



Republic of the Marshall Islands: National Report

May 2013

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- I. Introduction.....1
- II. Achievements and Challenges in Implementation.....2
 - Peace and Security / Environmental Sustainability 2
 - Economic Inclusiveness 6
 - Inclusive Social Development 11
 - Creating an enabling environment for sustainable development 15
- III. Renewed Political Commitment16
- IV. New and Emerging Challenges.....17
- V. Priorities for Sustainable Development18
- VI. Conclusions/Recommendations19

I. Introduction

Vision 2018, the RMI’s strategic development plan framework (2003-2018), provides the broad policy and planning framework against which progress achieved or not under various national, regional and international programmes of action, including the Barbados Plan of Action (BPoA) and the Mauritius Strategy of Implementation (MSI), can be measured. Taken together, the goals and objectives of Vision 2018 address the four pillars of sustainable development – Economic Inclusiveness, Social Inclusiveness, Environmental Sustainability, and Peace and Security – that serve as a guide in the post-2015 discussions of development.

Vision 2018 Goals and Objectives

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| 1. Operating in an interdependent world | 6. Law-abiding people |
| 2. Enhanced socio-economic self-reliance | 7. God-loving people |
| 3. An educated people | 8. Respecting human rights |
| 4. A healthy people | 9. Respecting culture and traditions |
| 5. A productive people | 10. Environmental sustainability |

This report represents the RMI’s first step toward preparing for the 2014 SIDS International Conference. That said, Vision 2018 informs the RMI’s ongoing sector planning process. The RMI Government has also begun work on a National Strategic Plan (NSP) to articulate its medium term development goals and strategies. The NSP will aim to set out where the RMI Government wants to be in three/four years, and the design to get there, in line with the overall objectives of Vision 2018.

This report reflects much of this ongoing work to address areas of critical concern to the RMI rather than the totality of points raised under the BPOA and the MSI. These areas of concern will be grouped according to the four pillars while keeping in mind the stated goals of Vision 2018.

II. Achievements and Challenges in Implementation

The following section assesses the RMI's progress to date in the implementation of Vision 2018, the Barbados Plan of Actions (BPOA), and Mauritius Strategy of Implementation (MSI), as grouped under the four pillars of the post-2015 discussions on sustainable development. The discussion on implementation concludes with a section on the creation of an enabling environment, in recognition of the importance oversight and management play in implementation.

Peace and Security / Environmental Sustainability

The people of the Marshall Islands intimately understand the link between peace and security on the one hand and environmental sustainability on the other. From 1946 to 1957, the United States conducted 67 atmospheric nuclear tests at Bikini and Enewetak atolls in the Marshall Islands. In the aftermath of the tests, Marshallese have grappled with social, economic and cultural disruptions stemming from forced migration and displacement. This is in addition to the health-related impacts of the testing. The nuclear testing legacy in general has had a long-standing negative impact on the ability of affected communities to undertake sustainable development, because of the limited access to land as well as the disruption to communities and culture. Now Marshallese are confronted by a different kind of atmospheric danger: the existential threat posed by climate change.

Climate Change

In a low-lying atoll nation such as the RMI, extremely high vulnerability to the impacts of climate change – sea level rise, coastal erosion, impacts on plants and animals, and changes in rainfall patterns – makes climate change both an environmental sustainability issue and a security threat. At a special meeting of the UN Security Council in February 2013, Minister-in-Assistance Tony deBrum delivered the following statement: “Climate change threatens lives, livelihoods, sovereign territory and, in some cases, the existence of states.” As a security issue, climate change is at the forefront of any discussion of long-term livelihood and sustainability for the islands.

In 2011, the RMI Government adopted the National Climate Change Policy Framework (NCCPF), which sets out the RMI's commitments and responsibilities to address climate change. The NCCPF recognizes that climate change exacerbates already existing development pressures. These pressures arise from extremely high population densities (on Ebeye and Majuro in particular), rising incidences of poverty, a dispersed geography of atolls over a large ocean area (making communication difficult and transport expensive), and a small island economy that is physically isolated from world markets but highly susceptible to global influences. Environmental pressures are also acute, with low elevation, fragile island ecosystems, a limited resource base and limited fresh water resources (exacerbating the reliance on imports) resulting in an environment that is highly vulnerable to overuse and degradation.

Partnerships at all levels of society are key to a successful strategy for responding to climate change. The Micronesia Challenge is an example of a regional partnership that has been translated into local action through the RMI's community-based conservation area management framework called *Reimaanlok*. As part of the MC/*Reimaanlok*, the RMI is working to preserve its cultural heritage through effective conservation of natural resources thereby enhancing resilience to impacts of climate change. The *Reimaanlok* strategy provides relevant agencies with a collection of tools for community engagement. If

the *Reimaanlok* strategy could be coordinated across sectors, it could help enormously in addressing any disconnect between international measures, government policies, non-government organizations and civil society.

Micronesia Challenge: A Strategic Partnership

- In 2006 RMI, Palau, CNMI, FSM, and Guam commit to conserve 30% of near shore and 20% of terrestrial resources by 2020.
- In 2008 RMI adopts *Reimaanlok: Looking to the Future* as its national conservation area management plan.
- In 2010 RMI prepares a *Sustainable Finance* Plan wherein it projects it must double its annual approx. \$0.5 million contribution and raise a **\$13 million endowment fund** housed at Micronesia Conservation Trust to achieve the Micronesia Challenge goals.

The Micronesia Challenge/*Reimaanlok* is a success story in a generally dismal scenario for climate change action. Since 2006, the Micronesia Challenge has gained increasing international recognition, donor interest, and has even been emulated elsewhere, such as in the Caribbean and Indonesian archipelagos. The failure of the international community to collectively provide an adequate response to climate change threatens any progress the RMI makes on the issue. This is not to say that the RMI is abandoning the international negotiating process. The RMI's Second National Communication (SNC) to the UNFCCC is in its final stages of completion. However, other opportunities to advance the RMI's and SIDS climate agenda must be both created and sought. At the Pacific Islands Forum Summit this coming September, RMI political leaders plan to push for the Majuro Declaration on Climate Change, which will demand action to ensure that a below 2 degree world remains within reach.

Gaps to be addressed include severe financing challenges, the need for enhanced technical capacity, and systematic mainstreaming of climate change considerations into development strategies and activities. In terms of financing challenges, each MC jurisdiction has developed a draft sustainable finance plan for achieving its goals under the Micronesia Challenge. These plans include an estimate of the overall costs of achieving the Micronesia Challenge goals, an assessment of internally-sourced existing and potential revenues for these costs, a calculation of the "gap" between the costs and existing and potential funding, and a unified regional plan to achieve a MC target endowment of \$58 million to fill the gap. Specific to the RMI, a target endowment of \$13 million has been determined, and to date over \$2 million has already been raised. Bolstered by the burgeoning merits of biodiversity and healthy ecosystems including the mitigation of and adaptation to climate change, the RMI is championing new thinking and innovative ways of engaging development partners and countries to raise the remaining amount, including one approach recently endorsed for further evaluation at the 2012 Micronesian Presidential Summit. The RMI carries national debt of over \$70 million with debt service projected to last 25-35 years, and is actively pursuing "debt for adaptation swap" opportunities based on the premise that the Micronesia Challenge/*Reimaanlok* is an effective tool to alleviate poverty while also increasing national economic stability and climate change resilience.

Data management also remains a key gap to be addressed in RMI's response to climate change. Topographic data and GIS layers relevant to climate change management in the Marshall Islands remain to be digitized from old maps, created from fieldwork, and/or consolidated. These data are the building blocks needed to develop models to simulate weather events and impacts. One recommendation that has been made is to support a nascent GIS users group by establishing a National Spatial Analysis Facility (NSAF) at the College of the Marshall Islands.

With support from SPREP and Canada Aid, another recommendation the Government has begun outlining is for a proposed new Ministry of Environment, Energy, and Conservation headed by a new Minister who would oversee the implementation of the NCCFP, JNAP, and other corresponding resource management policies and action plans. The Office of Environmental Planning and Policy Coordination (OEPPC) is currently devising a work plan to engage with as many stakeholders as possible to ensure the value and viability of this landmark Government reform. A similarly far-reaching proposal is underway for the RMI to take on an enhanced profile within the Kyoto Protocol Adaptation Fund as an accredited National Implementing Entity.

Natural Disaster Preparedness

In a multi-stakeholder process conducted in 2010-2011, the Joint National Action Plan for Disaster Risk Management and Climate Change (JNAP) was developed. The JNAP Matrix aligns with actions identified under the RMI National Action Plan for Disaster Risk Management 2008-2018 and the aforementioned NCCPF. At the national level, the JNAP Matrix provides a comprehensive guide to the needs of the RMI with regards to reducing risk relating to disaster and climate change.

Externally funded DRR/CCA partnerships include UNDP-GEF funds for the Pacific Adaptation to Climate Change (PACC) project focusing on water resources, funds from the East-West Centre, Australia's Pacific Climate Change Science Program, and newly announced EU funds from the EDF10 funding stream. Additional support was identified from Compact Funding and USAID, ROC Taiwan, AusAID and regional partners including SOPAC-SPC, ADB, WHO and SPREP. And an Bureau of Oceans and International Environmental and Scientific Affairs (OES) grant through the US Embassy Majuro is funding the position of Senior Technical Advisor for Climate Change, based at OEPPC. AusAID is funding the positions of senior technical advisors at the Majuro Water and Sewage Company (MWSC) and a Climate Change Clerk based at the RMI legislative Office of the Nitijela. Effective coordination at the national level is paramount to achieving the full benefits of these various DRR/CCA project/funding streams such that there are no gaps in services, and that outcomes prove sustainable over the long-term. Moreover, while there are numerous sources of external donor funding for DRR and CCA, it should be noted that donor funding often comes with criteria and reporting requirements that pose challenges for already stretched government agencies.

Although the Government has endorsed the NCCPF and DRM NAP, the JNAP remains to be explicitly adopted by Government for implementation. There also remains limited capacity to undertake DRR/DRM activities both from a human resources and financial perspective. While Local Governments for Majuro and Ebeye have disaster risk reduction plans in place, outside of the more urbanized areas, disaster risk management has been primarily reactive than proactive. According to the National Progress Report on Implementation of the Hyogo Framework 2011-2013, "Strengthened capacity, through appropriately resourced focal points in relevant offices, is needed at the national level to ensure the JNAP, as the key policy document for DRR/DRM and climate change, is implemented across all sectors."

The Ministry of Internal Affairs (MoIA) is becoming more proactive and better recognized as a key link between national and local levels particularly for DRR/DRM issues. Annual Mayors Conferences and Mobile Teams, organized through MoIA, allow for the communication of important issues (including DRR/DRM and climate change issues) between the national and local levels. Drought relief efforts following the May 2013 Presidential Declaration of Disaster across 14 northern atolls have allowed the Government and development partners to enact what appears to be highly effective disaster relief protocols, though this is ongoing and too recent for closer analysis in this report.

Water and Sanitation

The RMI's 2009 MDG Progress Report showed mixed progress on environmental sustainability overall, with forward movement in areas such as conservation threatened by the aforementioned issues of climate change and sea-level rise but also complicated by other serious challenges such as improving sanitation and water quality. Water testing data show that there remain serious quantity and quality problems related to household drinking water. On the sanitation side, the problem is twofold: 1) a significant number of households with no sanitation facilities whatsoever; and 2) strained solid waste management systems in urban centers and (increasingly) rural areas.

The 2010 Majuro and Kwajalein Atoll Water Survey Report identified the following gaps/needs: a need for more household water catchments in anticipation of the growing trends of water borne diseases/illness in both rural and urban pockets; an equal need for focused attention to environmental health through better surveillance, particularly with the use of GIS systems; improving public awareness about water and allied preventive health issues; and stepping up the government's ability to supply water in the extended dry periods or in the aftermath of a natural disaster.

Progress is being made with the following strategic partnerships in place: SOPAC/SPC (GEF Pacific IWRM Project), SPREP (PACC and PACC+ Projects), ADB and AusAid (Ebeye Water and Sanitation Project), Forum Secretariat through the Pacific Environment Community Fund (Potable Water Solutions for Outer Islands Proposal), and GIZ (Coping with Climate Change in the Pacific Island Region Project). The first draft national water policy was recently completed and awaits Cabinet review and endorsement. The challenge in this area, as in others, is coordinating the work and outcomes of these various project/funding streams such that there are no gaps in services, and that outcomes prove sustainable over the long-term.

Coastal management and land use planning

With nearly all of its land on or immediately adjacent to its coastline, sustainable land use management in the Marshall Islands is, by definition, a coastal management concern. The National Coastal Management Framework (2008) provides the basis for local coastal management and guides environmental concerns for strategic development. The framework was developed following considerable consultations with stakeholders and sets out arrangements and activities for coastal zone management in the RMI including:

- Mandates and responsibility for implementing the framework
- Survey of Coastal Zones
- Issuing of coastal permits and development of appropriate regulations
- Recommends new regulations that phase out certain coastal activities that are extremely damaging to the environment, such as private landfills and dragline dredging.
- Policies for controlling waste, foreign matter and water quality
- Guiding, controlling and monitoring coastal development activities
- Promoting terrestrial and marine conservation in the coastal zone
- Environmental Impact Assessment as an essential tool for Coastal and Environmental Management
- Inter-agency cooperation and coordination through the Coastal Management Advisory Committee (CMAC).

The Coastal Management Advisory Council was established by the Marshall Islands Marine Resources Authority (MIMRA), RMI Environmental Protection Authority, College of the Marshall Islands (CMI), and the Marshall Islands Conservation Society (MICS) to assist local government councils to formulate fishery management plans and fisheries management ordinances, and to harmonize efforts in facilitating

the implementation of community fisheries management programs to all communities of the RMI. Over the years the group has expanded in membership to include the Ministry of Resources and Development, Marshall Islands Visitors Authority (MIVA), OEPPC, the Historic Preservation Office, and Women United Together in the Marshall Islands (WUTMI). Additionally, the Council has expanded its scope to focus on terrestrial resources in line with further integrating the RMI's community-based resource management planning efforts under the *Reimaanlok*.

Adopting the *Reimaanlok* strategy in rural communities, the government and non-government representatives of CMAC have been able to work closely with local stakeholders to build community resiliency while also defining integrated planning approaches to coastal and land management. In the urban centers, however, challenges to effective implementation abound. Although various agencies – EPPSO, EPA, and local governments – have mandates to implement existing zoning laws, a lack of a political will and effective implementing mechanisms, commitment from landowners and ongoing financial solvency issues in local governments continue to hamper effective urban planning in Majuro and has led to unchecked urban development, poor waste management and environmental degradation in many urban areas.

Land issues are highly sensitive in the RMI and it is challenging to offer advice to the landowners on how to use or develop their land. There remains a need for public awareness campaigns relating to why certain legal regulations exist and what sustainable development means, i.e. to maintain a healthy environment and to ensure future generations have access to resources such as water, food and land. Mechanisms like the *Reimaanlok* strategy that involve local stakeholders, in particular landowners, in coastal and land use planning processes must also be applied in urban areas.

Economic Inclusiveness

While climate change is a new and emerging challenge for the RMI, achieving economic growth as well as long-term economic and fiscal sustainability has been a dilemma of long-standing for the country. It is a dilemma that must be discussed in the context of the RMI's Compact of Free Association agreement with the United States. Payments by the US under the Compact have contributed an estimated 50-70 percent of Gross Domestic Product since 1986. And yet, despite high levels of assistance under the Compact, the RMI economy has failed to grow in any sustained manner and trends in social indicators are worrying.

Inclusive economic development is predicated upon eradicating income poverty and hunger, reducing inequalities, and ensuring decent work and productive employment. In 2009, the RMI's progress on MDG Goal 1, Eradicate Extreme Poverty and Hunger, was mixed. While the RMI did not yet have abject or extreme poverty, the RMI was not on track to meeting the three targets under MDG1. More recently, the 2010 Majuro and Kwajalein Household Water Survey concluded that poverty was a real and serious problem in urban areas of the RMI, with households facing problems such as no water, no electricity, high unemployment, stagnant wages, rising prices, a need for improved government services, and access to information. It is against this backdrop that inclusive economic development is discussed.

The Compact and Compact Trust Fund

Renewed in 2004, the RMI's Compact of Free Association agreement with the United States forms the basis of a unique strategic political and economic partnership. The Compact has provided a stable, though declining, stream of grants targeting the health, education and infrastructure sectors. The shift from general budgetary grants to sector grants is part of enhanced monitoring, performance assessment, and accountability for outcomes under the second Compact. The overall performance of the key sectoral

areas is scrutinized by the Joint Economic Management & Financial Accountability Committee (JEMFAC), whose responsibilities are particularly to: review audits and reports; evaluate progress towards performance objectives set in Medium Term Budget and Investment Framework (MTBIF); and recommend ways to increase the effectiveness of Compact assistance while increasing the use of locally generated revenues and other international aid.

The Compact grants expire in 2023, at which point the RMI is expected to use earnings from the Compact Trust Fund “to contribute to the long-term budgetary self-reliance of the RMI... [and] to provide the Government of the RMI with an ongoing source of revenue after FY2023.” However, economic analyses anticipate a gap/shortfall in distributions from the Compact Trust Fund. The RMI Trust Fund was valued at \$158 million as of June 2012, which is \$25 million short of being able to maintain the real value of sector grants after 2023. The growth rate required to “catch up” is 9 percent.

The FY 2011 RMI Economic Review makes two specific recommendations: 1) that policy makers mobilize additional contributions—from domestic and external sources—to the Trust Fund; and 2) that the parties to the Trust Fund consider changes to the Trust Fund Agreement. In addition to RMI and US contributions to the Trust Fund, the Republic of China (ROC) has contributed funds. Assistance from like-minded donors is required if long-term fiscal stability of the country is to be an achievable goal.

Reforming Government operations to bring down costs and allow for higher national contributions to the Trust Fund is a clear priority in need of attention. In April 2009, an RMI Comprehensive Adjustment Program (CAP) Advisory Group was created to develop an internally conceived and designed program to reduce expenditures. Cabinet also created the Revenue and Tax Reform and Modernization Commission (TRAM) to increase revenues. While Cabinet subsequently adopted CAP and TRAM recommendations, implementation has been slow. Bills for State-Owned Enterprise (SOE) and tax reform were introduced in Parliament in 2012, but there is much more to be done. The important aspect of reform for the RMI will be to tackle fiscal problems with solutions that are locally designed and driven.

Energy

Successful reform of the energy sector in the RMI in recent years showcases the progress that can be made when local political will and resources are matched with assistance from the international community. The emerging crisis in FY2008 with the onset of the world recession and higher fuel prices precipitated a financial crisis at the Marshalls Energy Company (MEC), which in turn threatened the fiscal stability of the nation. There has been a turnaround at MEC since 2010, when the utility forged ahead on a reform plan that not only allowed it to stabilize power generation, but also gain financial breathing room with lower-interest loans from the ADB and US government’s Rural Utility Service.

Key to this success has been the Ministry of Resources and Development Energy Office, which has been able to bolster its technical expertise with the assistance of partners such as the European Union, AusAid, World Bank, Taiwan and Japan to aid in the development and implementation of the RMI National Energy Policy and Energy Action Plan 2009. The RMI Energy Policy and Action Plan clearly sets out electrification, renewable energy (RE), and energy efficiency (EE) goals tied to outputs in 2015 and 2020.

Goals of the National Energy Policy and Energy Action Plan (2009)

- Electrification of 100% of all urban households and 95% of rural outer atoll households by 2015;
- The provision of 20% of energy through indigenous renewable resources by 2020;
- Improved efficiency of energy use in 50% of households and businesses, and 75% of government buildings by 2020; and
- Reduce supply side energy losses from MEC by 20% by 2015.

Corresponding targets as part of the Green Energy Micronesia (GEM) Initiative between the RMI, FSM and Palau furthermore commit the RMI to 20% improvement in EE by suppliers; 30% improvement in EE use by end-users; and 20% electricity generation through RE, most likely solar.

Challenges intrinsic to the renewable energy sector were recently highlighted within the Outer Islands Electrification Program in a mid-term review (MTR) of the EU/SPC North Pacific Renewable Energy Program. In essence, the installed energy equipment needs to be routinely maintained. A sustainable financing mechanism to address this need is now being piloted whereby rural women's incomes are increased through handicraft sales specifically for PV payments. Diligence is needed at the national level to ensure the pilot mechanism succeeds, or else the millions of dollars in PV equipment and RMI's accomplishments towards electrifying 95% of rural outer atoll households by 2015 will recede. Other challenges common across development partner funding streams were also highlighted in the MTR, including bureaucratic and equipment delivery delays. Similar challenges have thwarted the Action for the Development of Marshall Islands Renewable Energy (ADMIRE) project, which was recently taken over by the Ministry of R&D in an effort to streamline more effectively with the Energy Division work plan. ADMIRE project activities include public awareness on the importance of renewable energy, and technical capacity building on specific types of renewable energy (e.g. solar and wind).

In addition, the RMI is working in conjunction with Japan and SIDS DOCK to undertake a feasibility study for OTEC, Ocean Thermal Energy Conversion, which uses the deep ocean temperature differential to generate electricity, fresh water, and hydrogen. If successful, the RMI envisages that OTEC will usher in a new era of integrated sustainability and turn the Marshall Islands from an oil-dependent country into a renewable energy exporter. A review of the National Energy Policy is forthcoming, with the aim to be more inclusive of OTEC.

State Owned Enterprise Reform

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