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**Republic of the Marshall Islands (RMI)  
- European Union**

**National Indicative Programme**

**for the period 2014-2020**

## GENERAL CLAUSES

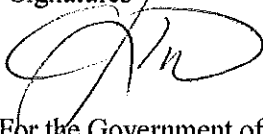
The Government of the Republic of the Marshall Islands and the European Commission hereby agree as follows:

- (1) The Government of Republic of the Marshall Islands and the European Commission, hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020.  
These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of the Republic of the Marshall Islands and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.  
The National Indicative Programme, is annexed to the present document.
- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to the Republic of the Marshall Islands for the period 2014-2020, an amount of EUR 9.1 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which the Republic of the Marshall Islands benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of the Marshall Islands within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous European Development Funds (EDFs) and from funds decommitted from projects or programmes under those EDFs. The respective projects and programmes shall be implemented

according to the rules and procedures of the 10<sup>th</sup> EDF until the entry into force of the 11<sup>th</sup> EDF implementing rules and financial regulation.

- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11<sup>th</sup> EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme document as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

Signatures



For the Government of  
the Republic of the Marshall Islands



For the European Commission

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### **List of principal acronyms and abbreviations**

ACP	African, Caribbean and Pacific Countries
CEDAW	Convention on the Elimination of Discrimination against Women
CRA	Climate Risk Assessment
EDF	European Development Fund
EIA	Environmental Impact Assessment
EU/EUD	European Union / European Union Delegation
EEZ	Exclusive Economic Zone
GDP	Gross Domestic Product
MCT	Micronesian Conservation Trust
MDG	Millennium Development Goals
MS	Member States (of the EU)
MTDS	Medium Term Development Strategy
NAO	National Authorising Officer
NEC	National Energy Committee
NEP	National Energy Policy
NMDP	National Master Development Plan
ODA	Official Development Assistance
RMI	The Republic of Marshall Islands
PEFA	Public Expenditure and Financial Assessment
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Team
SDP	Marshall Islands Strategic Development Plan
TA	Technical Assistance

## Summary

The Republic of Marshall Islands (RMI) is a Lower Middle Income Country with around 50 000 people distributed over a number of small islands (total landmass of 171 km<sup>2</sup>) dispatched over a very large Exclusive Economic Zone (EEZ), of almost 2 million km<sup>2</sup>. Climate change is especially acute in the atoll nation of RMI where most of the land is no more than two metres above sea-level.

Renewable energy, climate change and development are related at the global level. Renewable energy technology can reduce demand for fossil fuels and contribute to economic sustainability. In schools, health centres and homes renewable energy not only improves health and education but also promote micro-enterprises. In the remote rural atolls of RMI renewable energy technology is the only practical way of providing communities with access to energy. For these reasons the 9<sup>th</sup> and 10<sup>th</sup> EDF National Indicative Programmes (EUR 11.4 million in total) focussed on renewable energy, targeting disadvantaged households, schools and health clinics on the Outer Islands. The focus on renewable energy will continue under the 11<sup>th</sup> EDF therefore also ensuring the long-term sustainability of the achievements of previous EU investments in that sector.

Due to remoteness of RMI, an "innovative" approach to implementation is necessary and a shift from a project approach to budget support will be considered.

In choosing this sector the Government and the EU were cognizant of other donor programmes in the country, particularly the US with its focus on Health and Education, and synergies were developed between the different interventions undertaken.

Beyond the renewable energy sector, EU efforts in the non-focal area will continue with a particular emphasis in areas related to public finance management, economic development and accountability, as well as increased support to civil society to enhance the participation of Non State Actors in policy dialogue - a crucial component of any democratic system. Particular focus will also be given to gender issues, with support provided to implement Convention on Elimination of Discrimination Against Women (CEDAW). The overall objective of this assistance is to improve social and economic development, reduce poverty and increase resilience to climate change, especially in the outer islands.

Following the agreement with the Government of the Marshall Islands a single programme for EUR 9.1 million is to be implemented during the 11<sup>th</sup> EDF period 2014-2020 and it will include the following components:

Renewable Energy & Energy Efficiency	EUR 8 000 000	(88% of total)
Measures in favour of civil society	EUR 400 000	(4.4% of total)
Support measures	EUR 700 000	(7.6% of total)
Total	EUR 9 100 000	(100%)

In addition, the NIP may be complemented by operations financed under the EDF Regional Programme and the Investment Facility for the Pacific, and by the EIB from the Cotonou Investment Facility and/or from its Own Resources.

## **NATIONAL INDICATIVE PROGRAMME (NIP) 2014-2020**

### **REPUBLIC OF THE MARSHALL ISLANDS (RMI)**

#### **1. The overall lines for the EU response**

##### **1.1. Strategic objectives of the EU's relationship with the partner country**

The European Union (EU) and the Republic of Marshall Islands (RMI) have a 13-year long history of co-operation and partnership which started in 2000 when RMI joined the African, Caribbean, Pacific (ACP) group. EU-RMI cooperation is currently guided by the latest revision of the ACP-EU Partnership Agreement, signed in Cotonou in 2000 and updated in Ouagadougou in June 2010.

The ACP-EU Partnership Agreement will remain in force until 2020 and is centred on reducing, and eventually eradicating, poverty through sustainable development and the gradual integration of ACP countries into the world economy.

Cooperation between the EU and the Republic of Marshall Islands shall continue to pursue these objectives in keeping with the fundamental principles of the Agreement such as human rights, democratic principles, the rule of law, good governance, conflict prevention and resolution etc.

While a strong ownership of the country development strategy and the alignment of EU aid with this strategy remain essential elements of the Partnership, the EU development approach set out in 2011 "EU agenda for change" and in the 2012 EU Communication "Towards a renewed EU-Pacific development partnership" will also be reflected. As a result, efforts will be made, among others, toward developing a more targeted delivery of aid to ensure maximum poverty reduction. Increased assistance will be provided notably to address climate change challenges, in cooperation with other Pacific countries. This in turn should facilitate a more general convergence of views on global issues debated in international fora.

The principle of alignment of the EU development strategy with the country national development strategy will guide the EU 11<sup>th</sup> EDF programming and implementation. The Marshall Islands Strategic Development Plan (SDP) Framework 2003-2018 (also known as 'Vision 2018') was developed in 2001. The document foresees, among others, the establishment of a sound system of governance with effective and responsible economic and financial institutions, high investment in education and research, an inclusive development process respectful of the environment. The Government has identified climate change as a key priority and the new Joint National Action Plan for Climate Change Adaptation and Disaster Risk Management complements the country's development framework. While the Vision 2018 lacks a robust monitoring and performance assessment framework, a number of sector

policies and strategies are in place and carefully monitored by relevant Ministries. In particular, a National Energy Policy and Strategy was adopted in 2010.

Against this background, the EU cooperation with the Republic of Marshall Islands will be guided by the existing SDP until 2018. If required, a new national bilateral program 2018-2020, fully aligned with priorities and timing of the new Marshall Islands national development strategy will be prepared.

In addition, the NIP may be complemented by operations financed under the EDF Regional Programme and the Investment Facility for the Pacific, and by the EIB from the Cotonou Investment Facility and/or from its Own Resources.

## **1.2. Choice of sector**

The Republic of Marshall Islands is a Lower Middle Income Country with around 50 000 people distributed over a number of small islands (total landmass of 171 km<sup>2</sup>) dispatched over a very large Exclusive Economic Zone (EEZ), of almost 2 million km<sup>2</sup>. Climate change is especially acute in the atoll nation of RMI where most of the land is no more than two metres above sea-level. Changing weather patterns and increased storms and disasters are just some of the threats posed. High waves and tidal surges regularly damage homes and destroy crops in RMI.

Renewable energy, climate change and development are related at the global level. Renewable energy technology can reduce demand for fossil fuels and contribute to economic sustainability. In schools, health centres and homes renewable energy not only improves health and education but also promote micro-enterprises. In the remote rural atolls of RMI renewable energy technology is the only practical way of providing communities with access to energy.

For these reasons the 9<sup>th</sup> and 10<sup>th</sup> EDF National Indicative Programmes (EUR 11.4 million in total) focussed on renewable energy, targeting disadvantaged households, schools and health clinics on the Outer Islands. In choosing this sector the Government and the EU were cognizant of other donor programmes in the country, particularly the US with its focus on health and education, and synergies were developed between the different interventions undertaken. Importantly the 9<sup>th</sup> EDF was also used to help government formulate a National Energy Policy and Strategy, which the 10<sup>th</sup> EDF has helped to implement. The impact of past interventions has been positive with many households, schools and clinics now having access to energy. By the end of the 10<sup>th</sup> EDF all households in RMI will have access to energy, 37% exclusively from photovoltaic sources. While this is a remarkable achievement, the sustainability of the EU funded interventions is not assured. Financing for outer island equipment maintenance and the eventual replacement of essential parts, batteries, inverters, etc has yet to be secured. User-pay models have been trialled but require more time and further development to take root. The development of a revolving fund via monthly user-fees

has met with consumer resistance and, at times, has been subject to changing political priorities. The Governments' intention of establishing a 'revolving fund' using its own resources is constrained by budgetary considerations and other funding priorities. As rural communities become more familiar and reliant upon solar technology political expediency to keep systems running will increase.

A continued EU focus on the energy sector will assist in consolidating successes so far gained. However, it is suggested that a change in modalities of intervention from a project approach to budget support be considered if eligibility conditions for EU budget support are met. As for most countries in the Pacific, the transaction costs of using a project approach is high, posing multiple challenges on the staff and staffing level of government departments. Moreover, the project approach has failed to provide a solid platform for dialogue with the national authorities at policy level.

In view of these difficulties and in light of global aid effectiveness outcomes and recommendations, a shift to budget support will be explored. The Asian Development Bank has indicated a strong desire to become associated with the EU in its plans to further strengthen this sector, building on RMI's progress in financial management and policy and planning functions.

Beyond the renewable energy sector, EU support will continue to go to areas related to public finance management, economic development and accountability, as well as increased support to civil society to enhance the participation of Non State Actors in policy dialogue - a crucial component of any democratic system. Particular focus will also be given to gender issues, with support provided to implement Convention on the Elimination of Discrimination against Women (CEDAW). In line with the Agenda for Change and the EU's fundamental values, support to this area could be enhanced through regional or thematic envelopes, in partnership with the UN or other development partners.

## **2. Financial overview (indicative amounts)**

Sector 1: Renewable Energy & Energy Efficiency	EUR 8 000 000	(88% of total)
Measures in favour of civil society	EUR 400 000	(4.4% of total)
Support measures	EUR 700 000	(7.6% of total)
Total	EUR 9 100 000	(100%)

## **3. EU support per sector**

### **3.1 Renewable Energy & Energy Efficiency (indicative amount EUR 8 million)**

3.1.1 The following overall and specific objectives will be pursued:

### **Overall Objective:**

The overall objective is to improve social and economic development, reduce poverty and increase resilience to climate change, especially in the outer islands.

### **Specific Objectives:**

The specific objectives are to achieve universal access to modern and sustainable energy services by specific initiatives in the outer islands, to increase energy efficiency and to increase the share of renewable energy" The Government of the Marshall Islands recognizes that socio-economic development will require an increased level of energy production and that only through the development of local renewable energy resources can there be a reduction in long-term dependence on imported petroleum. The Government also recognizes that improving the efficiency of energy use has greater short term value for reducing dependence on foreign sources of energy than any other action.

3.1.2. For each of the specific objectives the main expected **results** are:

*(1) Achieve universal access to modern and sustainable energy services*

1.1 Increased access to modern and sustainable energy services, particularly in the outer islands

1.2 Improved management of public bodies and utilities in the energy sector. The strengthening of these institutions is crucial if the already installed outer island energy systems are to be sustainable

1.3 A sustainable mechanism for the maintenance and replacement of renewable systems established for outer island communities.

*(2) Improvement in energy efficiency*

2.1 Improved energy efficiency in terms of generation, transmission and consumption in urban centres of Majuro and Ebye.

*(3) Increase the share of renewable energy*

3.1 Increased share of renewable energy in the country's energy mix

3.2 Improved investment framework by providing incentives for the renewable energy sector

3.1.3 The main indicators for measuring the aforementioned result are contained in the sector intervention framework (Annex 3).

#### **3.1.4. Donor coordination and policy dialogue:**

External aid and internal implementation is coordinated through the Ministry of Finance. The establishment of the Economic Policy, Planning, and Statistics Office (EPPSO) has strengthened policy and planning capabilities, including improved collection, analysis and dissemination of data. There remains no resident EU Member States (MS) in RMI. EU Development cooperation continues to be managed from the Suva Delegation – a 2500 km roundtrip away. The US is by far the largest contributor to the national budget providing on average 82% of total annual ODA. These funds are made up of Compact II disbursements and various Federal Grants. The majority of these funds support Health and Education and include the construction and refurbishment of health clinic and schools on the outer islands. Taiwan (ROC) provides about 11% of total ODA mostly direct budget support with a smaller amount financing a range of national programmes. Japan currently provides around 4% of total ODA for water and sanitation projects. Total EU support (bilateral) amounts to around 1% of total ODA. Other international donors include Australia, ADB, and the UN agencies. The World Bank has recently provided USD 3 million in budget support to the telecommunication sector. The EU's focus on renewable energy is complementary to most other donor actions in RMI but particularly to US efforts in Health and Education, bringing power and light to households, schools and medical centres in remote communities.

The traditional project approach does not provide an appropriate policy dialogue platform with national authorities. Against this background and responding to the recommendations of the Paris Declaration and the Accra Agenda for Action, the Commission is preparing to introduce or expand other aid delivery mechanisms in the Pacific such as budget support provided eligibility for EU budget support is confirmed. The European Union is not alone with this change. Australia, NZAid, USAid and the World Bank are either delivering their aid as budget support or are at an advanced stage of preparation. ADB has embarked on programme loans, which is the modality corresponding to budget support in a lending context. Budget support requires a comprehensive understanding of government's development and reform agenda and professional skills and experience to work on macro-economic policies such as fiscal, monetary, financial, and real sector developments. The lack of a physical presence in RMI and, indeed, the entire North Pacific, makes EU coordination efforts difficult.

#### **3.1.5. The Government's financial and policy commitments:**

The Government is committed to improving Public Financial Management (PFM). Following a Public Expenditure and Financial Assessment (PEFA) in 2011, the Government, with assistance from the Pacific Financial Technical Assistance Team (PFTAC), has developed a roadmap for PFM reform. It is also committed to introducing a tax reform bill—with a modernized net profit tax and consumption tax with the aim of making the RMI economy more business friendly.

For energy efficiency the Government will develop an energy management plan for government, including processes for its implementation and monitoring. It will:

- revise taxes to encourage the import and sale of appliances, vehicles and boats having the highest energy efficiency;
- develop energy efficiency standards for new buildings and renovations including homes, businesses and government premises, with financing on subsidized terms for designs and construction meeting the standards;
- carry out energy audits on government facilities, with the responsible departments each developing and submitting an investment plan for the capitalization of energy efficiency improvements for the facilities; and require government departments to each name an energy manager who will develop and implement an energy management plan. Monitoring will be by the Ministry Resources & Development (MRD) and annual reports detailing energy usage will be submitted.

With regard to renewable energy the government will:

- aggressively support the development of all environmentally appropriate, practical and economic indigenous energy resources so that local renewable energy will provide 20% of electrical energy generated in the Marshall Islands by the end of 2020; mandate that imported energy for land transport will be replaced where practical by locally produced biofuel and for sea transport both wind energy and biofuel will be increasingly used; take the lead in the use of indigenous energy to replace imported petroleum with a goal of a 40% total reduction in energy from petroleum fuels within government by the end of 2020; ensure that all outer island energy development will be through the use of indigenous energy sources where technically practical; and require that all renewable energy technologies accepted by government for use in the Marshall Islands shall be commercially proven and shall have more than five years of successful service in remote, tropical islands through installations of a similar type and size as those needed in the Marshall Islands. Set-up and establish a revolving fund mechanism that ensures the long-term sustainability (Observations and measurement and replacement) of capital investments already made through the European Development Fund.

### 3.1.6. Assessments

The environmental assessment and climate risk assessment procedures in the “Guidance for the Integration of Environment and Climate Change in EU Development Cooperation” will be applied to determine the need for an environmental assessment (Strategic Environmental Assessment – SEA, in the case of a programme or Environmental Impact Assessment – EIA, in the case of a project) and/or a Climate Risk Assessment (CRA). Even if an environmental assessment or a CRA is not deemed necessary, the screening questionnaire will help identify environmental and climate change (adaptation and mitigation) aspects that could be integrated in the project/programme formulation in order to enhance their environmental and climate change performance.

### 3.1.7. The overall **risk assessment** of the sector intervention:

The major risk associated with implementing the programme is the Government's ability to achieve and maintain its 'eligibility' to receive EU budget support. Mitigating measures will include the provision of EUR 400 000 for Technical Assistance support to assist RMI prepare for budget support in the focal area. Should, for any reason, budget support prove problematic delivery will revert to a project approach.

RMI's past history with natural disasters portrays medium risk, however, with impacts from climate change, specifically rising sea level, a high probability of natural disasters can be foreseen. Since 2008, RMI has experienced two severe droughts. In 2008 and 2014, extreme waves and high tides caused widespread flooding in the capital city of Majuro and other urban centres.

In 2013, the northern atolls of the Marshall Islands experienced severe drought. The drought affected 6000 people directly caused the failure of food crops and the spread of diseases such as diarrhea, pink eye and influenza. Extreme weather events and sea level rise can threaten energy infrastructure and prolonged droughts can create higher energy demands. These need to be addressed by a comprehensive programme of coordinated action.

Political risks associated with tariff setting may evolve, especially with regard to user-fee collection and usage of revolving funds for outer island communities. These risks will be mitigated with the establishment of an independently managed by observations and measurement and capital cost replacement fund.

## **4. Measures in favour of civil society**

In line with the Cotonou Agreement and its Annex IV, an indicative amount of maximum EUR 400 000 will be set aside for support to civil society organisations.

## **5. B-allocation**

A B-allocation may be included in the MIP for unforeseen needs (specifically relevant for fragility situations). This allocation is at EUR 0 until a need arises. In case of necessity, a Financing Decision to meet an unforeseen or urgent need can always be taken notwithstanding the status of the indicative B-allocation mentioned in the MIP

## **6. Support measures**

### **6.1. Measures to support or accompany the programming, preparation or implementation of actions**

An indicative amount of maximum EUR 400 000 is foreseen for a Technical Assistance (TA) support programme to assist RMI prepare for possible budget support in the focal area. The nature and level of TA support will be determined following a budget support eligibility assessment scheduled mid-2014.

### **6.2. Support to the National Authorising Officer**

An indicative amount of maximum EUR 300 000 is foreseen for support to the National Authorising Officer.

## **Attachments**

1. Country at a glance (i.e. macroeconomic indicators and indicators derived from the MDGs, as well as possible other indicators relevant for the country, including risk indicators for disaster prone countries)
2. Donor matrix showing the indicative allocations per sector
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds

Attachment 1: Country at a Glance (Key macro-economic indicators and key MDG and development indicators)

Attachment 1A: Key macro-economic indicators (years 2014,2015 and 2016 are projections)

Key macro-economic indicators										
		2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic data										
1	Population (in 1000)	104.498	103.983	103.619	103.424	103.395	103.549	103.903	104.460	105.235
	annual change in %	-0.6	-0.5	-0.4	-0.2	0.0	0.1	0.3	0.5	0.7
2a	Nominal GDP (in millions EUR)	104	109	123	123	142	145	151	155	-
2b	Nominal GDP per capita (EUR)	994	1 046	1 188	1 186	1 373	1 401	1 450	1 483	-
2c	annual change in %	-9.7	5.3	13.6	-0.2	15.8	2.1	3.5	2.3	-
3	Real GDP (annual change in %)	-1.9	-1.5	5.6	0.8	3.2	0.8	3.2	1.4	1.6
4	Gross fixed capital formation (in % of GDP)	56.8	56.8	56.8	56.8	56.8	-	-	-	-

Balance of Payments (based on Fiscal Year)										
5a	Exports of goods (in % of GDP)	13.2	13.7	19.8	23.9	25.7	27.9	28.6	28.6	29.2
	of which the most important: (in % of exports) <i>fish</i>	3.9	13.7	27.2	38.0	43.6	-	-	-	-
	of which share of regional trade (in % of exports)	1.0	1.4	1.7	1.8	1.9	2.2	2.4	2.4	2.4
5b	Imports of goods (in % of GDP)	58.9	62.0	76.9	67.1	81.5	70.1	58.2	58.7	58.1
		<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	of which share of EU imports (in % of imports)	1.5	0.4	0.2	0.2	0.2	-	-	-	-
5c	Trade balance (in % of GDP)	-45.7	-48.5	-61.8	-40.2	-37.6	-35.5	-29.6	-30.1	-28.9
6	Export of services (in % of GDP)	6.7	6.9	6.9	6.8	6.6	6.4	6.6	6.6	6.7
	of which the most important: <i>Travel</i> (tourism) (in % of exports)	26.5	26.9	29.2	30.0	28.5	-	-	-	-
6a	Current account balance (in % of GDP)	-1.8	-16.9	-28.1	-6.2	-6.3	-2.5	-5.5	-5.9	-4.7
7	Net inflow of remittances (in % of GDP)	6.0	6.7	6.1	3.7	3.5	3.3	3.4	3.3	3.3
8	Net inflows of foreign direct investment (in % of GDP)	3.7	9.6	22.7	2.3	20.2	10.6	2.1	2.0	2.0
9	External debt (in % of GDP)	62.0	70.4	64.2	64.1	57.2	53.8	52.9	48.8	44.7

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10	Service of external debt (in % exports goods + services)	24.7	22.7	17.6	11.3	11.3	10.5	13.4	11.9	11.5
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	-	-	-	-	-	-	-	-	-
<b>Trade capacity</b>										
12	Average cost to export (USD per container)	875	695	695	695	695	695	-	-	-
13	Global competitiveness index	-	-	-	-	-	-	-	-	-
		<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Government budget (based on Fiscal Year)</b>										
14	Revenues (in % of GDP)	70.2	69.2	67.0	63.7	60.8	61.1	59.1	58.5	58
	of which: grants (in % of GDP)	44.5	44.3	42.3	38.4	36.6	39.5	36.1	35.4	34.9
	of which: external tariff income (in % of GDP)	5.7	4.7	4.7	4.0	3.8	-	-	-	-
16	Expenditure (in % of GDP)	66.4	67.8	62.4	60.0	61.9	61.1	58.4	57.7	56.9
	of which: capital expenditure (in % of GDP)	12.1	11.2	10.7	10.7	11.4	12.1	9.8	9.6	9.3
16a	Overall Balance (in % of GDP) including grants	3.7	1.4	4.6	3.7	-1.1	-0.1	0.7	0.8	1.0
	Overall Balance (in % of GDP) excluding grants	-40.8	-42.9	-37.7	-34.7	-37.7	-39.6	-35.4	-34.6	-33.9
17	Total (domestic+ external) debt (in % of GDP)	62.0	70.4	64.2	64.1	57.2	53.8	-	-	-

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Monetary policy										
18	Consumer price inflation (annual average rate in %)	14.7	0.5	1.8	5.4	4.3	1.6	-	-	-
19a	Commercial Bank Lending Rates (annual average rate in %)	18.5	13.9	14.0	14.0	14.0	-	-	-	-
19b	Deposit Rates (annual average rate in %)	3.6	6.0	3.5	3.5	3.5	-	-	-	-
20	Exchange rate: annual average national currency / 1 EUR	1.5	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3

### Sources

1. Population: UNDESA United Nations Department of Economic and Social Affairs, Population Division, Populations Estimates and Projections Section (UNDESA). Website: <http://esa.un.org/unpd/wpp/Excel-Data/population.htm>
2. Nominal GDP: Asian Development Bank (ADB) Statistical Database and International Monetary Fund's (IMF) Article IV Mission - Country Report for 2011. Since the GDP data is in USD, USD/EUR bilateral exchange rate (period average) is used to convert the nominal into EUR. Exchange Rate data is from ECB's website <http://sdw.ecb.europa.eu/browse.do?node=2018794> while the forecasts are from the Consensus Forecasts (December 2013).
3. Real GDP: IMF Staff visit report Nov. 2013 (2008 to 2011) & IMF Staff Visit report Nov., 2013 (2012 & 2013) & 2011 IMF Article IV report (2015-2016)
4. Gross Formation: United Nations (UNdata): <http://data.un.org/Default.aspx>
5. Exports, Imports and Net FDI data sourced from IMF Article IV Mission 2011 Country Report (Table 3).
6. Fisheries data sourced from <http://pitiviti.org/initiatives/economics/rmi.php>
7. EU trade data is from the Eurostat Database: <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/regions/>
8. Trade Balances, Current Account Balances, External Debt Stock and Debt Servicing Ratios have been sourced from the IMF Staff visit report Nov. 2013 (2008 to 2013) & IMF Article IV Mission Country Report 2011 (2014 to 2016)
9. Net Private Unrequited Transfers (inflow data only) has been used as a proxy for remittances- sourced from IMF Article IV Mission Country Report for (Table 3); calculated as (Inflows of transfers - Budget grants)/NDGP\*100
10. Row 12 data under *Trade Capacity* has been sourced from the World Bank: <http://databank.worldbank.org/data/views/reports/tableview.aspx>
11. Government Budget and Monetary Policy indicators have been sourced from IMF Staff visit report Nov. 2013 (2008 to 2013) & IMF Article IV Mission Country Report 2011 (2014 to 2016)
12. For the MDGs and development indicators, additional information is provided in the attached excel file (which shows data sources in the 'comments').

## Attachment 1B: Key MDG and development indicators

KEY MDG AND DEVELOPMENT INDICATORS												
Key indicators		1990	2000	2008	2009	2010	2011	2012	2013	2014	2015 Expected Achievements (On-Track/Off-Track/Mixed/Insufficient information/Not Applicable)	2015 Original Goals
1	Proportion (%) of population below 1\$/day in PPP [Source: PIFS 2010 & 2013 MDG Report (for 2008 using data for 2006, based on National Basic Poverty needs)]	...	...	...	...	...	...	...	...	...	OFF TRACK TO ACHIEVE THIS GOAL. TARGET 1.A No data on poverty. Hardship likely. Economic recovery from global financial crisis concentrated in a few sectors. No social safety net and high inflation. Rising unemployment and financial hardship on many of the outer islands. [Source: PIFS 2013 MDGs Report, pg 17]	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
2	Prevalence (%) of underweight children under age 5 [Source: PIFS 2013 MDG Report]	19.0	27.0	13.0	...	...	...	...	...	...	OFF TRACK TO ACHIEVE THIS GOAL. TARGET 1.C Prevalence of underweight children down but still high. No data on food poverty. [Source: PIFS 2013 MDGs Report, pg 17]	Halve, between 1990 and 2015, the proportion of people who suffer from hunger

3	Under 5 child mortality (per 1,000 live births) [Source: <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> ]	49	41.4	39.4	39	38.8	38.5	37.9	...	...	<b>ON TRACK TO ACHIEVE THIS GOAL.</b> TARGET 4.A Under-five mortality and infant mortality rates have declined steadily, consistent with the increase in the measles immunization coverage. [Source: PIFS 2013 MDGs Report, pg 17]	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
4	HIV Prevalence in Population aged 15-24 (%) [Source: PIFS 2013 MDG Report]	...	...	...	...	...	0.0	...	...	...	<b>OFF TRACK TO ACHIEVE THIS GOAL.</b> TARGET 6.A High prevalence of STIs, low condom use, and low HIV/AIDS knowledge – vulnerability to HIV/AIDS. Incidence rates low but prevalence likely high. [Source: PIFS 2013 MDGs Report, pg 17]	HIV have halted by 2015 and begun to reverse the spread of HIV and AIDS
5	Births attended by skilled health personnel (%) [Source: PIFS 2010 & 2013 MDG Report (for 2000, 2011) & <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> (for 2008, 2010)]	...	90.0	86.2	...	99.0	98.3	...	...	...	<b>ON TRACK TO ACHIEVE THIS GOAL.</b> TARGET 5.A Low maternal deaths, consistent with high skilled attendance. Increase in trained personnel at the hospitals and in the outer islands. Also, strengthening of pre- and postnatal programs, hiring of qualified expatriate medical staff, purchase of modern monitoring equipment, and improvement of the off-island medical referral system. [Source: PIFS 2013 MDGs Report, pg 17]	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

6	Children 1 year old immunized against measles (%) [Source: <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> ]	52.0	94.0	86.0	78.0	97.0	97.0	...	...	...	<b>ON TRACK TO ACHIEVE THIS GOAL.</b> TARGET 4.A Under-five mortality and infant mortality rates have declined steadily, consistent with the increase in the measles immunization coverage. [Source: PIFS 2013 MDGs Report, pg 17]	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
7	Total net enrolment ratio in primary education, both sexes [Source: PIFS 2013 MDG Report]	89.7	84.1	...	...	...	84.0	...	...	...	<b>MIXED RESULTS IN ACHIEVING THIS GOAL.</b> TARGET 2.A No progress on net enrolment rate but survival rate up. High literacy rates. Lack of improvement in net enrolment rate likely a result of both a drop-out effect, as well as a push-out effect. Insufficient number of seats in primary schools, particularly in congested urban areas of Majuro and Ebeye, underpin push-out phenomenon. [Source: PIFS 2013 MDGs Report, pg 17]	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

8a	Gender Parity Index in primary level enrolment [Source: PIFS 2013 MDG Report (for 1990, 2010) & <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> (for 2000, 2008, 2009, 2011)]	0.95	0.96	1.01	1.00	1.00	0.99	...	...	...	<b>ON TRACK TO ACHIEVE THIS GOAL.</b> <b>TARGET 3.A</b> Gender parity in education achieved – more girls attending secondary school. Low economic participation. Matrilineal society where land rights pass through women but men usually delegated the authority to exercise and control these rights. Only one woman in the 33-member parliament (Nitijela), unchanged since 1990. A number of women serving in prominent government positions, including as ministers. More women employed in the private sector but in low-paying positions.[Source: PIFS 2013 MDGs Report, pg 17]	Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
8b	Gender Parity Index in secondary level enrolment [Source: PIFS 2013 MDG Report (for 1990, 2011) & <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> (for 2008, 2009)]	0.90	...	1.06	1.03	1.13	...	...	...	...		
8c	Gender Parity Index in tertiary level enrolment [Source: PIFS 2010 & 2013 MDG Report]	0.50	0.90	1.03	...	...	...	...	...	...		

9	Percentage of pupils starting grade 1 who reach last grade of primary, both sexes [Source: PIFS 2013 MDG Report (for 2000) & <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> (for 2008)]	...	42.4	83.5	...	...	...	...	...	...	<b>MIXED RESULTS IN ACHIEVING THIS GOAL.</b> TARGET 2.A No progress on net enrolment rate but survival rate up. High literacy rates. Lack of improvement in net enrolment rate likely a result of both a drop-out effect, as well as a push-out effect. Insufficient number of seats in primary schools, particularly in congested urban areas of Majuro and Ebeye, underpin push-out phenomenon. [Source: PIFS 2013 MDGs Report, pg 17]	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
10	Population with sustainable access to improved water source (%) [Source: <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> ]	92.0	93.0	94.0	94.0	94.0	94.0	...	...	...	<b>OFF TRACK TO ACHIEVE THIS GOAL.</b> TARGET 7.C Access up but various studies indicate serious concerns over water quantity and quality problems. Sanitation an issue, particularly households with no sanitation facilities whatsoever; and poor sanitation situations in densely populated urban areas. [Source: PIFS 2013 MDGs Report, pg 17]	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

11a	Fixed telephone lines per 100 inhabitants [Source: PIFS 2013 MDG Report (for 2011) <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> (for 1990, 2000)]	1.06	7.67	...	...	...	6.00	...	...	...	...	...
11b	Mobile cellular subscriptions per 100 inhabitants [Source: PIFS 2013 MDG Report (for 2011) <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> (for 1990, 2000)]	0.00	0.86	...	...	...	24.00	...	...	...	...	...
11c	Internet users per 100 inhabitants [Source: <a href="http://mdgs.un.org/unsd/mdg/data.aspx">http://mdgs.un.org/unsd/mdg/data.aspx</a> ]	0.00	1.53	4.60	5.60	7.00	8.06	10.00	...	...	...	...
12	Cost of business start-up procedures (% of GNI per capita) [Source: <a href="http://data.worldbank.org/country">http://data.worldbank.org/country</a> ]	...	...	17.3	16.2	17.3	17.7	13.6	12.8	...	...	...
13	Time required to start a business (days) [Source: <a href="http://data.worldbank.org/country">http://data.worldbank.org/country</a> ]	...	...	17.0	17.0	17.0	17.0	17.0	17.0	...	...	...

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14	Real GDP per capita, PPP (constant 2005 international \$) [Source: <a href="https://www.cia.gov/library/publications/the-world-factbook/geos/rm.html">https://www.cia.gov/library/publications/the-world-factbook/geos/rm.html</a> ]	...	...	...	...	8600	8700	8600	...	...	...	...
15	Access of rural population to an all season road [ <a href="http://www.quandl.com/browse/worldbank/international-development-association-results-measurement-system/access-to-an-all-season-road-of-rural-population-all-countries">http://www.quandl.com/browse/worldbank/international-development-association-results-measurement-system/access-to-an-all-season-road-of-rural-population-all-countries</a> ]	...	...	...	...	...	...	...	...	...	...	...
16	Household electrification rate [ <a href="http://www.quandl.com/society/household-electrification-rate-all-countries">http://www.quandl.com/society/household-electrification-rate-all-countries</a> ]	...	...	...	...	...	...	...	...	...	...	...
17	Unemployment (in % of labour force, ILO def.) [Source: <a href="https://www.cia.gov/library/publications/the-world-factbook/geos/kr.html">https://www.cia.gov/library/publications/the-world-factbook/geos/kr.html</a> ]	...	...	...	...	...	11.0	...	...	...	...	...

18	Employment in agriculture (in % of total employment) [Source: <a href="https://www.cia.gov/library/publications/the-world-factbook/geos/kr.html">https://www.cia.gov/library/publications/the-world-factbook/geos/kr.html</a> ]	...	30.9	36.0	...	...	...	...	...	...	...	...
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## Sector 1: Renewable Energy &amp; Energy Efficiency

Specific objective 1: To achieve universal access to modern and sustainable energy services

Expected Results	Indicators <sup>1</sup>	Means of verification
1.1 Increased access to modern and sustainable energy services, particularly in the outer islands	<p>Percentage of population with secure access to modern energy services (urban and rural areas separately)</p> <p>Percentage of households in the outer islands with secure access to an affordable, reliable energy supply.</p> <p>Percentage of Population with access to electricity from a grid (urban and rural areas separately)</p> <p>Percentage of Population using solid fuels</p>	<p>UN Millennium Development Goal Database</p> <p>Country data/ with project support</p> <p>PPA Benchmarking</p>
1.2 Improved energy security and trade, aiming at preparing the national energy system to benefit from intra-regional energy cooperation, including regulation and barrier removal	Existence/ status of i) National strategy, ii) policies and iii) regulation that aim at allowing the national energy system to benefit from intra-regional energy cooperation in the context of ad-hoc Regional Agreements.	<p>UN Millennium Development Goal Database</p> <p>Country data/ with project support</p>
1.3 Improved management of public bodies and utilities in the energy sector	<p>Existence/ degree of implementation of i) National strategy and ii) policies related to the access to modern and sustainable energy services for the poor</p> <p>Existence of regulations delegating decision making power and operational capacity in the sector of energy access to local authorities below the Central Government level</p>	National Policy Documents
Specific objective 2: improvement in energy efficiency		

<sup>1</sup> Baselines will be included at the latest in the Action Document

2.1 Improved energy efficiency in terms of generation, transmission and consumption	<p>% of pop with secure access to improved cooking facilities</p> <p>Technical and non-technical losses in power generation, transmission, distribution and end-use (measured as % of energy generated, transmitted and distributed)</p> <p>MWh per year saved through energy efficiency measures</p>	<p>UN Millennium Development Goal Database</p> <p>Country data/ with project support</p>
Specific objective 3 : Increase the share of renewable energy		
3.1 Increased share of renewable energy in the country's energy mix	<p>Percentage of energy mix from renewable sources</p> <p>Number of MW generated from renewable energy sources</p> <p>Percentage of GDP allocated to investments for renewable energies</p>	Country data/ with project support
3.2 Improved investment framework in the renewable energy sector	Existence of regulations/favourable fiscal regime/subsidies aiming at promoting private sector investments in the sector of renewable energy	Country data/ with project support

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

<b>Annex 4: Template for Indicative timetable for commitments</b>	<b>Indicative allocation (million EUR)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>SECTOR - Renewable Energy &amp; Energy Efficiency</b>	8			8.0				
<b>Other measures (support to civil society)</b>	0.4			0.4				
<b>B- allocation</b>	0							
<b>Support measures</b>	0.7							
<b>• Measures to support or accompany the programming, preparation or implementation of actions</b>	0.4		0.4					
<b>• Support to the National Authorising Officer</b>	0.3				0.3			
<b>Total Commitments</b>	9.1		0.4	8.4	0.3			

The amounts mentioned in this table are indicative