector Reform Program that began in 1996, and by the poor performance of agriculture and fishing. Public administration contracted by approximately 25 percent over the three-year period 1996-98. Agriculture and fishing output contracted by 20 percent in 1996-97, and agriculture is thought to have fallen again in 1998, partly because of poor weather conditions. Copra production continued to be adversely affected by low producer prices, inter-island transport problems, and an aging tree stock. Food and livestock production fell. The inflation rate fell from almost 10 percent in 1996 to 5 percent in 1997, and was 4 percent in 1998.

2. The Public Sector Reform Program primarily aims at restoring stability in public finances after years of heavy spending that involved substantial borrowing secured against future receipts of grant money under the Compact of Free Association with the United States. Significant progress has been made. The number of government employees fell by 27 percent between late 1995 and March 1998, though this was still below target. A wages freeze has remained in place from 1995. Rationalization of several ministries has occurred. The tariff schedule has been simplified and a basic duty of 12 percent imposed. Subsidies to state-owned enterprises have been reduced or eliminated; and there are ongoing efforts to strengthen tax and customs administration. These measures combined with a substantial drop in capital expenditure to move the overall budget balance into surplus in 1996 and 1997 has helped stabilize public finances. The budget for the fiscal year ending 30 September 1998 aimed at achieving a surplus of 11 percent of GDP through a 17 percent cut in expenditure. However, in March 1998 a supplementary budget provided for a 13 percent increase in expenditure on the estimated level, and revenue receipts were running below original expectations. Projections indicated that at best a surplus of 4 percent of GDP would be realized.

3. Merchandise imports are estimated to have fallen by 24 percent in current prices over the three-year period 1995-98, while exports dropped by almost 6 percent. The trade deficit therefore declined, and the current account surplus (inclusive of declining official transfers) rose from 1.5 percent of GDP in 1995 to a projected 22.2 percent in 1998. The capital account remained in deficit following the cessation of government borrowing in 1995 and the repayment of loans in 1996-98. Overall, the balance of payments was in deficit throughout this four-year period. Government holdings of US dollar reserves have fallen from \$40.4 million in 1994 to a projected \$3.7 million in 1998, which is equivalent to just three weeks of merchandise import cover. External debt stood at \$125 million at the end of 1997, which was down 16 percent on the 1995 level, but still too high at 122 percent of GDP. External debt service was equivalent to 41 percent of exports of goods and services.

4. The money supply grew by 7 percent in 1996, and then contracted by one percent in 1997. Both of these movements largely reflected balance of payments effects on foreign assets stocks. Domestic credit grew by only 1.4 percent in 1996, but expanded by 7 percent in 1997 as a result of an increase in consumer loans to the private sector (for travel, construction and

education). These loans were at 18 per cent interest, compared with 11 percent on commercial loans, and average rates of 2.8 percent and 4.3 percent on savings and three-month deposits, respectively. The growth in long-term lending remained constrained by difficulties of using land as collateral, and by limited investment opportunities. Lending by the Marshall Islands Development Bank has been stagnant since 1995.

5. The government has sought to strengthen the economy by reforming the public sector and improving the environment for private sector development. Legislation on investment approval and business licensing procedures was approved by Parliament in 1998 and awaits implementation. A Private Sector Unit has been established in the Office of the President to promote a competitive environment, privatization of public enterprises, and outsourcing of government services. Improving the functioning of the labor market, introducing bankruptcy legislation, and facilitating the leasing of land and its use as collateral are on the agenda. In the absence of independent monetary and exchange rate policies (because the US dollar is used as the currency), increased international competitiveness depends on productivity improvements in a stable, low-inflation economy. Government has therefore emphasized the importance of vocational and skills training. All these measures are medium- to long-term in their impacts however. In the meantime, the private sector has contracted as public sector expenditure has been cut; and international competitiveness has been reduced as the US dollar has appreciated against other currencies. One positive development late in 1998 was the growth in revenue from fishing license fees, and the prospect of some related transshipment business. The El Niño weather conditions pushed tuna schools east into Marshall Island waters, and thus attracted foreign purse seiners. Recently concluded bilateral fishing agreements and establishment of a loining plant are expected to sustain the increased level of activity in the fisheries sector.

6. The key current issue is how effectively government will implement the measures that are still needed to put the country on the path to fiscal and external balance. The public service has yet to be downsized to the targeted level, and action is required on a number of revenue-raising measures. Continued commitment to reforming public enterprises and creating an enabling environment for private sector development is also needed. While substantial progress has been made, and regardless of renewed high levels of Compact assistance and/or new aid from Taipei, China, self reliance will be in the best long term interest of the country, and the Government should vigorously pursue its economic reform program.

## **B. Assessment of Socio-Environmental Performance**

### **1. Poverty Issues**

7. Similar to many of the PDMCs, as a result of extended family ties and close relationships within a small population, pervasive poverty has never been a major problem in RMI. The Human Poverty Index of 18.7 places RMI in the mid-range of poverty levels in PDMCs, and on a par with the Philippines and Indonesia (Appendix 1, page 2). There exists, however, considerable inequity between those living in the urban centers of Majuro and Ebeye and those who live in the outer islands in spite of access to subsistence farming in most of the outer islands. Contraction in the economy arising from the effects of the downsizing of Government under the Public Sector Reform Program is likely to increase the number of poor households in the urban centers and will also lead to a decline of remittances to the outer islands where the impact of drought followed by Paka storm will inevitably lower living standards.

## **2. Gender Issues**

8. Women in RMI continue to lag behind men in all areas inspite of the predominantly matrilineal society. Decision making in most aspects of life is made by the men. Women remain underrepresented in senior levels of the government and there are no women at the Cabinet level or in Parliament. With high fertility and birth rates, health of women is the most immediate problem facing the Government. The Asian Development Bank's (ADB) ongoing loan is addressing primary health care and health education among women.

## **3. Human Development**

9. The shortage of skills at all levels is a major barrier to sustainable economic growth. Major impediments to the development of skilled manpower are the low level of educational attainment of the labor force which averages 8.5 years of schooling due to: low quality of education provided in the elementary schools; lack of access to education in the outer islands where, in some cases, there is only one elementary school or none; high dropout rates with only three of the 100 students of grade one cohort completing grade 12. The ADB's ongoing education project is helping to address in part some of the issues in basic education. With ADB's assistance, the Government plans to rationalize and strengthen skills development and vocational training to meet skilled manpower shortages.

10. ADB's ongoing Health and Population loan is targeting the primary and preventive health care needs of the population. Extensive network of primary health care centers and trained staffing is expected to significantly improve health service delivery.

## **4. Environment**

11. The environment conditions in both urban centers of RMI (Majuro and Ebeye) continue to deteriorate. The major factors contributing to the problem are: overcrowding, lack of solid waste management, unregulated dumping of debris and liquid waste in the lagoon, absence of properly managed waste sites and indiscriminate littering of old machines and vehicles. Deteriorating environment is a major source of health hazards and works as a disincentive for tourism. Poor environment is a health hazard in Ebeye. With ADB assistance, the Government is planning essential steps to improve the environment in the Ebeye atoll.

12. Some improvements in garbage collection have been made in Majuro although the increasing fisheries related activity is likely to further stretch the capacity of waste management facilities. As part of the overall environment perfection plan developed with ADB and US assistance, a solid waste management system for Majuro is being actively considered by the Government with support from other external donors.

## **C. Governance: Sound Development Management**

13. While the economy is in transition towards self reliance, good governance and sound management will play a pivotal role in ensuring that public resources are effectively and efficiently utilized. The ADB has emphasized to the Government the need for substantial improvements towards a sustained practice of transparency and equity in all areas of government's involvement. In the context of Government's private sector initiative, Government's need to be perceived to be fair and even handed in order to improve public confidence. Government has responded by actively wooing the private sector and attempting to withdraw its involvement in areas where private sector is likely to produce better results. The



participatory approach taken is likely to provide better understanding and prevent individual interests taking precedence over national interest.

14. However, considerable work needs to be done to improve governance. Lack of qualified and suitable mid level and senior staff in line ministries is a serious problem. As a result, decision making remains limited to the ministerial level and timely decisions cannot be made. Appropriate staffing and devolution of power and empowerment of senior civil service are required to improve overall government performance.

15. Adequate reporting and control of government finance need to be introduced. The present informal arrangements and undocumented transaction which do not conform to international standards and practices raise questions on Government's ability to manage public resources. Proper audits and disclosure of findings as well as clearly stated rules and regulations will greatly enhance the credibility of the Government and acceptance by the people.

## **D. Implementation Assessment**

### **1. The Portfolio**

16. There were 4 active projects in RMI at the end of 1998. Disbursements and contract awards for the year 1998 amounted to \$7.929 million and \$6.440 million, respectively. The disbursement ratio for 1998 was 40.9 percent (Appendix 2, page 1). Project implementation personnel attended the ADB's regional project implementation and administration seminar held in Fiji in May 1998.

### **2. Issues in Project Implementation**

17. The progress in all four projects are satisfactory although one project loan is behind schedule. There has been delay in the release of the second tranche of PSRP to allow time for RMI to meet the remaining tranche conditions. Government is currently taking steps to expedite compliance with third tranche release conditions.

18. Delays in project implementation are mainly due to (i) problems associated with land lease agreements, (ii) lack of project implementation capacity, (iii) lack of coordination among implementing agencies, and (iv) procurement delays. The timely submission of audited financial statements has been a problem. With ADB support, this has now been addressed by contracting private auditors to undertake audit of project accounts funded from loan proceeds.

19. Delay in submission of audited financial statements alone has resulted in poor implementation rating of projects. On the other hand, project progress in 1998 has been good and no difficulties have been encountered with availability of counterpart funds. The hands on approach by ministers and heads of Executive Agency have helped speed up implementation and disbursements.

## **II. Country Operational Strategy**

20. The main objective of ADB assistance to the RMI is to assist the Government achieve a sustainable and self-reliant economy. The strategy aims at assisting in economic and financial reforms and supporting essential services like education, health and water. Environment-related projects will also be given priority.

21. On this basis and in the context of recent developments, the ADB's medium term program with RMI will be directed towards:

- lending to health and education sectors with gender as a secondary objective;
- skills development and vocational training through loan assistance;
- microfinance and enterprise development to enhance private sector growth;
- direct private sector lending for privatization initiatives; and
- health and environment related projects to support tourism development.

22. In addition, a new 1999 country economic report for RMI, which will include a development strategy for the Government, will confirm the aforementioned strategic focus and form the basis for final determination of the ADB medium-term assistance program to RMI. The timing of the report would be planned such that the new Government which emerges after the elections in November 1999 will be fully involved in determining the final strategic direction for RMI. Pending finalization of the new strategy, the forthcoming elections in November 1999, and the outcome of Compact renegotiations, it was agreed that additional broad based policy lending should not be considered over the medium term.

### **III. Sector Strategies**

#### **A. Agriculture and Natural Resources**

23. In this sector, the ADB assistance will focus on the coconut industry and fisheries development. Recently concluded Coconut Rehabilitation and Development study under a ADB TA has identified several areas for assistance including re-planting and ways to improve yields. An important outcome has been the identification that irregular domestic shipping is a major factor in low yield of copra in RMI. Government has agreed to privatize domestic shipping and is likely to seek ADB's assistance to improve port/pier facilities and infrastructure in the outer islands and coconut growing areas. Such assistance will also support the fisheries sector. Strengthening, capacity building and improved regulatory environment in the fisheries that arose from the ADB's TA has speeded up private sector driven initiatives. Majuro has become a major location for fisheries development especially with the proposed establishment of a loining plant. The ADB's sectoral policy would be to continue providing support to private sector led initiatives and provide the necessary infrastructure to support such activity.

#### **B. Infrastructure**

##### **1. Energy**

24. The 1999 Ebeye Health and Infrastructure loan will directly assist in the improvement of utilities in Ebeye. The loan will be used to undertake upgrade of power and water supply and distribution facilities while the ADB will promote the private sector involvement in the management of the utilities through a management contract followed by a long term concession arrangement.

## **2. Transport**

25. With Japanese assistance in the road sector and proposed assistance from Taipei,China for improving airport and aviation related infrastructure, the ADB will focus its attention to the port sector. Such a strategy avoids duplication and is directly linked to ADB's support to the coconut and fisheries sectors. A project preparatory TA is proposed for 1999 or 2000 with a possible loan in 2001 or early 2002.

## **3. Finance**

26. The financial needs of the predominantly services oriented business sector in the urban centers are reasonably well met by the commercial banks, although interest rates are relatively high and maturities relatively short in view of economic uncertainties and perceived risk. A gap exists however in development finance to meet the needs of small-scale fisheries and agricultural activities, especially in the outer islands, accompanied by technical and logistical support to make the finance productive. There is also a need to develop community credit mechanisms such as revolving funds in the outer islands, and credit unions in the urban centers, to meet micro production and household credit requirements. The ADB proposes to support development finance, possibly through a trust fund mechanism, and provide technical assistance to help organize community credit, especially in the outer islands.

### **C. Social Infrastructure and Environment**

#### **1. Health**

27. Under the Ebeye health and infrastructure loan, the ADB will continue to promote primary health care, family planning and health education activities as well as complete the health center in Ebeye. Special attention will be given to the health needs of women in particular especially in relation to teenage pregnancies. Additional support will be provided for youth health programs in the more densely populated urban cities of Majuro and Ebeye. As part of sectoral reforms, the ADB is supporting the improvement of on-island care vis-à-vis overseas referrals, improved resource allocation and cost recovery issues are currently part of ongoing dialogue with the Government.

#### **2. Education**

28. The ADB is supporting the development of curriculum, teacher education textbooks and instructional materials under the ongoing loan project. A growing concern is the need to provide school dropouts, unemployed youth, adults and civil servants, retrenched during the downsizing of the civil service under the recent reform programs, with expanded access to occupational, employable and entrepreneurship skills training. A proposal to consolidate and streamline the skill delivery system to promote employment and self-employment opportunities is under consideration, with a Skills Training and Vocational Education loan programmed in 2000.

#### **3. Environment**

29. The Government has brought to the ADB's attention the need to have improved solid waste management for Majuro. Assistance in improving garbage collection is being provided by Taipei,China. Garbage disposal and provision of incinerator and other waste management equipment is included in the 2000 lending pipeline on OCR terms with possible cofinancing from

Taipei,China. Both the US and Taipei,China have indicated interest and are being tapped as co-financiers for possible project in 2000.

#### **D. Governance Dimensions of Asian Development Bank Operations**

30. Legislation proposed under the ongoing public sector reform program is expected to streamline and create an enabling environment for private sector development. Fiscal and financial sector governance issues are being addressed by the Ministry of Finance. The ADB's assistance has been sought to clean up the financial records of the Ministry and provide training in order to improve transparency and accountability in financial management.

#### **E. Gender Dimensions of Asian Development Bank Operations**

31. The Ebeye Health and Infrastructure is addressing the health needs of women. ADB proposes to support vocational training skills development as part of the Government's effort to improve overall economic and social status among women. The proposed Skills Development and Vocational Training assistance will provide specific support for skills needs of women in RMI. Opportunities for employment and self-employment will increase and this will lead to enhanced income, greater financial independence, better quality of life and improved social status. Future ADB assistance particularly in health, education/skills development, and micro-finance will address gender needs as a primary or secondary objective.

#### **F. Private Sector Operations**

32. Private sector development is being supported by the ADB through the ongoing ADB financed Public Sector Reform Program, which aims at (i) downsizing the civil service; (ii) privatization; (iii) tax reforms; and (iv) establishment of a more conducive environment for foreign investments. Furthermore, through the ongoing TA, the ADB will continue to provide direct support in corporatization and privatization of specific state-owned enterprises. Thus, Kwajalein Joint Utility Resource (KAJUR) and National Telecommunication Authority (NTA) have been selected for privatization.

33. A small business development and microfinance project is included in the pipeline to further enhance private sector involvement and promote entrepreneurship in RMI. Further support and information dissemination is being considered through the holding of private sector promoting forum in conjunction with the local chamber.

### **IV. Regional Economic Cooperation**

34. In the context of their locations and distances, Pacific island nations have generally concluded that it will be increasingly difficult to promote trade, especially fisheries, and operate viable internal and external air and shipping services without strategic subregional alliances. Consequently, the priorities of the country for economic regional cooperation are: (i) cooperative arrangements in aviation and shipping, (ii) coordinated policies and approaches to the management of fisheries, and (iii) tourism. To these ends, the ADB is actively involved with the Forum Secretariat and other regional agencies in a variety of regional initiatives.

35. The ADB currently provides regional technical assistance (RETA) to support the negotiation of a regional tuna management plan, and for fiscal and tax policy advice provided through the Pacific Financial Technical Centre. In the coming three years, the ADB plans to provide RETAs for: (i) analysis of financial sector issues and strategies for selected PDMCs, (ii)

judicial training in collaboration with UNDP, and (iii) more effective and sustainable coastal fisheries management. These regional initiatives are consistent with the program for RMI especially with regard to the ADB and the Government's initiative for more transparency and accountability in financial transaction as well as further development of fisheries sector.

## **V. Donor Activities and Aid Coordination**

36. The Government receives US assistance estimated at about \$80 million per annum. The US assistance includes direct budget support under the Compact to the National Government and the Kwajalein Atoll Development Authority (KADA), and the payment to Kwajalein landowners, as well as other forms of assistance provided through the US Federal Government programs. In 1998, RMI received emergency assistance for drought relief from the US Federal Emergency Management Agency equivalent to over \$10 million. The World Bank does not have an operational program in RMI (Appendix 3). The IMF does not envisage a role for itself whilst the Compact Agreements is in place.

37. The Government receives significant assistance from Japan in the transport and fisheries sectors. Japan is funding the rehabilitation of roads in Majuro. Taipei,China is assisting in the aviation and airport development as well as in waste collection and management. They have also shown interest in other sectors including contributing to the Intergenerational Trust Fund. Assistance from Taipei,China over the next three years is expected to be about \$50 million.

## **VI. Cofinancing and Catalyzing External Resources**

38. The ADB has and will maintain a leading role in the health and education sectors and continue to support the economic self reliance and stabilization of the Government. The ADB will seek cofinancing from the US and Taipei,China in areas of common interest. While staying out of sectors and subsectors which are being covered by bilateral arrangements, there is scope for shared interest in skills development and vocational training and solid waste management with Taipei,China and for cofinancing with Japan in the infrastructure sector. These opportunities are being discussed and will be further investigated after the November 1999 elections. Other possibilities of cofinancing with US are dependent on the outcome of the Compact negotiations and the strategic direction that evolve from the economic report to be prepared in consultation with the new Government in early 2000.

## **VII. Asian Development Bank's Operational Program**

39. Pending the finalization of a comprehensive Pacific Island economic report (PIER) to be completed in the fourth quarter of 1999 and a subsequent finalization of a revised strategy, the pipeline for ADB assistance for 2000-2002 remains tentative. The Government was, however, keen to implement the firm 1999 program and agreed that it would be premature to consider a second Public Sector Reform Program at this stage. Tentatively, lending program for RMI over the 2000-2002 period amounts to about \$25 million for four loans (out of which two are on OCR terms). Considering an element of over programming and the tentative timing for delivery of the proposed program (subject to portfolio and policy dialogue performance), this lending level is considered appropriate given: (i) the emerging increased ADB assistance to the social sectors, (ii) a satisfactory absorptive capacity in the sectors concerned, and (iii) a stronger Government ownership of the program as opposed to previous controversial broad based policy based lending. Pending a review of the overall lending strategy, the TA program over the 2000-2002

period is limited and will be reviewed in early 2000. The Loan and TA program for 2000-2002 is in Appendix 4.

**Table 1: Lending and Technical Assistance Program, 2000-2002**

A. Public Sector Lending Program

	1998 (Actual)		1999		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program <sup>a</sup>			<b>1</b>	<b>9.3</b>	<b>1</b>	<b>5.0</b>	-	-	-	-
ADF	-	-	1	9.3	1	5.0	-	-	-	-
OCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline <sup>b</sup>							<b>3</b>	<b>20.0</b>	-	-
ADF	-	-	-	-	-	-	1	12.0	-	-
OCR	-	-	-	-	-	-	2	8.0	-	-

B. Technical Assistance Program

	1998 (Actual)		1999		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program <sup>a</sup>	1	130.0	3	1,000.0	1	600.0	-	-	-	-
TA Pipeline <sup>b</sup>	-	-	-	-	-	-	1	500.0	-	-

<sup>a</sup> The Program is comprised of the firm projects.

<sup>b</sup> The Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

## VIII. Economic and Sector Work Program

40. As mentioned earlier, economic and sector work will be undertaken as part of the PIER to be prepared through a small scale technical assistance (SSTA). A significantly analytical and strategically oriented forward looking economic report to be prepared with ADB assistance will be the basis for future Government plans. These will be formalized once the new Government has been in place after the November 1999 elections. Adequate consultative process will precede such strategy formulation and in depth work is proposed so that the report can be used as the basis for developing a strategic and forward looking economic management plan for the country. The PIER will also form a sound basis for updating the ADB's strategy in RMI and developing a related loan and TA program over the medium term.

## IX. Local Cost Financing

41. Given the reductions in annual Compact funding, as well as the major ongoing economic restructuring and fiscal adjustments, RMI is facing severe budgetary constraints which currently limit the Government's capacity to finance local costs of ADB financed projects. While the situation is expected to improve when the benefits of reforms will finally materialize over the medium term, appropriate consideration to local cost financing should be provided by the ADB, particularly for lending to the social sectors.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**COUNTRY PERFORMANCE INDICATORS**

Item	1994	1995	1996	1997	1998	1999 <sup>a</sup>
<b>A. Income and Growth</b>	1,764	1,893	1,703	1,637	1,565	...
1. GDP per Capita (dollars, current)	2.8	2.7	-15.2	-5.3	-5.0	...
2. GDP Growth (% in constant prices)	24.2	-3.9	-20.9	1.2	...	...
Agriculture	14.7	18.7	-32.6	-6.1	...	...
Industry	-1.0	2.6	-10.7	-7.4	...	...
Services						
<b>B. Saving and Investment (current market prices)</b>						
1. Gross Domestic Investment						
2. Gross Domestic Saving						
<b>C. Money and Inflation</b>						
1. Consumer Prices (annual average)	5.7	8.3	9.8	4.8	4.0	...
2. Broad Money (M2)	...	...	...	...	...	...
<b>D. Government Finance</b>						
1. Total Revenue	70.9	80.0	80.5	64.8	...	...
2. Total Expenditure and Net Lending	83.4	94.8	60.6	61.0	...	...
3. Overall Surplus/Deficit (-)	-12.5	-14.8	19.9	3.8	...	...
<b>E. Balance of Payments</b>						
1. Merchandise Trade Balance (% of GDP)	-52.3	-48.4	-54.3	-36.9	-35.9	...
2. Current Account Balance (% of GDP)	5.1	1.5	3.6	16.9	22.2	...
3. Export (\$) growth (annual percent change)	129.6	23.1	-12.2	28.4	-16.3	...
4. Import (\$) growth (annual percent change)	11.1	8.5	-0.9	-15.8	-9.3	...
<b>F. External Payments Indicators</b>						
1. International Reserves (M\$, end of period)	...	...	...	...	...	...
- months of imports						
2. External Debt Service (% of exports of goods & services)	...	...	...	...	...	...
3. External Debt (% of GDP)	...	...	...	...	...	...
<b>Memorandum Items:</b>						
GDP (current prices, \$ million)	94.6	105.2	97.7	97.0	95.8	...
GNP (current prices, \$ million)	...	...	...	...	...	...
Exchange Rate (local currency per dollar, annual average)	1.0	1.0	1.0	1.0	1.0	...

<sup>a</sup> Estimates

Source: POHQ Estimate

**REPUBLIC OF THE MARSHALL ISLANDS  
COUNTRY PERFORMANCE INDICATORS**

	1990	1995	1998
<b>POPULATION INDICATORS</b>			
Total Population (thousands)	46.2	55.6	61.1
Annual Population Growth Rate (% change)	3.9	3.8	3.6 (1990-98)
<b>SOCIAL INDICATORS</b>			
Total Fertility Rate (births per woman)	...	...	5.7
Maternal Mortality Rate (per hundred thousand live births)	...	...	...
Infant Mortality Rate (below 1 year; per '000 live births)	...	...	63
Life Expectancy at Birth (years)	...	67.0 (1990-91)	65
Female	...	...	67
Male	...	...	63
Adult Literacy (%)	...	88.0 (1990-91)	74
Primary School Enrollment (% of school age population)	...	...	79
Female	...	...	79
Secondary School Enrollment (% of school age population)	...	...	49.0
Female	...	...	47
Child Malnutrition (% of under age 5 underweight)	...	...	17.0
Population Below Poverty Line (%)	...	...	...
Income Ratio of Highest 20% to Lowest 20%	...	...	...
Population with Access to Safe Water (%)	...	99.0 (1990-91)	82.0
Population with Access to Sanitation (%)	...	96.0 (1990-91)	77.0
Public Education Expenditure as % of GNP	...	7.2 (1990)	9.2
Public Health Expenditure as % of GDP	...	6.2 (1990)	...
Human Development Index	...	-0.611	0.563
Human Development Global Ranking	...	...	121
Human Poverty Index	...	...	18.7
<b>ENVIRONMENTAL INDICATORS</b>			
Forestry			
Deforestation			
Total Area	...	...	...
Annual deforestation	...	...	...
Biodiversity			
Nationally protected area			
Area	...	...	...
Number	...	...	...
As % of land area	...	...	...
Biosphere reserves			
Area	...	...	...
Number	...	...	...
World Heritage sites (number)	...	...	...
Wetlands of international importance			
Area	...	...	...
Number	...	...	...
Land Use			
Cropland; permanent pasture	...	...	...
Air Pollution (Ambient concentrations)			
Particulates	...	...	...
SO <sub>2</sub>	...	...	...
Water Pollution (concentration of pollutants in water bodies)			
Biochemical Oxygen Demand (BOD)	...	...	...
Chemical Oxygen Demand (COD)	...	...	...
Global Environmental Problems			
CO <sub>2</sub> emissions (total and per capita)	...	...	...

Source: Pacific Human Development Report 1999.



**REPUBLIC OF THE MARSHALL ISLANDS**

**PORTFOLIO PERFORMANCE**

**Table 1 : Implementation, Disbursement Performance and Postevaluation Results**

**Public Sector Projects only**

(as of 31 December 1998)

A. Project Portfolio <sup>b</sup>	Net Loan Amount \$ million    %		Rating (No.) <sup>a</sup>											
			Total		Implementation Progress				Development Objectives					
			No.	%	HS	S	PS	U	HS	S	PS	U		
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Industry	11.44	34.2	1	25.0	-	1	-	-	-	-	1	-	-	-
Social Infrastructure	21.97	65.8	3	75.0	-	1	-	2	-	3	-	-	-	-
<b>Total</b>	<b>33.42</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

  

B. Disbursements <sup>c</sup>	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	-	36.94	36.94
(2) Disbursed amount (\$ mn, cumulative, active loans only)	-	24.94	24.94
(3) Percentage disbursed [(2)/(1)] (%)	-	67.52	67.52
(4) Disbursements (\$mn, active loans only, latest year)	-	7.93	7.93
(5) Disbursement ratio (%) <sup>d</sup>	-	40.92	40.92

  

C. Net Transfer of Resources <sup>e</sup> (\$ million)	OCR	ADF	Total
Net transfer in 1995	-	2.76	2.76
Net transfer in 1996	-	2.96	2.96
Net transfer in 1997	-	9.99	9.99
Net transfer in 1998	-	7.75	7.75

  

D. Post-Evaluated Projects 1. Postevaluation Rating (as of 31 December 1998)	1968 - 1977		1978 - 1987		1988 - 1998		1968 - 1998	
	No.	%	No.	%	No.	%	No.	%
Rated Generally Successful (GS)	-	-	-	-	-	-	-	-
Rated Partly Successful (PS)	-	-	-	-	-	-	-	-
Rated Unsuccessful (US)	-	-	-	-	-	-	-	-
No Rating	-	-	-	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>

  

2. Postevaluation Rating by Sector 1968-88 (as of 31 December 1998)	GS		PS		US		NR		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Finance and Industry	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	-	-	-	-	-	-	-	-	-	-
Transport and Communications	-	-	-	-	-	-	-	-	-	-
Others/Multisector	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>

<sup>a</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory; excludes loan closed during the year

<sup>b</sup> Excludes loans closed during the year.

<sup>c</sup> Excludes loans closed during the year without disbursement.

<sup>d</sup> Ratio of total disbursement in a given year over the net loan amount available at the beginning of the year plus the net loan amount of newly approved loans which have become effective "Net loan amount at the beginning of the year" includes all effective loans at the beginning of the year. "Loan amounts of newly approved loans which have become effective" includes loans approved before and after the beginning of the year that have become effective after the beginning of the year.

<sup>e</sup> Includes private sector projects for countries with private sector operations.

Source : OPO (A), CTD (B & C), OEO (D)

**REPUBLIC OF THE MARSHALL ISLANDS  
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation  
Public Sector Projects Only  
(As of 31 December 1998)**

Sector <sup>a</sup>	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum Contract Awards (\$ million)	Cumulative Disbursement (\$ million)	Project Performance Rating <sup>b</sup>	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
SOC	Loan No. 1249-RMI(SF) Basic Education Development	-	8.09	Sep-93	Mar-94	Apr-99	-	35	4.85	3.25	U	S
SOC	Loan No. 1316-RMI(SF) Health & Population	-	5.51	Spe 94	Mar-95	May-00	-	60	2.93	2.44	U	S
SOC	Loan No. 1389-RMI(SF) Majuro Water Supply & Sanitation	-	8.38	Sep-95	Sep-96	Sep-00	-	85	7.85	7.18	S	S
OTH	Loan No. 1513-RMI(SF) Public Sector Reform	-	11.44	Jan-97	Feb-97	Jun-99	-	-	8.50	8.54	S	S
<b>Total</b>		<b>0.00</b>	<b>33.42</b>						<b>24.12</b>	<b>21.42</b>		

<sup>a</sup> Sector:  
 AGR: Agriculture & Natural Resources  
 ENY: Energy  
 SOC: Social Infrastructure  
 I&F: Industry and Finance  
 T&C: Transport and Communications  
 OTH: Multisector/Others

<sup>b</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory  
 Note: Excludes cumulative disbursement amounting to \$3.5 million of loan closed in 1998.

**REPUBLIC OF THE MARSHALL ISLANDS  
OVERALL EXTERNAL ASSISTANCE**

External Source (\$ million)	Past 3-5 Years (Cum. 1994-1998)		1998 Approvals	
	Loan/Credit	TA	Loan/Credit	TA
<b>A. Multilateral Assistance</b>				
Bank	26.90	3.36	....	0.13
New Zealand	....	0.06	....	0.06
JSF	....	3.87	....	....
USA	....	1.00	....	....
UNDP	0.20	....	....	....
World Bank	....	....	....	....
Subtotal	27.10	8.29	0.00	0.19
<b>B. Bilateral Assistance</b>				
Australia	0.20	....	....	0.40
Japan	5.40	....	....	5.00
United States	12.00	....	....	30.00
Taipei,China	....	....	....	12.50
Subtotal	17.60	....	....	47.90
<b>Total</b>	44.70	8.29	0.00	48.09
Memo Items:				
External Assistance as % of Current Expenditures				
External Assistance as % of Capital Expenditures				

Source: OECD

**REPUBLIC OF THE MARSHALL ISLANDS**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**  
(Amounts in \$ million)

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST					
	Dev't Objectives <sup>a</sup>				TOTAL	Bank		Gov't	Cofinancing (Others)	
	Primary	Secondary				OCR	ADF			Total
<b>2000 FIRM LOANS</b>										
<b>Social Infrastructure</b>										
1. Skills Training & Vocational Educ.	HD		POHQ		5.0	0.0	5.0	5.0	0.0	0.0
<b>Subtotal</b>					5.0	0.0	5.0	5.0	0.0	0.0
<b>Total</b>					<b>5.0</b>	<b>0.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2001 LOAN PIPELINE</b>										
<b>Finance &amp; Industry</b>										
1. Microfinance & Financial Inst. Dev. Proj.	ECO		POHQ		4.0	4.0	0.0	4.0	0.0	0.0
<b>Subtotal</b>					4.0	4.0	0.0	4.0	0.0	0.0
<b>Social Infrastructure</b>										
1. Solid Waste Management	ENV		POHQ		4.0	4.0	0.0	4.0	0.0	0.0
<b>Subtotal</b>					4.0	4.0	0.0	4.0	0.0	0.0
<b>Total</b>					<b>8.0</b>	<b>8.0</b>	<b>0.0</b>	<b>8.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2001 STANDBY LOANS</b>										
<b>Transport and Communications</b>										
1. Transport Sector Infrastructure	ECO		POHQ	1999	12.0	0.0	12.0	12.0	0.0	0.0
<b>Subtotal</b>					12.0	0.0	12.0	12.0	0.0	0.0
<b>Total</b>					<b>12.0</b>	<b>0.0</b>	<b>12.0</b>	<b>12.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2002 LOAN PIPELINE</b>										
<b>Transport and Communications</b>										
1. Transport Sector Infrastructure	ECO		POHQ	1999	12.0	0.0	12.0	12.0	0.0	0.0
<b>Subtotal</b>					12.0	0.0	12.0	12.0	0.0	0.0
<b>Total</b>					<b>12.0</b>	<b>0.0</b>	<b>12.0</b>	<b>12.0</b>	<b>0.0</b>	<b>0.0</b>

<sup>a</sup> ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; WID = Women in Development; and ENV = Environmental Protection.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Finance and Industry</b>					
1 . Microfinance	POHQ	PP	500.0	-	500.0
<b>Subtotal</b>			<u>500.0</u>	<u>-</u>	<u>500.0</u>
<b>Transport and Infrastructure</b>					
2 . Transport	POHQ	PP	400.0		400.0
<b>Subtotal</b>			<u>400.0</u>	<u>-</u>	<u>400.0</u>
<b>Total</b>			<u><b>900.0</b></u>		<u><b>900.0</b></u>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Others</b>					
1 . Tourism Development II	POHQ	PP	500.0	-	500.0
<b>Subtotal</b>			<u>500.0</u>	<u>-</u>	<u>500.0</u>
<b>Total</b>			<u><b>500.0</b></u>		<u><b>500.0</b></u>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
NONE					

**REPUBLIC OF THE MARSHALL ISLANDS**  
**LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002**

Classification	2000 (Firm)		2001-2002	
	No.	% <sup>a</sup>	No.	% <sup>a</sup>
<b>By Type</b>				
A. Economic Growth			2	66.7
B. Projects Directly Aimed at Social Concerns	1	100.0		0.0
C. Projects Directly Aimed at Environmental Concerns			1	33.3
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns		0.0		0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>
<b>By Sector</b>				
A. Agriculture and Natural Resources		0.0		0.0
B. Energy		0.0		0.0
C. Finance		0.0	1	33.3
D. Transport and Communications			1	33.3
E. Social Infrastructure	1	100.0	1	33.3
F. Others/Multisector				0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

<sup>a</sup> rounded off

**REPUBLIC OF THE MARSHALL ISLANDS**

<b>PROJECT PROFILE</b>					
1. <b>Project Name:</b> Skills Training and Vocational Education			2. <b>Sector/Subsector:</b>  Social Infrastructure/Education		
3. <b>Dev. Objective:</b> Primary: HD                      Secondary:			5. <b>Beneficiary Participation in Formulation:</b>  Stakeholders will need to be consulted.		
4. <b>Rationale:</b>  Government's economic reforms require competent and trained skilled personnel to assume productive role. The fragmented and uncoordinated technical and vocational training (TVT) system, with inadequate facilities and outdated curricula, is inefficient to meet skilled manpower needs. There is a need to rationalize the TVT system.					
6. <b>Objectives and Scope:</b>  (i) the project aims to expand access to skills, vocational and entrepreneurship training and to raise the educational achievement of out-of-school youth and unemployed adults with particular emphasis on participation of women, (ii) develop small business opportunity through provision of microcredit.  Components: Civil works, curriculum development, staff development and training and institutional strengthening.					
7. <b>Estimated Cost &amp; Financing Plan (\$):</b>			<b>Remarks</b>		
Loan Project Cost (\$m)					
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>			<b>Total</b>
Bank	5.0	0.0			5.0
Cofinancing	0.0	0.0			0.0
Borrower	0.0	0.0			0.0
<b>Total</b>	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>		
8. <b>Estimated Benefits and Beneficiary Groups:</b>  Direct benefits include improved education and training infrastructure, increased number of trained skilled manpower and improved efficiency in management of technical and vocational education.					
9. <b>Executing Agency:</b>  Ministry of Education			10. <b>Project Implementation Period:</b>  Start:       TBD End:         TBD		
11. <b>Environment Category:</b> C			12. <b>Processing Year:</b> 2000		

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)  
PIPELINE UPDATE**

**REPUBLIC OF THE MARSHALL ISLANDS**

**June 2000**



**REPUBLIC OF THE MARSHALL ISLANDS**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**  
(Amounts in \$ million)

Sector/Project Name	Strategic Dev't Objectives <sup>a</sup>		Responsible Division	Year of PPTA	PROJECT COST					
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)	
						OCR	ADF			Total
<b>2000 FIRM LOANS</b>										
<b>Social Infrastructure</b>										
1. Skills Training and Vocational Education	ENV		POHQ		4.9	0.0	4.9	4.9	0.0	0.0
<b>Subtotal</b>					4.9	0.0	4.9	4.9	0.0	0.0
<b>Total</b>					<b>4.9</b>	<b>0.0</b>	<b>4.9</b>	<b>4.9</b>	<b>0.0</b>	<b>0.0</b>
<b>2001 LOAN PIPELINE</b>										
<b>Transport and Communication</b>										
1. Outer Islands Transport Infrastructure	ECO		POHQ		6.0	0.0	6.0	6.0	0.0	0.0
<b>Subtotal</b>					6.0	0.0	6.0	6.0	0.0	0.0
<b>Total</b>					<b>6.0</b>	<b>0.0</b>	<b>6.0</b>	<b>6.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2002 LOAN PIPELINE</b>										
<b>Social Infrastructure</b>										
1. Outer Islands Basic Social Services	ECO		POHQ		5.0	0.0	5.0	5.0	0.0	0.0
<b>Subtotal</b>					5.0	0.0	5.0	5.0	0.0	0.0
<b>Total</b>					<b>5.0</b>	<b>0.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>

<sup>a</sup> ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; WID = Women in Development; and ENV = Environmental Protection.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Finance and Industry</b>					
1 . Strengthening the Capacity of the Ministry of Finance	POHQ	AD	150.0	0.0	150.0
<b>Subtotal</b>			<u>150.0</u>	<u>0.0</u>	<u>150.0</u>
<b>Social Infrastructure</b>					
1 . Improving Articulation of Post Secondary Technical and Academic Education in RMI	POHQ	AD	150.0	0.0	150.0
2 . Health Information Development and Management System			150.0	0.0	150.0
<b>Subtotal</b>			<u>300.0</u>	<u>0.0</u>	<u>300.0</u>
<b>Transport and Infrastructure</b>					
1 . Outer Island Transport Infrastructure	POHQ	PP	300.0	0.0	300.0
<b>Subtotal</b>			<u>300.0</u>	<u>0.0</u>	<u>300.0</u>
<b>Total</b>			<u><b>750.0</b></u>	<u><b>0.0</b></u>	<u><b>750.0</b></u>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 . Community Based Coastal Marine Resources Dev.	POHQ	AD	298.0	0.0	298.0
<b>Subtotal</b>			<u>298.0</u>	<u>0.0</u>	<u>298.0</u>
<b>Social Infrastructure</b>					
1 . Outer Island Basic Social Services	POHQ	PP	300.0	0.0	300.0
<b>Subtotal</b>			<u>300.0</u>	<u>0.0</u>	<u>300.0</u>
<b>Others</b>					
1 . Strategic Advisory Team	POHQ	AD	600.0	0.0	600.0
<b>Subtotal</b>			<u>600.0</u>	<u>0.0</u>	<u>600.0</u>
<b>Total</b>			<u><b>1,198.0</b></u>	<u><b>0.0</b></u>	<u><b>1,198.0</b></u>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Finance</b>					
1 . Microfinance and Financial Institutions Development	POHQ	PP	400.0	0.0	400.0
<b>Subtotal</b>			<u>400.0</u>	<u>0.0</u>	<u>400.0</u>
<b>Social Infrastructure</b>					
1 . Outer Island Social Services Management	POHQ	AD	300.0	0.0	300.0
<b>Subtotal</b>			<u>300.0</u>	<u>0.0</u>	<u>300.0</u>
<b>Others</b>					
1 . Support of Private Sector Unit II	POHQ	AD	300.0	0.0	300.0
<b>Subtotal</b>			<u>300.0</u>	<u>0.0</u>	<u>300.0</u>
<b>Total</b>			<u><b>1,000.0</b></u>	<u><b>0.0</b></u>	<u><b>1,000.0</b></u>