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## **I. Introduction**

### **A. Overview**

1. The Compact of Free Association that binds the Republic of the Marshall Islands (RMI) and the United States (U.S.) is a special and unique relationship. The shared history of our nations spans more than fifty years and has evolved into an enduring friendship based on mutual respect and trust.
2. Following World War II, when the U.S. liberated the Marshall Islands from Japanese occupation, the U.S. used our islands to test its nuclear and inter-continental ballistic weapons. As a result, the Marshallese people played a critical and indispensable role in the success of the nuclear deterrence policy that preserved international peace during the Cold War.
3. Our people continue to stand side by side with the United States and demonstrate our willingness to support U.S. strategic interests. As a strategic partner and ally of the United States, the RMI is proud to host the Ronald Reagan Ballistic Missile Test Site facility on Kwajalein Atoll and to have our Marshallese citizens serve in every branch of the U.S. armed forces.
4. We believe the Compact between our two nations is a success. It has made a substantial contribution to the transformation of the RMI into a democratic and stable nation against a background of limited resources, geographical isolation, and environmental vulnerability.
5. We are proud of our strategic contributions yet realize that these have come at a substantial cost to our country as a whole, and to communities and individuals in particular. We believe that the RMI and the United States share a joint obligation to recognize these contributions and address their consequences.
6. The negotiation of the Compact's Title II economic provisions provides an opportunity to continue to meet these obligations and build on the successes of the past 15 years.

### **B. Economic Performance**

7. The RMI economy is developing. At the start of the Compact period, the RMI was almost totally dependent upon economic support from the United States; we are proud to say this is no longer the case. The private sector now makes a substantial contribution to the economy and that contribution has grown significantly over the past five years. By 1999 overall GDP had reached close to \$100 million. Despite these successes the economy continues to rely on the RMI's special relationship with the United States. While domestic employment has increased over the Compact period, the rate of increase has not been fast enough to employ all those entering the workforce and this is unlikely to change in the foreseeable future. This is attributable to the limited opportunities in the private sector, the RMI's narrow resource base and remoteness from



major markets. The opportunity to find employment in the United States has helped reduce the level of unemployment in the RMI and many Marshallese are now gainfully employed in the United States.

8. In the early years of the Compact the public service accounted for over 50 percent of total employment. The reliance on Government employment is changing, by the end of 2000 over 75 percent of the employed workforce were working in the private sector. Of particular note is the establishment of the tuna loining plant in 1999. This operation employs more than 300 workers and pays out over \$85,000 per month in wages. Kwajalein is also a particularly important source of employment in the RMI with over 1,400 Marshallese being employed at the missile site.

9. Other developments that are now making substantial contributions to the RMI economy include: bilateral and multilateral access agreements to the fish resources; the ship registry; increased production from coastal fisheries and mariculture activities; and the development of Majuro as a major transshipment port for the international tuna fleets. Tourism has also become a stable source of income for the economy. While the tourism industry has yet to become a major employer there are opportunities to further develop the sector and investors are pursuing these opportunities.

10. Another notable achievement is the marked improvement in the quality and extent of infrastructure since the end of the Trust Territory period. Many of these investments in infrastructure were essential given the poor condition of much of the infrastructure inherited by the RMI Government. Funds received under the Compact have been used to build up the basic infrastructure and have greatly improved power generation, telecommunications, water supply, roads and inter-island transportation.

11. To some extent these successes were offset by disappointing returns from direct investments in commercial enterprises. In most cases the government has withdrawn from these activities and is now focused on creating an enabling environment for the expansion of the private sector.

12. The incremental step-downs built into the first 15 years of the Compact exposed weaknesses in the economy. It became obvious that the size of the public sector could not be sustained and that the nation could not afford to continue subsidizing inefficient commercial enterprises. In 1995 the Government introduced a Reduction-in-Force (RIF) program that reduced the public service by 36 percent by the end of 2000. The Government also commercialized or partially privatized several government-owned entities, namely the Marshalls Energy Company, National Telecommunications Authority, Air Marshall Islands, KAJUR (the Ebeye utility company), and outer island shipping services. Reform measures are still being implemented.

13. The health of the Marshallese people has also been improved since the end of the Trust Territory period. For example, by 1999, the infant and child mortality rates had nearly halved from the levels experienced in 1988. However there is still much to be done. The incidence of communicable disease remains high and the increasing incidence of "life-style" diseases and cancer are major concerns. The increasing emphasis being given to primary and preventative health care combined with the



imminent completion of the new Ebeye hospital will further improve the situation. But the high cost of medical care in the Marshall Islands makes it difficult to fully address the needs of the Marshallese people.

14. The need to improve education outcomes is another key issue. Despite some improvements in the rate of adult literacy over the past 15 years, the overall standard of education indicators fall short of that achieved in other Pacific Island countries. Of particular concern are the high dropout rates and the decline in the proportion of children attending school. While the Compact grant assistance and the availability of U.S. Education programs have made an important contribution to the education system, much more needs to be done. In particular the construction and maintenance of schools, teacher training and curriculum development are areas that need further investment.

### **C. National Goals**

15. The national goals for the RMI have been enunciated in several fora and documents. As identified in the National Economic and Social Summits (NESS) these goals can be summarized as: 1) increased self-reliance; 2) renewed economic growth; 3) equitable distribution; 4) improved public health; 5) improved educational outcomes; 6) international competitiveness; and 7) environmental sustainability. The structure of economic provisions in the Compact will have a direct bearing on the success of the Government's efforts to achieve these goals.

## **II. Proposed Economic Relations**

### **A. Overview**

16. The RMI wishes to ensure that the Compact continues to assist in the development of the RMI economy and helps improve living standards of the Marshallese people. It is also important to maintain fiscal stability to foster the growth of the private sector, which is necessary if the economy is to continue developing. To achieve this it is essential that the current level of budget expenditure be maintained.

17. The aims outlined in this proposal are designed to streamline and target funding so that: 1) the RMI achieves fiscal stability and budgetary self-reliance by 2019; 2) the Marshall Islands Intergenerational Trust Fund (MIITF) is in place and provides the resources necessary to ensure continued social and economic stability; and 3) transparent monitoring and accountability procedures are implemented so that the financial resources are used effectively. The last point is further elaborated in Section III.

### **B. Bilateral Grants**

18. Based on recent expenditure trends and development and reform demands, it is proposed that the U.S. provide bilateral grant assistance of \$35 million annually on a full faith and credit basis and that this amount be fully indexed to the U.S. GDP Implicit Price Deflator. This amount will ensure fiscal stability for the Compact term. The amount does



not include the Title III payments for Kwajalein Atoll and the special needs of the Kwajalein communities.

19. The application of the funding will be determined by the annual budget, which will be framed within a Medium Term Budget and Investment Framework (MTBIF). It is anticipated that the funding will be primarily used in the areas of: i) education; ii) health; iii) infrastructure development and maintenance; and iv) environmental protection. Particular attention will be paid to addressing the problems of the dislocation and urbanization of sections of the population.

20. The MTBIF will be prepared for a 5-year period and will be reviewed and revised annually. The MTBIF will provide the expenditure framework within which the annual budget will be prepared. This approach will ensure that the budget and planning processes are flexible enough to adjust to changes in circumstances and priorities. A Joint Economic Review Board (JERB) comprised of RMI and U.S. representatives will review the MTBIF annually. The suggested composition, role and activities of the JERB are elaborated in Section III-e.

21. In addition, it is proposed that a Fiscal Performance Incentive (FPI) of \$5 million be provided annually. It is proposed that the provision of this FPI be contingent upon the RMI meeting its commitments to contribute to the MIITF.

### **C. U.S. Program Extension**

22. Most U.S. programs provided under the original Compact along with the programs specified in the U.S. Compact Act and other programs that have been made available by mutual agreement have made a substantial contribution to the development of the RMI. In particular, these programs have provided valuable support in areas where the RMI has limited expertise or resources and in the supply of information and technology transfer. While the RMI is building its domestic capacity it must be recognized that, given the small size of the workforce, the full localization of all skills is unlikely to occur. Also it is difficult for the RMI Government to establish and fund many projects and programs on its own due to economies of scale. Under these circumstances the continuation of the U.S. programs remain crucial to the development of the RMI.

23. It is therefore proposed that:

- The RMI have continued access to the existing programs and services,
- Access be made available to other federal programs as identified by the JERB and mutually agreed.
- The original trade and tariff provisions in Title II, Article IV Trade be reinstated so that the RMI has duty free access to the US markets in order to encourage and facilitate private investment in the RMI.
- Title II, Article V regarding Finance and Taxation as amended by the Public Law 99-239 will be extended in the same manner.



24. The amounts of bilateral grant assistance proposed in II. B above and D below are predicated on the continuation of U.S. program assistance at no less than present levels.

#### **D. Marshall Islands Intergenerational Trust Fund**

25. The RMI established the Marshall Islands Intergenerational Trust Fund (MIITF) in 1999. The MIITF is the only revenue stabilization instrument capable of generating the funds required to achieve budgetary self-reliance. As such the successful development of the Fund is crucial to the sustainability of the RMI economy. This Fund is a key component of the RMI strategy to achieve budgetary self-reliance and provide for future generations of Marshallese.

26. The RMI's aim is to have sufficient funds invested in the MIITF by the end of 2018 so that the net earnings from the Fund are sufficient to supplant the U.S. base grant. After attaining this level the value of the Fund will be maintained by limiting drawdowns to a level that can be sustained without eroding the Fund's real per capita value.

27. The investment in the MIITF will come from: 1) RMI revenues; 2) the United States; 3) other countries; 4) regional and international development and finance institutions; and 5) the reinvestment of earnings. The RMI has already set aside \$17.5 million for its initial contribution. A further \$14 million will be set-aside in the 2003 budget. The Republic of China and development/finance institutions, such as the Asian Development Bank, have also earmarked funds for the MIITF. The Asian Development Bank will assist in providing technical assistance to make the MIITF operational. It is envisioned that after the MIITF is fully operational, a Consultative Group Meeting will take place to present the MIITF to the donor community and further contributions will be solicited from other countries and the donor community.

28. It is proposed that:

- The United States contribute \$18 million annually to the MIITF for the period 2004-2018,
- The RMI will make annual contributions from budget revenues, and
- The RMI seek contributions from other parties.

29. The proposed oversight and accountability framework for the MIITF is described in Section III. The RMI is also pleased to provide a copy of the MIITF Act for comment and review by the United States. A synopsis of the MIITF Act is appended to this proposal as **Attachment A**.

#### **E. Title III and Kwajalein Atoll**

30. The Compact provides that the provisions of Title III may be extended by mutual agreement, or in accordance with Section 231 of the Compact. The RMI stands committed to a long term defense and strategic partnership with the United States as



provided in the Compact and believes that it is in the mutual interest of both governments that the Security and Defense relationship established under Title III be extended beyond the term envisaged for the provisions of a new Title II. This underscores the RMI's enduring commitment to stand with the United States in its efforts to achieve peace and security while providing the RMI with long-term stability and sustainability.

31. The special economic situation of the Kwajalein Atoll communities must be addressed within the framework of the Title III discussions. Failing to address the economic issues that adversely impact these communities could unintentionally impair the special relationship between the United States and the RMI.

32. Accordingly the RMI proposes that the following be addressed in the negotiations:

- The extension of the provisions of Title III Security and Defense Relations;
- The establishment of a Kwajalein Trust Fund; and
- The inclusion of the special needs of Ebeye, particularly those of the Mid-corridor population.

#### **F. Changed Circumstances**

33. The RMI is waiting for a U.S. evaluation of the amended Changed Circumstances Petition that has been submitted to the U.S. Congress pursuant to Article IX of the Section 177 Agreement. This petition is relevant to current negotiations between the United States and the RMI under Section 231 of the Compact. If the U.S. Office of Compact Negotiations is willing to include requests 3, 4 and 5 of the Petition as part of bilateral negotiations, then the RMI will remove those items from the Petition. The RMI requests that the U.S. Office of Compact Negotiations encourage the appropriate agencies of U.S. Government to provide their response and comments with respect to the Petition pending before the Congress.

34. The RMI reserves the right to raise the issue of satisfying unfunded or partially funded awards made by the Nuclear Claims Tribunal in the event due consideration by the U.S. Congress is not forthcoming.

### **III. Monitoring and Accountability**

#### **A. Overview**

35. The Government is committed to ensuring that the governance structure is transparent, efficient and effective and that it facilitates social and economic development. Processes are already in place to improve fiscal and financial management.

36. When the RMI took over the government operation from the Trust Territory administration, there was an acute lack of trained accounting personnel and no



computerized fiscal recording system. Since then, the RMI has taken steps to improve transparency and accountability. These steps have included regular audits, efforts to conform to U.S. guidelines and processes, and improvements in the RMI Government budgetary and accounting procedures.

37. The RMI recognizes that further efforts are required. In particular, issues that need to be further addressed include: strengthening the institutional and human resource capacities within the RMI Government; improving the timeliness of oversight by and cooperative monitoring with counterpart U.S. agencies; and improvements in the budgetary and accountability processes. The RMI Government is already addressing these issues, in part through an ADB funded Fiscal and Financial Management Program Loan.

38. In this regard it is important to note that some of concerns raised by the U.S. Government Accounting Office relate to problems with accounting procedures rather than the misuse of funds. Many of the problems with accountability will be remedied by enforcement of existing statutory provisions. Further, the RMI will fully implement certain domestic laws and further develop additional legal provisions to improve local accountability standards.

39. It is envisioned that during the next term a transparent and collaborative Performance Monitoring and Accountability Framework be established. This framework will include:

- Medium Term Budget and Investment Framework
- Performance Scorecard
- Oversight of the Marshall Islands Intergenerational Trust Fund
- RMI-U.S. Joint Economic Review Board
- U.S. On-Site Representation for Compact Matters
- Other Audit, review and accountability measures and criteria, including the establishment of the Economic Planning, Policy and Statistics Office

40. A U.S. audit firm will prepare an annual audit of the U.S. Bilateral Grant and Program Assistance. The audit will cover bilateral grant disbursements and program assistance provided by U.S. agencies. The RMI Office of the Auditor General will appoint the audit firm.

## **B. Medium Term Budget and Investment Framework**

41. In the future, Government operations and expenditures will be guided by a 5-year MTBIF. The MTBIF will include revenue, budgetary expenditures and capital investments. The requirements the Government ministries and agencies will be appraised, prioritized and then assimilated into the RMI Government MTBIF. The MTBIF will include a: review of past spending, the framework of current spending, and a projection of expenditures and investments for the forthcoming 5-year period. Each year





the MTBIF will be reviewed and revised during the budget process. It will also be reviewed and evaluated by the JERB. The review and revision process will ensure that the MTBIF remains relevant to the contemporary situation while keeping in clear sight the national goals.

### **C. Performance Scorecard**

42. It is envisaged that an agreed set of indicators will be used by the JERB to monitor and review the performance and effectiveness of Compact related economic assistance. It is proposed that the JERB provide an annual report on the performance and effectiveness of U.S. assistance as indicated by changes in the agreed indicators. This Performance Scorecard will enable the United States to monitor the effectiveness of its grants to the RMI and will assist the RMI in framing the annual budget and MTBIF. The proposed indicators are provided as **Attachment B**.

### **D. Marshall Islands Intergenerational Trust Fund**

43. The MIITF will have a Board of Directors chaired by an RMI appointee. Each of the original contributors will appoint one director to the Board. Provisions will be made to allow the appointment of additional directors should other parties make substantial contributions to the Fund. As envisaged, the United States will be an original party and therefore have a seat on the Board.

44. The MIITF will also have an Advisory Committee of two individuals to advise the Government on the social and economic impact of the MIITF on the RMI. The Committee will submit annual reports on these matters.

45. The Board will appoint a Fund Manager who will be a U.S. fund manager with experience in managing trust funds of at least \$1 billion. It is proposed that the Trust Fund be exempt from U.S. taxes.

46. The MIITF Board of Directors will appoint a reputable U.S. audit firm that will be required to carry out an annual audit. The appointed audit firm will have no connection with the Fund Manager. The audit reports will be submitted to the Board and to the JERB for transmission to the Governments of the RMI and the United States and the other contributors. Within six months of the end of the financial year the Board shall publish and submit to each contributor:

- An Annual Report on the activities and management of the Fund, including the annual report of the Advisory Committee;
- The audited accounts of the Fund for the year; and
- The Auditor's report.

### **E. RMI-U.S. Joint Economic Review Board**

47. It is proposed that the RMI and United States establish a Joint Economic Review Board (JERB). The United States will appoint two members; the RMI will appoint two



members and one member will be an independent third party agreed to by the RMI and United States. The Chairmanship of the JERB will rotate annually between the RMI and United States. The JERB will meet annually or as mutually agreed. The JERB will be supported by a secretariat from the RMI Government's Economic, Planning, Policy and Statistics Office (EPPSO).

48. The EPPSO will make available to the JERB:

- National development goals and strategies
- Medium Term Budget and Investment Framework along with relevant sector strategies
- Performance Scorecard
- MIITF Annual Report and Audit
- U.S. Bilateral and Program Assistance Audit

49. The information provided by EPPSO and other information from bilateral consultations will provide the United States representatives on the JERB with sufficient information to report to the Executive Branch as well as to the U.S. Congress.

#### **F. U.S. Representation and Capital Improvement Monitoring**

50. In order to better account for funding and ensure it is being applied in a transparent and effective manner, it is proposed that the U.S. appoint two individuals to the U.S. Embassy in Majuro to act as liaisons between the RMI and the United States on matters relating to the funding and disbursement of the Compact funds.

51. It is envisioned that these individuals would liaise with the Government, mainly through the EPPSO, and other existing/potential funding recipients to ensure that U.S. policies and procedures are maintained and to ensure the use of funds are in line with the intent of the Compact. The individuals could also provide a conduit to access U.S. programs and services made available pursuant to the Compact.

52. It is proposed that project selection criteria be established for capital improvement and maintenance projects. An appropriate framework is provided in **Attachment C**.



**Attachment A**

**The Marshall Islands Intergenerational Trust Fund**

The Marshall Islands Intergenerational Trust Fund (MIITF) became law in the Marshall Islands on April 7, 1999, (P.L. 1999-90<sup>1</sup>). Since that time, the Government has set-aside \$17.5 million as a start up contribution. The MIITF will become operational when contributions are received from other donors, the RMI Government's start-up contribution will then be deposited into the MIITF.

The following is a synopsis of the legislation that was passed by the Nitijela.

**Summary:**

In 1999, the Government introduced legislation for the establishment of the MIITF. The legislation is based on the legal frameworks used by similar trust funds elsewhere in the region. The Asian Development Bank (ADB) provided technical assistance with the drafting of the legislation.

Under the legislation, the initial investments in the MIITF are to come from a direct Government investment plus funds from an ADB concessionary loan. It is intended that the capital of the MIITF will be supplemented by: (1) direct government investments; (2) lump sum contributions from donor Government's and international organizations; and (3) the reinvestment of earnings. The draft International Agreement (Schedule 1) provides a mechanism for the contribution by other donors.

The assets of the MIITF will be vested in the name of a Board of Trustees with the Fund being managed by a professional and competent Fund Manager. Income earned by the fund will be utilized to support the Government's recurrent budget. The capital value of the fund is to be maintained by limiting the drawdowns to the interest earnings of the fund. This will guarantee the sustainability of the MIITF.

As conceived the MIITF is a vehicle that will:

- i) improve the long-term structural stability of Government finances
- ii) generate additional revenue to support the Government's recurrent budget

The objectives of the MIITF are:

- i) to assist the Government achieve greater financial autonomy in the management of its recurrent budget;

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<sup>1</sup> The MIITF Act of 1999 will be provided formally to the U.S. Government via diplomatic channels.



- ii) to enable the Government to provide adequate levels of social infrastructure and services;
- iii) ensure revenue is available to cover long-term maintenance and operating costs of social infrastructure and services; and
- iv) enhance the capacity of the Government to effectively use external capital development assistance.

The MIITF is not designed to cover the RMI's needs for capital development or technical assistance. It is expected that the interested donors will continue to provide such assistance in line with the RMI's development objectives.

**A. Structure of the Legislation:**

There are two parts to the legislation. The first part is authorizing legislation that allows for the creation of the MIITF. The second part referred to as Schedule 1 is the actual "Agreement" for the MIITF that comes into effect when at least three Governments or international organizations (inclusive of the RMI) become "Parties" to the agreement. In other words, once the Agreement comes into effect, the Agreement itself will govern the relationship, duties, responsibilities and rights of the parties subject to it.

**B. Board of Directors**

When the Agreement comes into effect, the MIITF will be governed by a Board of Directors consisting of a Chairman (nominated the RMI) and at least two other members representing the other original parties to the agreement. Additional members may be appointed to the Board on such conditions and with such contribution to the fund as the Board may require.

**C. Advisory Committee**

The Agreement calls for the establishment of an "Advisory Committee" whose functions are to (1) advise the RMI on the progress of the economy and the effect of the Fund socially and economically on the country; (2) submit reports to the RMI and to the Board on these matters; and (3) consider and advise on the preparation and review of the RMI national budgets.

**D. Distributions**

As noted in the "Bill Summary" the RMI would receive income earned by the Fund for the purposes set forth in the Agreement and legislation on an annual basis, although the RMI may draw down the amounts available at such times as may be agreed. The RMI would receive the "returns available for distribution" each year consisting of the Fund's returns (income) minus administrative and other costs of the Fund. In the event that there are insufficient returns available to meet the recurrent budgetary needs, the Board can authorize the use of other resources of the MIITF (from the corpus) to meet those needs.



The Board has a duty to inform the RMI of funds available for distribution in the upcoming fiscal year no later than July 30.

**E. Duties of the RMI**

The RMI agrees to several undertakings with respect to the use of funds from the MIITF and providing information to the Board: (1) treat all distributions from the Fund as “public moneys” subject to Nitijela appropriation; (2) provide full information, documentation and financial accounts to the Board including reports from the Auditor General; (3) all reports relating to the Fund are laid before the Nitijela; (4) the RMI agrees to maintain a practice of prudent financial management, control of expenditure and the utilization of all reasonable opportunities for mobilizing additional revenue; and (5) use its best efforts to make additional contributions to the Fund as well as ensure that the obligations with respect to Nitijela are required by legislation.

**F. Withdrawal and Termination**

The RMI can give notice to terminate the operations of the MIITF, but can only receive its contributions plus other available assets when the Fund is terminated and there is a distribution of assets after payment of outstanding debts and final settlement of outstanding obligations.



**Attachment B**

**Performance Scorecard Indicators**

Changes in the following performance indicators will be monitored to determine the effectiveness of Government policies and the extent to which Compact funding is assisting in achieving the national goals.

**Overall Indicators**

1. Per capita GDP
2. Private sector contribution of GDP
3. Import/Export ratio
4. Effectiveness of tax and other revenue collection
5. Equity of tax and revenue collection
6. Size and structure of the budget
7. Proportion of employment in private sector

**Health**

1. Infant and child mortality rates
2. Proportion of children suffering from malnutrition
3. Immunization rate
4. Teen pregnancy rate
5. Proportion of health expenditure going to primary and preventative care
6. Rate of diabetes and other life styles diseases
7. Expenditure on overseas referrals
8. Ratio of RMI health professionals to the population

**Education and Human Resource Capacity Building**

1. Proportion of school age children attending elementary and secondary school
2. Drop out rate from elementary and secondary schools
3. Proportion of students achieving satisfactory literacy at Grade 4 level
4. Proportion of teachers with AS degree or higher
5. Student/teacher ratios in Majuro, Ebeye and the outer islands
6. Proportion of students attending post-secondary institutions
7. Number of adult students in:
  - Vocational
  - Specialized Certificate
  - Other post-secondary education



### **Infrastructure Development and Maintenance**

1. Proportion of budget committed to maintenance and operation of infrastructure including:
  - Roads
  - Wharfs & jettys
  - Airstrips
  - Causeways
  - Airstrips
  - Building and property
2. Supply of potable water
3. Proportion of households with toilets
4. Solid waste disposal systems
5. Power outage rate on:
  - Majuro
  - Ebeye
  - Other islands
6. Proportion of properties with access to electrical power

### **Private Sector Development**

1. Level of Government involvement in commercial enterprises and utilities
2. Level of Government subsidies to commercial enterprises and utilities
3. Quantity and value of exports
4. Number of tourists
5. Private sector contribution of GDP

### **Environmental Protection**

1. Effectiveness of the National Environmental Management Strategy
2. Number of environmentally degraded sites



**Attachment C**

**Criteria for Capital and Maintenance Projects**

Projects identified are to be infrastructure development, major improvements or major maintenance, not to include public sector investments in productive or other potential private sector enterprises.

Infrastructure projects could be included in the following sectors:

- Road and causeway building
- Port/dock building
- Airfield and related infrastructure building or substantial repair
- Water supply and sewer system building or improvements
- Power supply and distribution building or improvements

Social services infrastructure development to include:

- Hospitals
- Clinics
- Schools

Prepared maintenance plan and cost set-aside for life of project output.

Is necessary to either further private sector development (for physical infrastructure) and/or improve living standards (for health and education infrastructure).

Accepted and transparent procedures for:

- Linkage with overall socioeconomic development strategy and within a sector strategy.
- Project identification and appraisal to include full feasibility studies with cost/benefit analysis
- Public and transparent competitive procurement procedures
- Agreed to project reporting system.