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Assessing and Improving Policy Response in the North Pacific

Republic of the Marshall Islands

Prepared by Emil Friberg, Ph.D., with support from GSUSA EconMAP team

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For Asian Development Bank

Asian Development Bank

ASIAN DEVELOPMENT BANK

Assessing and Improving Policy Response to Economic Shock in the Republic of the Marshall Islands

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Foreword

Coronavirus disease 2019 (COVID) was a significant external shock to the three ADB North Pacific developing member countries (DMCs): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (Palau). For the three nations, ADB provided support to address the adverse economic impacts of the pandemic on government revenue, private sector businesses, and households.

This review provides an assessment of the RMI's policy response to the COVID pandemic, outlining the timeline of key RMI government and donor actions, evaluating the implementation of mitigation programs, and providing a presentation of RMI's economic experience during the COVID Period, Fiscal Years (FY) 2020-2022 and Post-COVID FY 2023. Observations on this experience are outlined as lessons learned, and data gaps that emerged during the COVID Period are outlined to strengthen the response and planning for future economic shocks.

Further, this review presents an in-depth assessment regarding four data areas where ADB has identified data gaps: migration, remittances, foreign direct investment (FDI), and small-to-medium enterprise (SME) information. For these four areas, this report reviews the existing public information on each topic from RMI government and international sources. In several cases, underlying RMI survey/census data and administrative records/data are analyzed to provide additional insights. This demonstrates how existing data and records can be used further to understand migration/remittances and FDI/SMEs. Suggestions to improve data availability are also offered.

This review was conducted in 2023 and 2024. Interviews and data collection took place in the RMI in February and March of 2023. A draft report for the ADB was finalized in August 2024.

Abbreviations

ADB	Asian Development Bank
BOMI	Bank of Marshall Islands (RMI)
BOP	Balance of Payments
CARES Act	Coronavirus Aid, Relief, and Economic Security Act (US)
CDC	Centers for Disease Control and Prevention (US)
CDF	Contingent Disaster Financing (ADB)
COVID	Coronavirus disease
COVID-19	Coronavirus disease 2019
CPRO	COVID-19 Pandemic Response Option (ADB)
DMC	developing member countries (ADB)
DOL	US Department of Labor (US)
DRP	Disaster Resilience Program (ADB)
DSA	debt sustainability analysis
EconMAP	Economics Monitoring and Analysis Program (GSUSA)
EIN	Employer Identification Number
EPPSO	Economic Policy, Planning, and Statistics Office (RMI)
FAS	Freely Associated States
FDI	foreign direct investment
FIBL	Foreign Investment Business License (RMI)
FPUC	Federal Pandemic Unemployment Compensation (US)
FSM	Federated States of Micronesia
FY	fiscal year
GAO	US Government Accountability Office (US)
GDP	Gross Domestic Product
GSUSA	Graduate School USA
HIES	Household Income and Expenditure Survey
IIP	International Investment Position
IMF	International Monetary Fund
IOM	International Organization for Migration (UN)
KAJUR	Kwajalein Atoll Joint Utility Resources (RMI)
KBE	Kili-Bikini-Ejit Local Government (RMI)
KNOMAD	Global Knowledge Partnership on Migration and Development
MIDAS	Migration Information and Data Analysis System (RMI)
MIMRA	Marshall Islands Marine Resource Authority (RMI)

MISSA	Marshall Islands Social Security Administration (RMI)
MOHHS	Ministry of Health and Human Services (RMI)
NDC	National Disaster Committee (RMI)
NDMO	National Disaster Management Office (RMI)
NEOC	National Emergency Operations Center (RMI)
NGO	non-governmental organizations
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
OECD	Organization of Economic Cooperation and Development
OIA	Office of Insular Affairs, Department of the Interior (US)
Palau	Republic of Palau
PCERP	Pandemic COVID-19 Economic Relief Program (RMI)
PFM	public financial management
PIHOA	Pacific Island Health Officers Association
PITI-VITI	Pacific Islands Training Initiative/Virgin Islands Training Initiative (GSUSA)
PPE	personal protective equipment
PRC	People's Republic of China
PUA	Pandemic Unemployment Assistance (US)
RISES	Recovery through Improved Systems and Expenditures Support (ADB)
RMI	Republic of the Marshall Islands
SME	small and medium enterprise
SOE	state-owned enterprise
SPC	The Pacific Community
TCMI	Trust Company of the Marshall Islands (RMI)
US	United States
UNICEF	United Nations Children's Fund
WHO	World Health Organization
WU	Western Union

NOTES: RMI government fiscal year (FY) ends on September 30.

Currency unit: United States dollar (US$).

Figures may not add in this report due to rounding.

Acknowledgments

The authors would like to thank officials from the Government of the RMI for their valuable time in discussing their implementation of programs during COVID as well as for providing data regarding the mitigation period and the four data under special review. Offices consulted included: Office of Chief Secretary; Ministry of Finance, Banking, and Postal Services; Ministry of Health and Human Services; Ministry of Natural Resources and Commerce; Banking Commission; Economic Policy, Planning, and Statistics Office (EPPSO), and Marshall Islands Development Bank. Authors also want to thank private sector representatives who discussed their experiences from the COVID period and with the related government policies and programs, as well representatives of embassies present in Majuro.

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Executive Summary

RMI's COVID Pandemic Response and Experience

RMI Health and Economic Response Initiated with Donor Support

The worldwide COVID-19 (COVID) pandemic began unfolding in early 2020 and the RMI's overarching goal was to minimize the importation and local transmission of COVID. Bolstered by its ongoing experience with a dengue outbreak, the RMI government began traveler screening and quarantine in late January from some countries and suspended international arrivals in early March. Fortunately, the RMI avoided importing COVID during February-March 2020. With its limited subsequent air and port arrivals managed through a strict quarantine process, the people in the RMI remained free to go to school, church, parties, and ceremonies, all without masks. Business operations over the pandemic period were mostly unconstrained, once initial COVID regulations for the fishing and shipping industries were relaxed to accommodate business needs.

The closure of borders protected the RMI and provided time to distribute vaccines and to prepare for COVID transmission before any community spread of the disease. COVID vaccinations began by the end of 2020 and when community spread occurred in August 2022, the population was substantially vaccinated. Further, by that time the RMI had access to Paxlovid, an antiviral medication that stops the COVID virus from multiplying and reduces the progression to severe COVID that may lead to hospitalization or death. Among all nations, the RMI had one of the lowest reported death rates from COVID, recording 17 deaths, of which only 4, were people who had sought and received medical care; the majority of COVID deaths were unvaccinated or partially vaccinated residents. RMI used inaccurate population data in its implementation of vaccination campaigns. Lacking accurate data on outward migration, RMI projected its population from the 2011 census, which proved to be far in excess of the actual population.

In addition to donor support of its public health operations, the government used donor grants to maintain government operations and to manage COVID's economic impact by supporting COVID-affected businesses and households. The government also benefited from timely economic projections of the impact of the COVID pandemic on business operations, employment, and government revenue. While the RMI prioritized protecting health, it took complementary actions to facilitate fishery and port activities that minimized private sector losses.

RMI government efforts were made possible due to donor assistance. ADB reports it provided the RMI almost $32.6 million in COVID-related projects, including $30.6 million in grants and the remainder in technical assistance. ADB grants supported the health sector, as well as businesses and the household sector. The US provided about $50.2 million in financial grants and additional in-kind support, such as providing COVID vaccines to the RMI. The US provided unemployment benefits to qualified workers in the RMI who lost their jobs due to COVID. Other donors included: Australia, European Union, Japan, New Zealand, Taipei,China, World Bank, and World Health Organization.

RMI Implemented Economic Mitigation Programs

The economic responses of the RMI government were three-fold: business relief payments, social assistance programs, and implementation of the US-funded unemployment program.

RMI provided business relief payments, funded through an ADB grant, to COVID-impacted businesses as part of its response plan. By the end of the program in February 2023, the RMI had provided $5.7 million through 366 payments to 204 recipient businesses. The economic relief beneficiaries were concentrated in the tourism-related areas of accommodation/food service, transportation, and wholesale/retail trade that together received 75 percent of payments. The large role of the government in the economy was evident: state-owned enterprises constituting a hotel/resort, a public utility, the port authority, and an airline accounted for 38 percent of the relief payments program.

RMI social assistance efforts funded repatriations, neighboring island food security, and post-COVID recovery. Repatriation support provided small stipends to citizens marooned overseas and covered repatriation and quarantine costs. Food security was addressed with "Food Baskets," a six-month supply of food that was provided to 2,380 households in the neighboring islands/atolls as well as fishing gear and agricultural tools and supplies. Also, school meals were provided 5 days per week during the 2020-2021 school year. Post-COVID, the RMI provided funding to all local atoll governments, cash payments to all government workers and to select households, including people with disabilities, taxi drivers, unemployed seniors, and vulnerable families.

RMI disbursed $8.1 million of US Coronavirus Aid, Relief, and Economic Security (CARES) Act unemployment grant assistance to support 463 unemployed workers from about 54 employers. Program benefits were concentrated with workers from five employers, accounting for 76 percent of program benefits, mostly related to fisheries and visitor-related employers. The compensation provided by the US CARES Act benefits significantly exceeded RMI private sector worker compensation. For example: under the US CARES program, unemployed RMI beneficiaries could receive unemployment payments as high as $862 per week which was almost 6.4 times the average level of earnings, or 7.2 times minimum wage earnings.

Overall, mitigation programs that offset the negative impact of declining visitors and falling fisheries activity had a beneficial impact on average household incomes during the COVID pandemic. The beneficial impact of mitigation was captured in FY2020-FY2022, where average real household incomes in FY2021 were 13 percent above the FY2019 level and 4.3 percent above average real household income without mitigation.

RMI's Economy Sustained by Donor Grants During COVID

RMI's inflation-adjusted GDP declined due to the COVID restriction on travel and volatility in the fisheries industry but was substantially offset with donor support. The total impact of the pandemic was a 2.4 percent GDP decline, with the public sector growing, but not fully offsetting declines in fisheries and other private sector areas. COVID period employment grew by 1.9 percent as public sector employment growth more than offset private sector employment declines.

Donor funds contributed to a substantial rise in RMI government revenues, which in FY2021 were 22 percent higher than the FY2019 level. In FY2020, donor grant funds increased by $17 million or 24 percent, providing funds to pay for increased COVID health costs and unemployment payments. FY2021 saw the $16 million ADB grant used for general budget support. With COVID response funded by donor grants, RMI ran a budget surplus in FY2020 through FY2022, but a deficit is estimated for FY2023 as the pre-COVID structural deficit reasserts itself. External debt and debt service continued to fall over the COVID period.

Data: Migration, Remittances, FDI, and SMEs

The ADB identified four specific data areas for examination: migration, remittances, foreign direct investment (FDI), and small-to-medium enterprise (SME) information. Migration and remittances are closely related, with a country's migrants moving overseas and then transferring some income home to family members as remittances. In the case of FDI and SME data, they both represent information on the structure of the economy, albeit at opposite ends of the scale. FDI is likely tied to large investments in tourism or manufacturing, while SMEs are likely to be comprised of small local firms.

RMI Migration Data

The RMI has a small but dynamic population. Many RMI citizens migrate to the United States and establish residency, although some may later return to the RMI. A limited number of foreign citizens enter the RMI on fixed-length work permits and become residents of the RMI during their time of employment. A small tourism/visitor sector brings in temporary visitors.

Data on RMI's inward and outward migration can be drawn from the RMI census, providing valuable information on migration for making long-term policy. Recent census information suggests a substantial outward migration. The RMI population fell 20.2 percent from 2011 to 2021 to 42,418 from 53,158. This trend can be further analyzed through a cohort analysis. For example, following an age cohort across multiple censuses shows long-term patterns of migration. The cohort of 15- to 19-year-olds counted in the 2011 Census had fallen in number by 46 percent in the 2021 census ten years later. This demonstrates the strong outward migration pattern. Information on inward/outward migration of foreign workers can also be found in census data. Census data can establish long-term RMI migration trends.

The RMI recently fully implemented a Border Management System that records the passport data of arrivals and departures. With this data collection scope, statistics can be developed to measure the flow of RMI and non-RMI residents, as well as flows of temporary visitors on an annual or quarterly basis. This can be done by computing net arrivals (differencing arrivals and departures for a given time period) or "matching" the arrival and departure of unique individuals. With a matched travel history approach, an individual that arrives in the RMI and does not depart within a set time period can be classified as an in-bound migrant to the RMI. Conversely, a resident who leaves the RMI and does not return within a set time period can be classified as an out-bound migrant. Creating a matched travel history draws from the individual passport-level information

collected in the Border Management System. The practicality of this approach can be investigated, and additional steps are needed to automate the calculation of such travel history.

Some specific steps could improve our knowledge of RMI migration:

» Existing census and survey information could be further tabulated to reveal migration patterns. Also, improved information on foreign worker migration can be developed using a combination of worker permit data, withholdings tax data, and/or passport clearance information.

» The RMI could implement travel history matching through its border management system, which would allow travel information to segment RMI citizens vs foreign travelers. This information will be far more timely than periodic census data. Technical assistance to support this effort could be sought from the immigration offices of partner nations that use this approach.

» Lastly, consideration could be given to a publication strategy for information on migration. This publication could also include information on remittances, which are linked to migration actions.

RMI Remittance Data

Remittances are payments by residents of one country to residents in another country and are often a reflection of the migration of people. The RMI is on both sides of remittance flows, with outbound remittance flows from RMI households who send payments to family members overseas and foreign workers in the RMI who send some of their earnings home, and with inbound remittance flows from RMI citizens who have migrated to the United States and send some of their earnings to family in the RMI.

RMI publishes limited information on remittances in its Balance of Payments (BOP) statistics and reports on remittances from periodic censuses and household surveys.

» RMI's Economic Policy, Planning and Statistics Office (EPPSO) publishes annual Balance of Payments (BOP) statistics. However, data on household remittances, both outflows and inflows, are not itemized, but incorporated into other categories. The assumptions behind estimates have not been recently updated.

» RMI Censuses and Household Income and Expenditure Surveys include questions related to remittances. Census questions have changed over time and do not address outward remittances and in some cases, the information collected is not published. The 2019/20 household survey reported that almost half of all households had received a remittance. Half of the remittance senders were children of the household and 87 percent came from outside the RMI. Cash remittances represented 2.2 percent of household income. Data on remittances sent by RMI households was collected, but the responses were not tabulated to the same extent as inward remittances.

Some specific steps could improve our knowledge of RMI remittances:

» The assumptions used for the current BOP estimates can be updated with information from the most recent RMI Census and household survey as merited.

This will require further tabulations of underlying census and survey information by the RMI statistics office.

» Census and HIES questions should be consistently structured to capture the inward and outward flows of remittances to and from the RMI and cover money and goods. Using the same questions across censuses and HIES surveys could provide a more complete time series of relevant data on all remittance activities. Additionally, collected census and HIES data should be consistently tabulated, cross-tabulated by citizenship, and published.

» Data collected from RMI banks by the Banking Commission on incoming and outgoing international money transfers may provide a new measure of certain remittance activities. Mandatory data reporting should be required of all market participants.

» Lastly, consideration can be given to a publication strategy for information on remittances. This publication could also include information on migration which leads to remittance actions.

RMI FDI Data

Foreign Direct Investment (FDI) is cross-border investment where an individual/entity resident in one country makes a long-term investment in a business in another country. FDI is a major component of RMI's economic activity. as demonstrated by the large external investment in its fisheries. The Ministry of Finance grants a Foreign Investment Business License (FIBL) to approved businesses. Other RMI agencies collect firm-level data from FDI businesses, such as corporate registration, social security, and tax/revenue information.

RMI's Economic Policy, Planning, and Statistics Office (EPPSO) publishes annual Balance of Payments (BOP) and International Investment Position (IIP) statistics that record external financial transactions, based on International Monetary Fund (IMF) guidance.

» BOP data captures the annual flow of financial transactions. Reported annual inward investment to the RMI averaged $6.4 million over the FY2017-FY2021 period.

» IIP captures the stock value of assets and liabilities at the end of a fiscal year. The published IIP table shows the value of foreign investment averaging $156.5 million over the FY2017-FY2021 period.

To illustrate other possible reporting on the role of FDI in the RMI economy, this report takes existing data on RMI private-sector GDP and allocates it to either FDI or "local" businesses. The underlying GDP presentation draws on revenue from the sale of goods and services reported by the RMI private sector on tax forms. RMI tax office data identifies which firms are FDI or local businesses.

» Over the FY2001-FY2022 period, FDI firms accounted for an increasing share of RMI private-sector GDP. The FDI share of private-sector GDP grew from 18.9 percent in FY2001 to 59.8 percent in FY2021. This increase reflects new FDI in the fisheries sector.

» FDI and local businesses can also be analyzed by industry. FDI businesses dominate the fisheries sector, while local businesses are more focused on the distribution and construction sectors.

Some specific steps could improve our knowledge of FDI in the RMI:

» BOP statistics could be more frequently updated if corporate registration and FIBL information were shared on a more regular basis.

» Regularly scheduled publication of routine information on FDI. For example, using tax data to compute annual information on FDI businesses' role in the economy could be incorporated in the reporting. RMI EPPSO is best positioned to implement such FDI reporting.

RMI SME Data

To date, RMI small and medium enterprise (SME) information has not been available and information on the structure of the business sector is not part of regular reporting. Further, the RMI has not conducted business surveys or economic censuses. According to the RMI Economic Policy, Planning, and Statistics Office (EPPSO), information on small and medium enterprises (SME) had not been a data focus. However, officials note that members of the RMI legislature do ask for information about small local businesses.

RMI administrative data at the Marshall Islands Social Security Administration contains quarterly business information that can be used to develop SME statistics based on employment levels. EconMAP used 2022 (calendar year) social security data for employees and businesses to analyze the number of businesses and their wage bills by their level of employment.

» In 2022 there were 596 RMI businesses that paid social security taxes. Of that number, 21 (4 percent) reported no employees, while 6 businesses had 100 or more employees.

» Overall, RMI businesses were small, with 430 firms or 74 percent of private sector firms, having between 1-4 employees. They represented 8 percent of total wages paid, and 20 percent of private employment.

» The six largest businesses, with 100 or more employees, made up 1 percent of businesses, 37 percent of wages paid, and 30 percent of private employment.

» It is also possible to use social security data to conduct analyses by economic sector. In 2022, the largest business sectors based on employment were wholesale/retail at 42 percent and construction at 21 percent.

Some specific steps could improve our knowledge of RMI SMEs:

» SME information can be developed for the RMI through the routine analysis of existing social security data. If routine analysis of and publications about SME roles and activities are desired, consideration can be given to a publication strategy for information on SMEs. EPPSO is well positioned for this reporting, with its existing access to the information in the RMI's social security and tax system.

- For additional reporting on the business sector, the RMI can conduct economic censuses or business surveys. These could be informative for broader social and economic policies.
- Improving information about the informal sector is challenging. Carefully constructed household and economic activities surveys may more directly address this sector. Moreover, existing RMI censuses and surveys can be better utilized to reflect on household business activities, including publishing additional information from questionnaire responses.

I. RMI's COVID Pandemic Response and Experience

This report section presents information on RMI's COVID response experience in three segments. First, it provides a timeline of key health and economic responses along with a description of the resources used to address COVID, both local and through donor grants.[1] Second, it presents an assessment of the mitigation efforts to address the decline in the private sector economy. And third, it recounts RMI's economic experience across the COVID Period and Post-COVID Fiscal Year 2023.

A. RMI Health and Economic Response Initiated with Donor Support

i. COVID Led to Collapse in International Travel

RMI's COVID experience reflected regional and worldwide trends and experience, but in the case of the RMI, COVID health events took place over a three-year interval from early 2020 through September 2022 (see Figure 1).

In mid-December 2019, a "pneumonia-like" illness emerged in the city of Wuhan, China, and after information shared between doctors was made public, Chinese officials notified the World Health Organization (WHO) about the spreading disease on 31 December 2019. By 31 December, 27 patients were hospitalized, many of them in critical condition. Within several days, Hong Kong, Singapore, Taipei,China, and Vietnam instituted health screening of travelers arriving from Wuhan. China reported its first death on 11 January 2020 while the first laboratory-confirmed cases were recorded in Thailand (13 January) and Japan (15 January). These developments and the evidence

Figure 1: Timeline of Key RMI COVID Health Events

2020	**February**:	RMI State of Health Emergency
	March:	International arrivals suspended
	December:	US vaccines arrive
2021	**January**:	Vaccine campaign begins
	June:	Vaccines offered to visiting fishing vessel crews
	December:	No active COVID cases, 50% population vaccinated
2023	**January**:	First "border case" found in quarantine
	August:	Community spread of COVID in the RMI
	September:	Open border for vacinated travelers

Source: EconMAP analysis of RMI documents and press accounts.

1 The abbreviation "COVID" is generally used in this report for COVID-19, unless COVID-19 appears in the name of a program or in a document.

of human-to-human transmission led to health screening of travelers across Asia and targeted restrictions on travelers from certain areas of China.

» By 31 January 2020, as WHO declared a "public health emergency of international concern," Wuhan was in lockdown and travel restrictions and quarantines were underway. At that time there were 9,720 confirmed cases in China where 213 people had died, and 106 cases in 19 countries outside of China.[2]

» By 11 March 2020, when WHO declared COVID-19 a "pandemic," there were more than 118,000 cases in 114 nations and 4,291 recorded deaths worldwide. The WHO Director-General's declaration noted that countries must "balance between protecting health, minimizing economic and social disruption, and respecting human rights."

RMI's initial actions in response to COVID reflected an effort to prevent entry of COVID to the RMI to protect health:

» On 24 January 2020 the RMI Ministry of Health and Human Services (MOHHS) and border control agencies implemented COVID health screening of passengers and crew at the airport and seaport. (Health screening was already present at the border for measles.) Direct entry from China was banned and expanded to include Hong Kong and Macau a few days later, unless a traveler had been 14 days in a COVID-free location. The RMI was one of the first nations to implement travel restrictions.

» At the time these COVID travel restrictions were being implemented, RMI had recently had 2,000 cases of dengue and had had influenza cases during November and December. Also, RMI was bracing for a measles outbreak that had already resulted in 80 deaths in Samoa.

» The *Marshall Islands Journal*, the nation's newspaper, ran a headline on 24 January 2020, "Move over dengue, there's a new virus: global worry over new virus in Asia and U.S."

» A RMI Presidential Proclamation on 7 February 2020 on behalf of the RMI Cabinet declared a State of Health Emergency.[3] The Nitijela, the Parliament of the RMI, confirmed the Presidential Proclamation on 18 February 2020 and noted that the RMI had been under a State of Health Emergency since August 2019 because of a severe outbreak of dengue that had devasted both the human and financial resources of the RMI. Further, the Nitijela reported that the RMI health infrastructure was limited and did not have sufficient resources to respond to a COVID outbreak.

In late February, the RMI initiated a requirement that ships entering the RMI from ports in China, Hong Kong, Macau, Japan, South Korea, Italy, and Iran only do so after 30 days at sea. RMI shipping patterns were immediately at risk with the 30-day "quarantine" for cargo shipped from Korea, the primary port for shippers serving the RMI. Containers destined for RMI were off-loaded in Fiji as the shipper could not loiter at sea to meet

2 WHO data for China includes cases in Hong Kong, Macau, and Taipei. See: World Health Organization. 2020. *Novel Coronavirus (2019-nCoV) Situation Report-11.* 31 January. https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200131-sitrep-11-ncov.pdf

3 As a frame of reference, the US CDC began screening passengers on direct and connecting flights from Wuhan, China to San Francisco, New York City and Los Angeles on 17 January 2020 and on 31 January 2020 began to restrict entry of foreign nationals other than immediate family of U.S. citizens and permanent residents who had traveled in China in the previous 14 days.

the RMI time requirement, resulting in risk to the RMI's food and fuel supply by late February. RMI's Chamber of Commerce voiced concerns about the challenge of shipping and logistics if RMI maintained a 30-day "quarantine requirement." The Chamber advocated changing port procedures to have zero person-to-person contact between shipping lines and local personnel. The RMI government then reduced the required period from leaving ports to arriving in the RMI to 14 days.

Air travel to the United States had continued and on 5 March 2020, Majuro identified and quarantined its first suspected case of COVID, a Majuro Atoll resident who had recently returned from Washington state in the US. Subsequent laboratory test results were negative for COVID.[4] On 8 March 2020, international passenger air travel to the RMI was suspended through updated Health Travel Advisory & Restrictions by the RMI Ministry of Health and Human Services (MOHHS) in conjunction with the National Disaster Committee (NDC) and the Cabinet. Any remaining tourists/visitors left the RMI and by late March, United Airlines, the primary airline serving the RMI announced its future schedule would be one flight a week as compared to 4 per week previously. On 22 March 2020, the President ended international government travel and shifted $500,000 within the RMI budget to meet COVID needs. By early April 2020, almost all scheduled and charter airline flights were suspended.

The border control impact was immediately evident as RMI travel actively declined and effectively ended:

- Monthly data on international arrivals (visitors and Marshallese) through the Majuro Airport show the dramatic change in air travel as the COVID pandemic unfolded.[5] Prior to COVID, monthly arrivals ranged between 2,000-3,000 a month, but beginning in February 2020, arrivals plummeted and in April no arrivals were recorded, only 7 were reported in May, and 1 in June (see **Figure 2**).[6] While the RMI took actions to restrict arrivals, departures were still allowed.

- Air traffic plummeted: United Airlines, which averaged almost 30 flights a month for 2018 and 2019, operated an average of just over 10 flights per month in 2020 and 2021. Air Nauru also reduced flights, which fell from an average of 12.3 per month for 2018 and 2019, to a total of 17 for 2020, and then no flights in 2021.

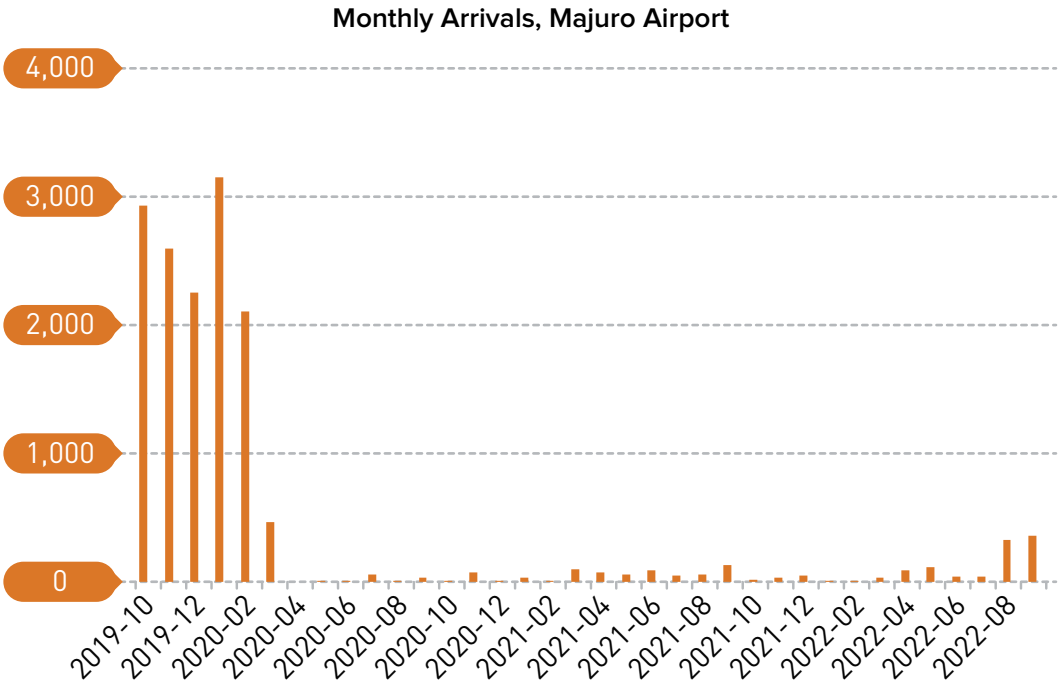
- RMI port activity also fell strongly in 2020. Overall vessel arrivals were 45 percent lower, at 308 in 2020 as compared to 565 in 2019. Fishing vessel arrivals declined by 51 percent, with 227 in 2020 as compared to 463. In 2021, overall vessel arrivals, including fishing vessel arrivals, had substantially recovered and were both only 12 percent below their 2019 levels.

4 On 14 March 2020 another suspected case of COVID was identified in Kwajalein Atoll that also had a negative test result. Majuro Atoll is the capital of the RMI and the largest population center. Kwajalein Atoll is the second largest RMI population center and hosts the US Army Garrison Kwajalein. Within the atoll, most RMI citizens live on the island of Ebeye.

5 International arrival and departure data are presented only for Majuro Airport as reporting at the Kwajalein airport captured arrivals, but not departures.

6 Data in the report is often sourced to EconMAP – the Economic Monitoring and Analysis Program managed by the Graduate School USA and primarily supported by the US Department of the Interior's Office of Insular Affairs. Supplemental program funding has been supplied by Asian Development Bank and the World Bank. EconMAP was established in 2006 with a focus on the Federated States of Micronesia and the Republic of the Marshall Islands. Since 2011 EconMAP has also supported the Republic of Palau. In all three Freely Associated States (FAS), EconMAP monitors economic performance and assists with annual comprehensive updates of fiscal and economic statistics.

Figure 2: RMI Monthly International Arrivals (Majuro Airport), October 2019 - September 2022



Source: EconMAP analysis of arrivals at Majuro Airport recorded in the RMI Border Management System.

ii. RMI Health Operations Evolved with Pandemic

RMI's COVID health operations went through three phases: protecting the population by minimizing the risk of importing COVID, distributing vaccines, and addressing community spread when travel resumed. Under its COVID response, RMI's overarching goal was to minimize the risk of importation and local transmission of COVID. Later, as vaccinations were being distributed, the objective was to delay reopening travel until it was possible to vaccinate the population.

2020 health operations. When COVID emerged in Asia in 2020, RMI was still implementing its response to a 2019 dengue outbreak and the Ministry of Health had an emergency response team and plan already in place. In 2020, RMI took several protective health-related actions, even in advance of COVID's international spread:

» On 5 December 2019, the RMI issued a travel advisory to prevent the importation of measles. All travelers from the RMI had to show they had up-to-date measles vaccinations or a vaccination two weeks prior to departure from the RMI. Visitors to the RMI were required to provide proof of vaccination before travel, while arriving RMI residents were required to show proof of vaccination or were vaccinated upon entry and quarantined for 14 days. Ministry staff were present at the Majuro airport to screen arrivals for compliance with these pre-COVID requirements.

» As of 26 January 2020, just before the onset of COVID, there had been 2,303 dengue-like illnesses of which 944 had been lab-confirmed. Dengue had been present for 25 weeks in Majuro Atoll and the hospital was full, treating dengue

cases, with 60 people per night in the emergency room. Tracking the ongoing dengue outbreak ran in parallel with tracking the RMI response to COVID throughout 2020.

» The Ministry of Health initially issued RMI's COVID travel and quarantine rules, a role that was later taken over by the Office of the Chief Secretary. The focus of these rules remained one of blocking the import of COVID by eliminating person-to-person contact with the outside world except after an extended quarantine period and preserving the critical import supply chain.

» Actions in the RMI also reflected a response to external events. The *Marshall Islands Journal* routinely reported on COVID cases and deaths among the Marshallese who had migrated to the United States. These reports heightened domestic support for restricting travel and protecting the RMI from COVID. For example, on 7 July 2020, the newspaper reported there were 423 RMI COVID cases in northeast Arkansas, with 21 Marshallese deaths, all at a time when the RMI had no community-spread COVID cases or deaths.

» The health effort in 2020 prepared for the eventuality of COVID, with a stockpiling of personal protective equipment (PPE), the acquisition of ventilators for the hospital, and procuring other health resources. Quarantine facilities were built and established. These needs were met and financed by external donor nations and organizations.

» Behind the restrictive travel barrier, businesses and schools remained open and while social distancing was recommended, it was not mandated.

Repatriations were an important policy consideration during 2020. The end of air travel arrivals left RMI citizens stranded overseas and apart from home. Further, the US military base at Kwajalein Atoll sought to bring in essential workers.

» In March 2020, RMI students attending a high school in the FSM were returned home and kept in quarantine for 14 days. The FSM, like the RMI, was COVID-free, so the risk was small (although travelers from Guam, which had COVID cases, were on the same plane).

» In May 2020, the RMI government set aside funds to provide citizens stranded overseas with $500 each, and by June the urgency to arrange citizen repatriations had increased.

» Meanwhile, the military base in Kwajalein was seeking to bring in almost 300 people. Through negotiations with the RMI, the miliary base agreed to quarantine returnees for two weeks in Hawaii and have them tested for COVID before flying to Kwajalein. Once in the RMI, they were required to be quarantined for three weeks and tested.

» By early October 2020, the military base had brought in about 200 people without any COVID cases after crossing the "border." Small numbers of RMI residents had been repatriated from COVID-free FSM and Kiribati from a total of over 300 stranded RMI citizens. However, arrivals to Kwajalein at the end of October ended RMI's zero COVID case status. The base had a positive COVID case in quarantine as of 28 October 2020.

» The RMI initiated its official repatriation program and brought home its first group of 27 arrivals on 31 October. On the 15th day of quarantine, 3 travelers tested positive

for COVID while still in quarantine. RMI officials communicated regularly with the public through the newspaper and radio, assuring the population that COVID was contained and not a threat to the community.

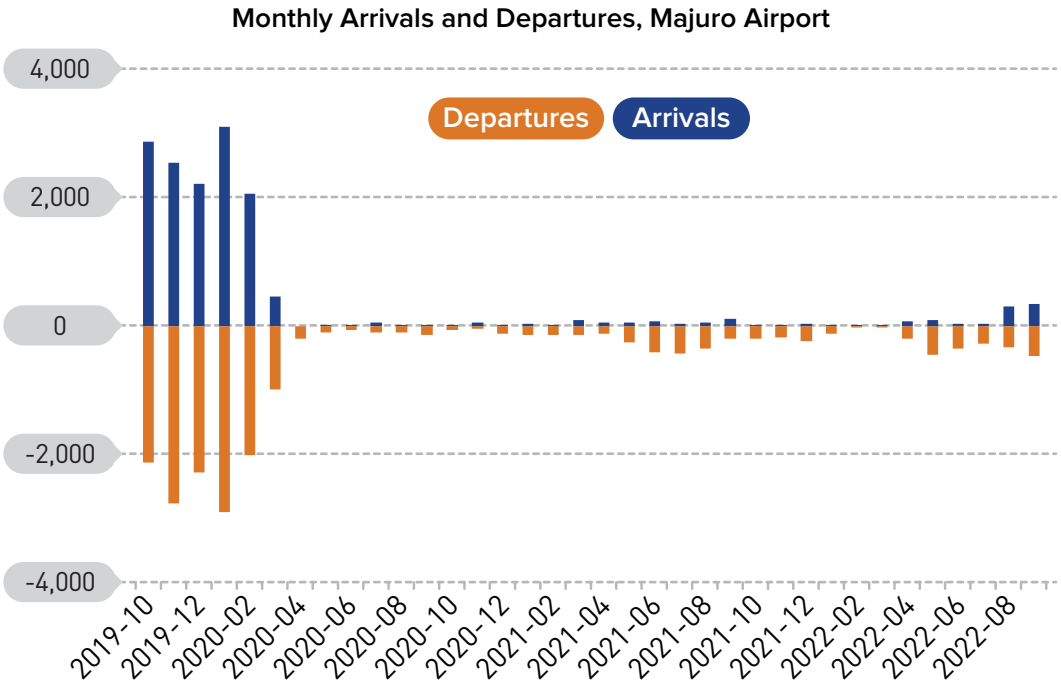
» Later in November, the RMI brought 49 essential workers in from Fiji, including health care workers, pilots, and teachers.

» 2020 came to an end with no active COVID cases, no community spread of COVID, and the 4 cases that had been identified were all found in quarantine. More than 450 people had entered the RMI and had been through the quarantine process.

The travel record for 2020 shows how isolated the RMI was from travel that year. Beginning from April 2020 when regular air services were paused, RMI's Majuro Airport recorded 184 arrivals and 844 departures over the interval April 2020 through December 2020. (See **Figure 3** for Majuro arrival and departure numbers each month).[7]

Unlike most countries, RMI (and several other Pacific Island nations) avoided importing COVID during the February-March 2020 period when the virus spread worldwide. With the stability provided by no COVID cases and virtually no arrivals in the RMI, schools remained open and in-person activities continued mask-free. Behind its closed border, residents of the RMI were able to live more normal lives than residents of most nations across the world. At the end of December 2020, the first batch of US vaccines arrived,

Figure 3: RMI Monthly International Arrivals and Departures (Majuro Airport), October 2019 - September 2022



Source: EconMAP analysis of arrivals and departures at Majuro Airport recorded in the RMI Border Management System.

7 This data should be considered illustrative. Kwajalein Atoll was the primary entry point for repatriation arrivals entering quarantine. Onward movement of those arrivals post-quarantine could be via Air Marshall Islands flights and not captured as an international arrival at Majuro.

with 1,200 doses available, enough to vaccinate 600 people. The initial batch was divided between Majuro and Ebeye (in the Kwajalein Atoll) and were prioritized for frontline and health care workers.

2021 health operations. Beginning in 2021, the Ministry of Health's operational goals expanded to focus on the mass vaccination of RMI's population and the continued implementation of repatriation flights to bring citizens home and allow the entry of essential workers. The operational rhythm of the year was the monthly arrival of vaccine shipments and travelers entering quarantine in the RMI. Quarantine protocols were reassessed based on external COVID variants, the extent of the RMI's vaccinated population, and RMI business and US government needs. Throughout the year, the RMI implemented US government requests to facilitate and ease moving personnel to the US Army base in Kwajalein Atoll.

Key activities during the year included:

- In January, vaccination campaigns were rolled out for residents of Majuro and Kwajalein atolls as the US government began providing monthly shipments of vaccines. For campaign planning and assessment, RMI officials estimated the RMI population to be 58,000, with 28,100 in Majuro, 11,400 in Ebeye (Kwajalein), and the remaining 18,500 in neighboring islands. The 2011 Census was the base data for estimating the 2021 population for tracking vaccinations. For the nation, the age 18 or older population was estimated to be 29,000.

- Initially, vaccines were approved only for those age 18 and older. Over the course of 2021, the US government approved vaccines for younger age groups: first for those age 12 and older, and then by the end of the year for age 5 and older. The RMI provided weekly public updates about the vaccine campaign, reporting the percentage of the age-eligible population that were fully vaccinated (2 doses), partially vaccinated (1 dose), or unvaccinated.

- The RMI chose to receive the 2-dose Moderna vaccine from the US as it could be stored at standard freezer temperatures (-25 to -15 degrees C) and once thawed, stored for up to 30 days in a standard refrigerator. The other 2-dose vaccine (Pfizer-BioNTech) required super cold freezer storage (-80 to -60 degrees C), a requirement that could not be met in the RMI.[8] Although Moderna was selected by the RMI based on its easier cold-chain storage requirements, it was a fortuitous outcome as this turned out to be the most effective of the vaccines available from the United States in 2021.[9]

- When it became available, the RMI also adopted the single-dose Johnson & Johnson vaccine that could be stored for up to three months at standard refrigerator temperatures (2 to 8 degrees C) for use where it was difficult to provide

8 American Hospital Association, "Vaccine Storage Requirements" March 2021. https://www.aha.org/system/files/media/file/2021/03/infographic-vaccine-storage.pdf

9 US Department of Health and Human Services--Centers for Disease Control and Prevention, *Morbidity and Mortality Weekly Report*, September 24, 2021 / Vol. 70 / No. 38. "Comparative Effectiveness of Moderna, Pfizer-BioNTech, and Janssen (Johnson & Johnson) Vaccines in Preventing COVID-19 Hospitalizations Among Adults Without Immunocompromising Conditions — United States, March–August 2021." Key finding: "Among U.S. adults without immunocompromising conditions, vaccine effectiveness against COVID-19 hospitalization during March 11–August 15, 2021, was higher for the Moderna vaccine (93%) than the Pfizer-BioNTech vaccine (88%) and the Janssen vaccine (71%)." (Janssen vaccine is another name for the Johnson & Johnson vaccine.) https://pubmed.ncbi.nlm.nih.gov/34555004/

the cold-chain storage required by the Moderna vaccine or for individual cases when implementing a second vaccine shot would be difficult. Consequently, in neighboring islands where health staff had to travel by air or boat to do a vaccination campaign, the Johnson & Johnson vaccine was often used. This vaccine was also used when the RMI offered vaccinations to crew members of fishing vessels who came to Majuro for transshipment, since they would not stay long enough in the RMI for the second shot.

» The RMI population outside the large population atolls of Majuro and Kwajalein presented special challenges for the vaccination campaign. In April RMI received 10,000 doses of the single injection (Johnson & Johnson) vaccine that was deployed to the neighboring atolls (effectively all of the atolls and islands other than Majuro or Kwajalein). To execute this campaign, medical staff traveled by air or boat to each atoll and sometimes to multiple sites within an atoll. Unfortunately, the US CDC suspended its approval of the one-shot vaccine for a short time in 2021, which delayed the RMI vaccination campaign in these sometimes very distant atolls. Vaccination rates for the neighboring atolls remained far lower than in more accessible Majuro and Kwajalein throughout 2021. In November 2021, as COVID cases skyrocketed in Hawaii, the RMI effort in the outer islands increased.

» In May 2021, the RMI rescinded its August 2020 restriction on non-essential departures of RMI citizens to the US after finding that people continued to leave despite the ban. The *Marshall Islands Journal* reported that many RMI citizens left the RMI for the US during 2021.

» Over the course of the year, RMI quarantine protocols evolved as repatriation flights of RMI citizens and essential workers took place and the US military brought in personnel for its operations in Kwajalein. The underlying protocol was that anyone entering the RMI would be quarantined in Honolulu and tested for COVID; if COVID-free, they would arrive in the RMI by air and enter quarantine on the US Army base in Kwajalein Atoll, where further COVID tests were administered. The initial protocol was 2 weeks of quarantine in Hawaii, followed by 3 weeks of quarantine in Kwajalein.[10] In March, this was changed to 2 weeks in Hawaii and 2 weeks in Kwajalein, then in August to 1 week in Hawaii and 2 weeks in Kwajalein. Changes in the quarantine program were primarily sought by the US military, although they were supported by RMI businesses that faced challenges in bringing in skilled workers for accounting and construction.

» These changes were sometimes controversial: The relaxation of quarantine protocols was opposed by RMI mayors, Ministry of Health staff, and the public. Atoll mayors advocated the restoration of the 2-week quarantine in Hawaii and the RMI Secretary of Health was suspended for 4 weeks after publicly reporting that hospital staff supported retaining the 2-week Hawaii quarantine. The RMI public was very aware of COVID deaths elsewhere and how life in the RMI was not affected by COVID: there were no RMI shutdowns and no masking.

» In November, the RMI Cabinet approved in principle a reduction in the Hawaii quarantine period from 7 to 3 days, but maintained the 2-week quarantine in Kwajalein. Newspaper editorials noted that the RMI needed to get ready for “border cases” in the RMI quarantine facility, rather than having cases stopped in Hawaii.

10 The military base provided facilities for the quarantine program which were operated by RMI government employees.

» At several points during the year, RMI initiated specific "maritime" COVID polices to support its economy by encouraging tuna fishing vessels to do transshipments at Majuro. After transshipments shifted to the FSM and Kiribati to avoid stringent RMI COVID rules, the RMI government took actions to lure the industry back to Majuro. In May, the RMI Cabinet dropped the 14-day quarantine requirement for fishing vessels and in June, the RMI for the first time offered one-shot COVID vaccines to visiting fishing vessel crews. By September 2020, the RMI had vaccinated 757 crew members. Further. RMI relaxed its "at sea" requirements for container and fuel ships in an effort to have the RMI restored as the first -- rather than the last -- port of call for shipping lines.

RMI ended 2021 with:

» No active COVID cases present in the RMI during the year and a second year without community spread. In contrast to the rest of the world, people in the RMI remained free to go to school, church, parties, and ceremonies, all without masks. Business operations were mostly unconstrained once COVID regulations for the fishing industry had been relaxed.

» Quarantine procedures identified travelers with COVID, but this took place in Hawaii. By the end of 2021, 2,577 people had been through quarantine procedures with no active cases arriving in the RMI. Arriving employees for the US Army base in Kwajalein accounted for 1,495 of these travelers, while the RMI government brought in 991, a combination of repatriated RMI citizens and essential workers. The remaining 91 quarantine cases were marine sector workers that came through the port.

» Reported RMI vaccination performance across the year showed steady progress.

  o At year's end, the fully vaccinated population was about 50 percent of the vaccine-eligible population (age 5 and older) based on the population data used by the Ministry of Health during its vaccination campaign.[11] However, these computed vaccinations rates drew from the 2011 census and did not yet reflect the results of the 2021 RMI census, so understated the true extent of the vaccinated population.

  o As the Ministry of Health conducted vaccination campaigns in outer islands it realized that the actual population present was much lower than the census data used for compiling statistics. For example, while the Ministry reported that 71 percent of the neighboring island vaccine-eligible population was unvaccinated as of 10 August 2021, the Health Secretary reported that the actual unvaccinated population percentage was lower, as the actual population was much lower than the census data being used to compute coverage.

  o In November, preliminary 2021 census tabulations projected a significant reduction in the national population, as well as population reductions in every

11 As of 30 December 2021, 23,439 RMI residents were fully vaccinated. Data on vaccinations and COVID cases are drawn from RMI Ministry of Health reports as well as from the Pacific Islands Health Officers Association. Weekly. *US Affiliated Pacific Islands Regional COVID-19 Situation Reports.* www.pihoa.org/COVID19/

atoll, as compared to the 2011 census.[12] This suggests that the RMI consistently had higher rates of actual vaccine coverage than publicly reported. However, this data gap may have aided government health officials who sought to delay easing entry and quarantine requirements as long as possible. According to an RMI health official, the "higher" population data also gave the RMI access to more vaccine doses in the US monthly distribution.

2022 health operations. RMI health operations in 2022 are best characterized as waiting for and preparing for the inevitable community spread of COVID in the RMI as the quarantine periods declined. The National Disaster Committee and RMI Cabinet sought to reduce quarantine requirements and have the RMI join other nations of the world that were living with COVID, while RMI health officials sought delays in reopening travel to reduce health risks. Community spread of COVID came in August 2022. Key 2022 events include:

» 2022 began with RMI health staff recommending that repatriation flights halt for a month due to the surge in Omicron variant COVID cases in Hawaii and throughout the US to provide time for more vaccinations and for the RMI health system to better prepare for COVID cases.

» One of the US Army repatriation flights reported 3 "border cases" in quarantine in Kwajalein on 5 January 2022. According to the US Army, a procedural error resulted in 37 people boarding a flight from Hawaii before the final COVID test results were delivered. These were the first RMI border cases in 14 months.

» Following the advent of community spread in Palau in January, RMI health officials outlined the lessons they learned from the Palau experience: those fully vaccinated had mild cases; hospitalization and deaths occurred among the unvaccinated; COVID spread too fast to trace contacts or to implement quarantine and isolation efforts; the hospital needed to be protected by shifting tests, treatment, and vaccinations off-site; and health workers would contract COVID, creating staffing shortages. US CDC health teams deployed to Palau helped offset the loss of staff due to COVID.

» On 8 March 2022 the RMI announced a further reduction of the required Hawaii quarantine to 3 days. RMI health efforts focused on the delivery of vaccines to the neighboring islands, actions supported by Australia, which helped fund travel costs, and by Japan, which provided resources through WHO to pre-position supplies and equipment. However, at the end of March, 59 percent of the neighboring island vaccine-eligible population remained unvaccinated. As of 19 April 2022, the repatriation program resulted in 8 new "border cases" in quarantine in Kwajalein, while the overall vaccination rate for the RMI was 69 percent of the age 5 and older population fully vaccinated, with an additional 15 percent partially vaccinated.

» As the RMI quarantine requirements were shortened, RMI health officials planned for community spread, projecting 30 deaths and the closure of schools and businesses to slow the transmission. The US CDC prepared a model of transmission in the RMI based on observed data in Palau and the three US Pacific

12 The reduction was based on a preliminary count of 39,262 for the RMI. The Director of the Economic Policy, Planning and Statistics Office reported in November 2021 that census enumerators were still trying to interview a few households, but the total would not change substantially. Final RMI data for the 2021 census reported a population of 42,418, which would represent a 20.2 percent decrease in population from 2011 to 2021.

territories of American Samoa, Commonwealth of the Northern Mariana Islands, and Guam. The model projected a wave of RMI COVID cases over a 75-day period and a peak of 400 cases per day, with a peak of 160 cases per day requiring treatment. The CDC estimated 28 RMI deaths.

» During the summer of 2022, RMI officials continued to push vaccines, with the US approving vaccines for those age 6 months to age five, expanding the target population. Health officials ran one COVID triage exercise and identified the sites to shift COVID tests, treatment, and vaccines to in order to protect the hospital during community spread. Donors further supported RMI efforts, with financial support from Taipei,China and the delivery of a newly constructed medical ship provided under a Japan grant that had been signed on 18 March 2019.

» The RMI Cabinet continued to reduce RMI quarantine requirements, eliminating the Hawaii quarantine requirement on 31 May 2022, but maintaining preflight COVID tests and a 14-day quarantine in the RMI. In June, a previously undetected positive COVID case was discovered through a test on the 14th day of RMI quarantine, just prior to planned release. More COVID-infected travelers arrived in July: Out of a group of 46 arrivals that tested negative for COVID in Hawaii, 16 had tested positive as of the 7th day (6 July 2022) of the 14-day RMI quarantine period.

» In mid-July, the 14-day RMI quarantine was reduced to 10 days. Further, the RMI Cabinet adopted a National Disaster Committee proposal to reopen 1 October 2022 without a government-managed quarantine process. Instead, arrivals would quarantine at home for 5 days and take a COVID test at the end of the period.

» COVID experience in the region also influenced RMI actions. On 19 July 2022, two FSM states – Kosrae and Pohnpei – reported positive community spread of COVID. Within 10 days they had 4,311 cases and 4 residents had died; By 8 August 2022, the two states had 6,040 cases and 18 deaths. The arrival of COVID in the FSM led unvaccinated FSM residents to seek out vaccines for protection, but it was too late to be effective, as vaccines required a 6-week interval for full protection. The RMI initiated random surveillance testing of citizens for COVID, children practiced wearing masks, while the RMI government now managed 5 separate 10-day quarantine sites. The *Marshall Islands Journal* on 5 August 2022 projected that "COVID is knocking on the Marshall Islands' door" and advocated that the RMI organize community drills that would let health staff and community members practice the "test and treat" program. The "test and treat" program was for sick people to seek testing and any necessary treatment at designated sites, without entering the hospital. The Journal further noted that most of the community was "clueless" about what to expect and what to do during COVID and how the health response would work.

Long anticipated, on Monday, 8 August 2022, RMI identified its first community spread cases when a family of 4 tested positive for COVID when seeking aid at the Majuro hospital. Additional COVID tests that day found COVID among hospital staff and patients in the hospital wards. By Wednesday, community spread cases were also found on Ebeye in the Kwajalein Atoll. The RMI MOHHS turned from prevention to mitigation. One member of the Nitijela (legislature) noted that after adjusting for lower 2021 RMI census information, 90 percent of the RMI was vaccinated when COVID hit.

» With community spread underway, the RMI quarantine program was ended, which freed staff to assist with "test and treat" sites and to backfill for COVID-positive

health staff. The RMI government declared a State of Health Disaster on 12 August 2022 and halted the start of the school year by two months, required masking for two months, and stopped the movement of aircraft or boats to neighboring atolls. RMI businesses remained open with social distancing and masking.

» In addition to its high vaccination rates, the RMI health officials had access to Paxlovid, an antiviral medication that stops the COVID virus from multiplying and reduces the progression to severe COVID that may lead to hospitalization or death.[13] The US government directly supplied the drug to the RMI and unused US-government-supplied stocks in American Samoa and the FSM were sent to the RMI. One emergent finding was that Paxlovid had a significant beneficial impact if COVID cases sought timely medical care. As of 26 August 2022, there had been 14 COVID deaths in the RMI, but 12 of these occurred without the deceased receiving any medical treatment. Deaths as of August were less than half of the CDC's projected 28 deaths from community spread.

» Outside donations and medical staff surged to the RMI. Medical support teams came from Pacific Island Health Officers Association (PIHOA), Taipei,China, UNICEF, US, and WHO. Outside medical staff arriving in Majuro freed RMI medical staff to travel to other islands to treat COVID cases. MOHHS deployed the Marshall Islands Medical Assistance Teams for 2 weeks to 10 atolls to deliver PPE and Paxlovid.

» The RMI used 9,600 courses of Paxlovid in Majuro and Kwajalein during community spread. Health officials described community spread as: 5 days of surging cases, 5 days of peak cases, and 5 days of declining cases. As of June 2024 seventeen lives had been lost to COVID in the RMI: 12 in Majuro, 4 in Kwajalein, and 1 in a neighboring atoll. Only 4 of these deaths were among people who had sought and received medical care, the remainder had died at home or en route to the hospital. The low death rate in the neighboring atolls is remarkable as they had lagged the population centers in vaccination rates. Overall, MOHHS reported that the majority of COVID deaths were unvaccinated or partially vaccinated residents.

» The RMI Secretary of Health advocated a move to normal operations, with open schools and travel. Open border travel was established 8 September 2022 for fully vaccinated travelers, with a COVID test upon arrival.[14] The "State of Health Disaster" ended 15 September 2022, about 31 months after the RMI had declared a "State of Health Emergency." By early September 2022, the RMI had not recorded any new COVID cases. The RMI was able to ship 1,500 Paxlovid treatment courses to Chuuk State in the FSM in advance of that state's community spread.

» External donations and supplies continued to flow into the RMI for months after the rapid August 2022 community spread, literally amounting to tons of supplies. On 29 November 2022, a US CDC-funded Strategic National Stockpile warehouse was completed to house the still-incoming supplies.

13 The US Food and Drug Administration granted an "Emergency Use Authorization" for Paxlovid on 22 December 2021 and by April 2022 the US government had contracted to purchase 20 million courses of the treatment. On 25 May 2023 the US Food and Drug Administration fully approved the oral antiviral Paxlovid for the treatment of mild-to-moderate COVID-19 in adults who are at risk of progression to sever COVID-19, including hospitalization or death.

14 If a traveler tested positive for COVID upon arrival, they had to undergo a mandatory 5-day isolation/self-quarantine at home or in a hotel.

In interviews, government and private sector officials credited the Ministry of Health's response to COVID. The widespread distribution of vaccines and the availability of treatment drugs was the great benefit that accrued to the RMI for maintaining strict border restrictions and delaying COVID's introduction. US government officials applauded the RMI response, especially its use of Paxlovid that saved lives. At the one-year anniversary of community spread, the Marshall Islands Journal wrote that the Ministry of Health deserved commendation for "standing firm on border closure to allow time to be prepared, and then delivering for the eventual outbreak." Among nations, the RMI had one of the lowest reported death rates from COVID at 40 deaths per 100,000 population.[15] This compares to the very high US death rate of 341/100,000 and other higher Pacific rates: New Zealand (53/100,000), Japan (58/100,000), Taipei,China (74/100,000), and Australia (77/100,000).

Lessons learned from the COVID health response. The RMI conducted formal "lessons learned" exercises to improve its operations. One "desktop" exercise conducted by the MOHHS in April 2022, before community spread of COVID, tried to prepare health officials for COVID transmission. The second exercise was a government-wide "after-action" review in October 2022, shortly after community spread in August.

» The pre-COVID review found numerous challenges within the hospital system in Majuro. Through a series of COVID-introduction or COVID-spread scenarios, the officials evaluated their departmental responses and reviewed how they worked as an overall health response to COVID. Overall, they found that the departments needed much better internal communication, clearer "standard operating procedures" for handling COVID transmission, and more training regarding procedures.

» The post-COVID review made recommendations that included: revise RMI disaster legislation and structures to clearly define decision thresholds, empower the cross-cutting "cluster" system to implement the disaster response, establish clear roles and responsibilities, provide for disaster financing and procurement processes and pre-positioned supplies, invest in risk communications and community engagement, improve national and local coordination, conduct joint training and simulation exercises for disasters, insure access to surge capacity resources, direct technical support and mentoring from regional counterparts, stockpile emergency supplies, and partner with the private sector and civil society groups.

In reviewing the RMI experience and response from the vantage point of 2024, the RMI health response clearly benefited from external in-kind and financial support from Australia, European Union, Japan, Taipei-China, the US, and international organizations, including ADB and World Bank.

» This included vaccines, personal protective equipment (PPE), test kits, and laboratory support.

» Specific donations from Australia and Taipei,China allowed MOHHS to charter vessels to serve the neighboring islands. The delivery of a medical vessel by Japan

15 Data for the US and other Pacific countries are from Johns Hopkins University, Coronavirus Resource Center (*https://coronavirus.jhu.edu/*) as of 16 March 2023. Johns Hopkins reported the RMI ratio as 29 deaths per 100,000, but used an RMI population base of 58,000. Using the updated 2021 RMI Census population count of 42,418 as published in the RMI in February 2023, the updated ratio is 40/100,000. Note, several other countries report lower COVID death rates than the RMI, but in some cases likely reflect incomplete data reporting.

substantially increased capabilities for serving neighboring islands for COVID and future crises.

» Weekly virtual technical assistance contacts with the Pacific Islands Health Officers Association (PIHOA) and officials at the US Department of Health and Human Services and the US CDC benefited the RMI and established a regional support system where areas with surplus drugs shipped supplies to the RMI at the time of community spread.

» Medical teams from PIHOA, Taipei,China, UNICEF, US, and WHO were a critical response to the RMI's need for staff at the time of community spread.

Community spread of COVID was long anticipated before it occurred during 2022, however, the overall government was not optimally organized in advance to support the Ministry of Health.

» For example, staff to set up tents at the off-site "test and treat" medical locations had not been scheduled. Initially this work was done by health staff who were later joined by "volunteers."

» Similarly, the homecare packages for households with COVID cases had not been prepared in advance of community spread.

» Government and private sector officials noted that community spread was a chaotic time and that some households did not have access to masks, protective equipment, and sanitizers.

» In the case of the food supplies that had been distributed to neighboring islands early in the COVID period, it has not been reported whether supplies were still available in August 2022. Fortunately, island transportation was halted for only a brief time.

At the point of community spread, there were small pockets of residents who did not seek medical assistance at all, or in a timely way. This resulted in needless deaths as these COVID victims never received medical treatment. An effort to understand decision-making within families about those specific cases could be a valuable after-action lesson learned.

RMI population data used for planning health supplies, tracking the rate of vaccinations, evaluating RMI COVID fatalities, and for making decisions about quarantine and border controls was flawed. The RMI used its 2011 Census population of 53,158 as the basis for estimating its January 2021 population as 58,000, with 28,100 in Majuro, 11,400 in Kwajalein, and the remaining 18,500 in neighboring islands. The RMI did not have accurate information on the outgoing migration of residents since 2011 and settled on a population estimate that showed the population had risen since 2011.[16] The 2021 census reported the RMI population as 42,418, a significant 20 percent decline from 2011.[17] The 58,000 population estimate MOHHS used drove supply decisions and remained the

16 This estimate exceeded the prior RMI projection for a 2021 population of 55,090. See, Economic Policy, Planning and Statistics Office (EPPSO, Office of the President, RMI), *The Republic of the Marshall Islands Statistical Yearbook, 2017*. https://rmieppso.org/#

17 The preliminary population count was first publicly presented as 41,499 in December 2021. Later, revised summary population counts were released: 42,594 in October 2022, and 42,418 in early 2023. Currently posted information on the RMI statistics site is that the population total is 42,418 (the 2021 Census is not publicly posted on a RMI government website as of April 2024).

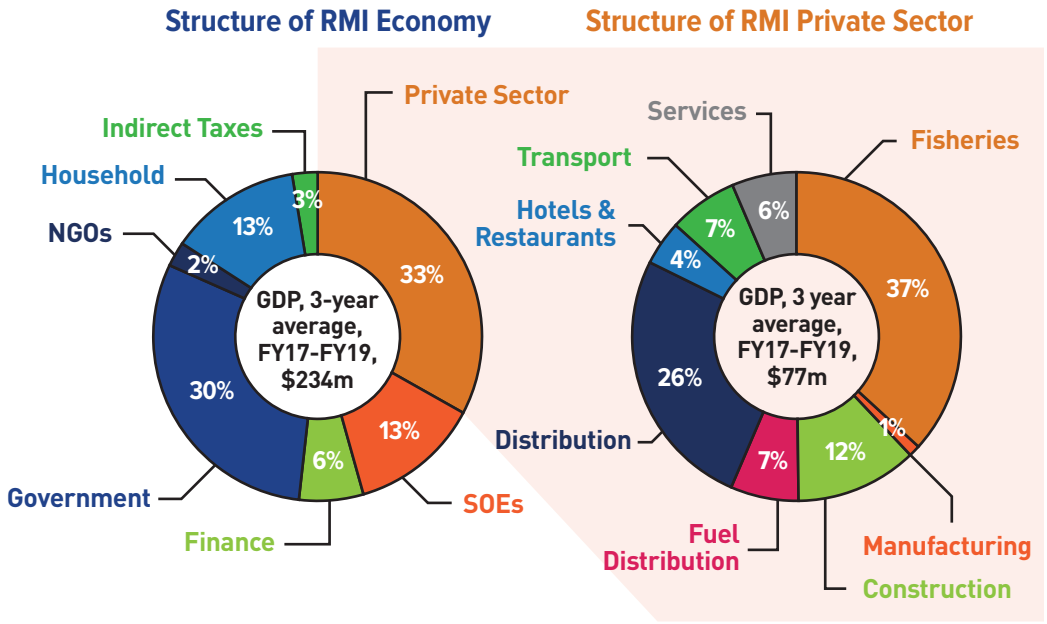
basis for evaluating health system performance. A RMI health official noted that the high population figure helped oversupply the RMI with US-supplied drugs and vaccines. However, the high population figure skewed health system evaluation as the actual percentage of RMI vaccinated residents was greater than reported, while the actual rate of COVID deaths was higher than reported. In the case of quarantine policy decisions, this understatement of vaccination coverage helped delay reopening RMI borders.

iii. The Government Responded to Economic and Fiscal Crises

Economic and fiscal crises projected. The government economic response to COVID incorporated the results of projections of the impact of declining visitors and disruptions in fisheries on the business sector and government revenues. Before COVID, the private sector represented 33 percent of RMI's economy and fisheries dominated the private sector at 37 percent (see Figure 4). Visitor activity, which is quite small, is reflected in the accommodation/restaurant and transport industries where it represented 11 percent of private sector GDP. The distribution and fuel sectors, which serve both the local population, visitors, and fishing vessels, is an additional 33 percent of the private sector.

In March 2020, following the RMI declaration of a "Health Emergency" and issuance of travel advisories by the MOHHS, the Marshall Islands Chamber of Commerce undertook a "rapid impact assessment" of RMI's response options to COVID, with a focus on maintaining supply chains and shipping channels necessary for the RMI population to survive. The early March assessment determined that RMI decisions that required more days of quarantine or days at sea before unloading containers in the RMI would result in shipping delays, immediate shortages, and increased costs/prices due

Figure 4: Structure of RMI Pre-COVID GDP and Composition of Private Sector GDP, FY2017-FY2019 (3-year average)



Source: Source: EconMAP analysis of RMI economy (prepared September 2021).

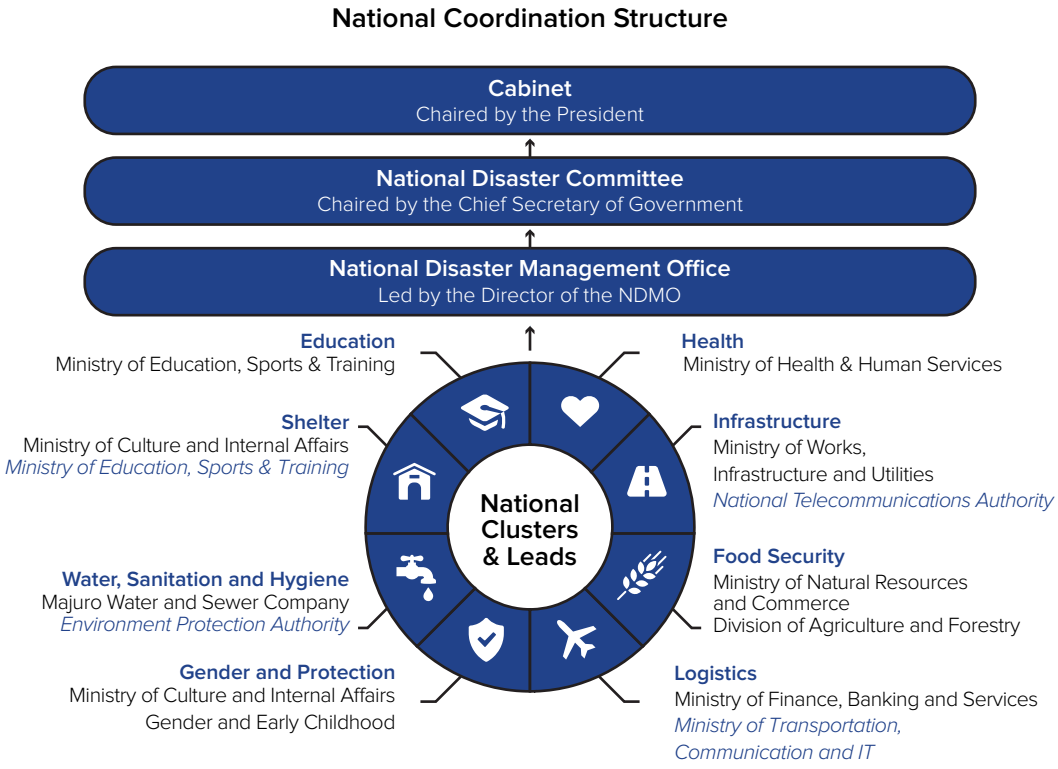
to carrying more emergency inventory. The immediate goal was to eliminate the RMI 30-day quarantine for ships by reducing it to a 14-day quarantine with revised handling procedures. By the end of March, the Majuro Chamber and business leaders further advocated the end of the already-reduced, 14-day port quarantine, the establishment of strategic stockpiles of goods (including on the outer islands), tax deferrals by the RMI government, and a government program to support the unemployed.

The RMI government undertook its COVID preparedness and response efforts through an established "disaster" response framework (see **Figure 5**).[18]

The National Disaster Committee (NDC), chaired by the Chief Secretary and made up primarily of the Secretaries of individual Ministries, coordinates disaster response and reports to the President and Cabinet. The Cabinet approves any policy response.

» In normal times, the National Disaster Management Office (NDMO) serves as the secretariat for the National Disaster Committee and is responsible to the Chief Secretary for the identification, development, and implementation of disaster

Figure 5: RMI Humanitarian Coordination Structure, 2022



Source: Adapted from UN for the Coordination of Humanitarian Affairs (OCHA).

18 For background on the disaster framework, see: Asian Disaster Preparedness Center, UN Office for Disaster Risk Reduction, *Disaster Risk Reduction in the Republic of the Marshall Islands: Status Report 2022* [https://www.preventionweb.net/media/83379/download] and Center for Excellence in Disaster Management & Humanitarian Assistance, *Republic of the Marshall Islands: Disaster Management Reference Handbook.* December 2022. https://reliefweb.int/attachments/88310292-478a-4c12-8b59-a39d4f8d1c02/CFE_RMI-2022.pdf

management programs, and for the maintenance, testing, and review of disaster management plans and operational procedures.

» At the time of a disaster, the Chief Secretary acts as the National Disaster Coordinator who oversees the formation of the National Emergency Operations Center (NEOC) where technical "clusters" take appropriate actions for disaster preparation, response, and recovery. The defined technical clusters are: health; infrastructure; food security; logistics; gender and protection; water, sanitation, and hygiene; shelter; and education. The NEOC produced periodic "situation reports" from 18 May 2020 through 29 August 2022. These reports outlined policy decisions and reported on key operations. For example, the final report covered the state of COVID transmissions, information on COVID cases and MOHHS updates, repatriation program results and travel restrictions, and provided updates on pandemic unemployment assistance and cluster activities. A significant aspect of the disaster response was outlining tasks and assigning a budget to each item; in turn, donor support was solicited and deployed to cover the cost of implementing tasks.

The established disaster response structure was augmented for the COVID pandemic, with the formation of an Economic Impact Assessment Committee, Airport and Maritime Task Force, and Repatriations Working Group. The Economic Impact Assessment *Ad Hoc* Committee proceeded to issue two reports:

» On 17 April 2020 (one month after the committee was formed), the group reported a projected 4.1 percent drop in GDP with declines in fisheries, wholesale/retail trade, transportation, accommodation/food service, and public administration. The report outlined actual job losses or reduced hours to date in the fishing industry, hotels/restaurants, and airline and tourist operators. The report recommended business loans to keep employers from going out of business and to secure inventory, wage subsidies to households with reduced hours and income, and food security support for the outer islands.

» One month later in May, the Committee updated its reporting, with larger GDP and employment declines projected. For employment, 417 full-time-equivalent jobs were projected to be lost due to COVID across several sectors: fisheries (112 jobs), wholesale/retail trade (50 jobs), transportation (90 jobs), and accommodation/food service (165 jobs). Further, the report estimated how the contracting private sector would reduce government revenue. Additional recommendations in this report included using the US CARES Act unemployment compensation program for affected workers and an electricity and utility discount program for affected operators.

A formal economic analysis was prepared by EconMAP and released 8 May 2020, halfway between the two Economic Impact Assessment Committee reports.[19] EconMAP projected the impact of the border restrictions on the RMI and its subsequent impact on industries, GDP growth, employment, and on the government's fiscal position. The May 2020 projection assumed that public health restrictions on arrivals would remain in place through FY2021 and that a return to normal access and post-pandemic economic

19 EconMAP/Graduate School USA Technical Note, 8 May 2020, *Assessing the Impact of COVID-19 on the Marshall Islands Economy*. This research was funded through the US Department of the Interior's Office of Insular Affairs, with projections prepared for Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands. https://pubs.pitiviti.org/covid-rmi

activity would begin in October 2021 (beginning of FY2022). Other basic assumptions were made for each sector/area:

» **Fisheries**: Declines were expected to range from 30 to 50 percent across aquarium fish exports, the tuna loining plant operations, purse seining operations, and shore-based support to the longline fishing industry. While conditions were expected to improve in FY2021, they would stay below FY2019 levels. Transshipment and shore-based fisheries activities were expected to fall due to the strict limits on entry to the RMI.

» **Travel**: While tourism and travel were a small part of the RMI economy, the hotels were empty, and restaurants were assumed to operate at 50 percent capacity. Further, with less air travel, wholesale fuel sales were projected to fall by 45 percent.

» **Construction**: Ongoing projects were projected to continue, and new projects would increase construction activity in FY2021.

» **Public sector**: No change in expenditure or revenues was assumed. Significant increases in the health budget were assumed to be donor-financed. Marshallese workers employed at the Army base in Kwajalein were assumed to continue their employment.

The study's sponsor, US Department of the Interior's Office of Insular Affairs, noted that the projection did not assume any additional external donor assistance and was prepared in the absence of any confirmed domestic COVID cases. If cases were present this would make the situation worse.[20] The analysis covered four areas (see **Figures 6-9**):

» **Major industries**. The analysis projected that fisheries would drop in FY2020 but recover in FY2021. Additional impacted sectors included the small tourism/visitor and transshipment and fuel services sectors. Construction would help maintain the level of overall activity and was projected to grow in FY2020.

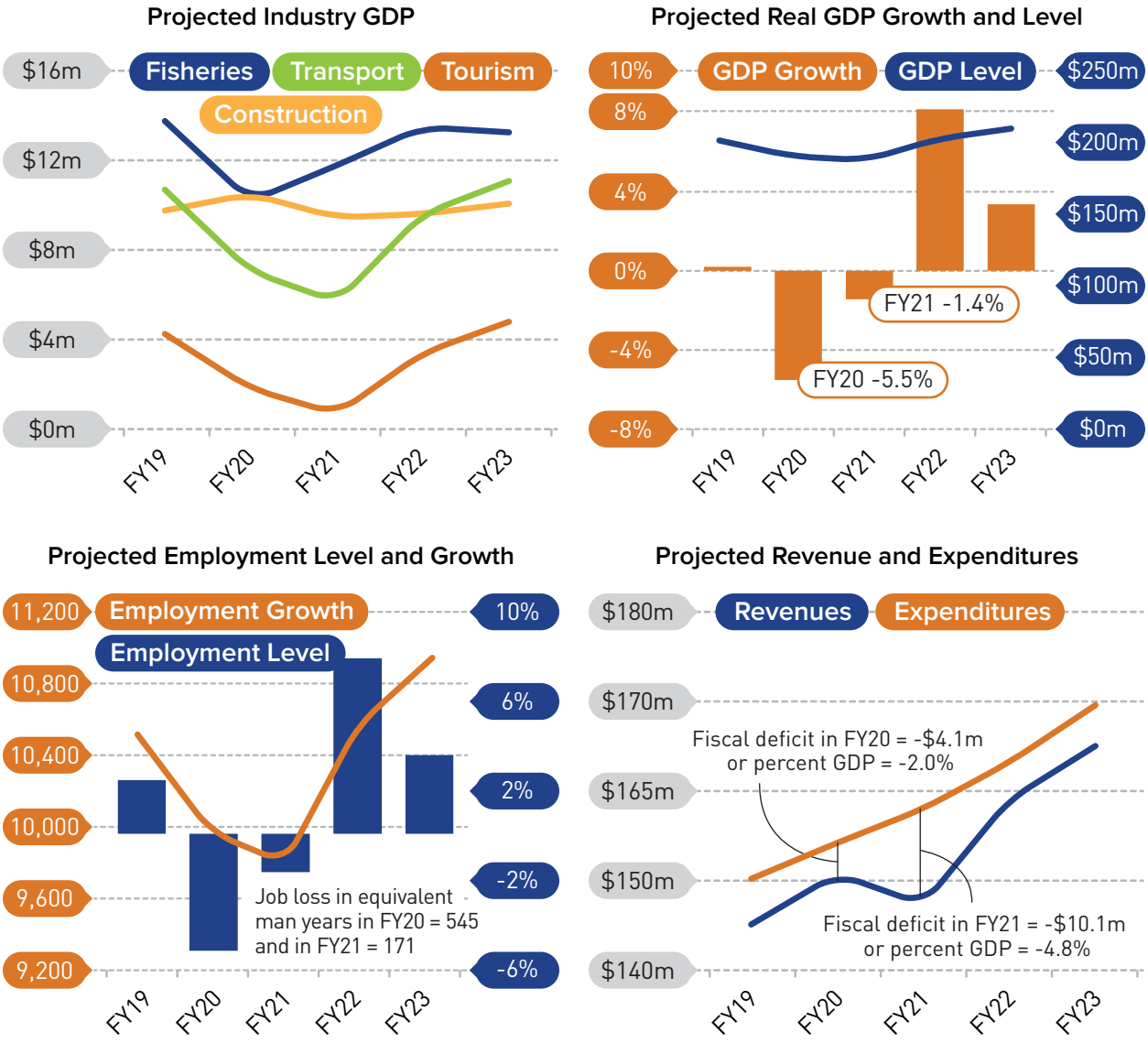
» **GDP**. The analysis projected a GDP fall of 5.5 percent in FY2020, and a further 1.4 percent fall in FY2021. The shock to the economy was substantial and similar in magnitude to the GDP reduction in FY2008 when GDP fell 6.0 percent during the Global Financial Crisis. The public sector was projected to grow slightly, making the brunt of COVID impact felt by the private sector. Private sector GDP was projected to fall 12.5 percent in FY2020, with a smaller 2.6 percent contraction in FY2021.

» **Employment**. The analysis projected employment to fall by 716 jobs over FY2020 and FY2021. This should be understood as a reduction in full-time-equivalent positions rather than a specific loss in employed workers. Firms were likely to keep people on at reduced hours. The largest impact was from the loining plant, which was estimated to lose as many as 175 jobs in FY2020 but regain 116 of them in FY2021. The hotel and restaurant sector were projected to lose 258 jobs due to the elimination of commercial flights.

» **Government revenue and expenditure**. The analysis projected a budget deficit equivalent to 2 percent of GDP in FY2020, rising to 4.8 percent of GDP in FY2021.

20 US Department of the Interior. 2020. *OIA News: Initial Economic Impact of COVID-19 Reported for Micronesia, the Marshall Islands, and Palau* (6/22/2020 web post). https://www.doi.gov/oia/press/initial-economic-impact-covid-19-reported-micronesia-marshall-islands-and-palau

Figures 6-9: May 2020 Projection of COVID Impact on RMI's Industry, GDP, Employment, and Government (FY2019-FY2023)



Source: EconMAP Technical Note, May 8, 2021, "Assessing the Impact of COVID-19 on the Marshall Islands Economy," (Graduate School USA, PITI-VITI, Honolulu, HI).

Revenue would fall with the decline in economic activity, while government expenditures were projected to rise without a change in policy. The analysis suggested a total deficit of $14.2 million from FY2020 through the end of FY2021. Unlike the FSM or Palau, the RMI did not have a pool of cash reserves to draw upon. The financing gap would have to be addressed through revenue measures, expenditure reductions, or donor budgetary support.

The May 2020 economic analysis identified the need to seek donor grants or loans to finance the fiscal gap and presented a fiscal adjustment program to address the

COVID economic crisis. Components of a fiscal response could include a health sector strengthening program to address COVID needs, unemployment relief for workers, business relief, public sector expenditure controls, and the acceleration of public investment (construction) projects. The study further stated that "it is important that the depth and breadth of the eventual response be sized and timed to reflect support from RMI's donor partners."

RMI 2020 response to crisis. The RMI's response to the fiscal and economic impact of COVID was organized around resources provided by donors. Support from donors became evident beginning in March, with the US granting unemployment benefits to Marshallese in the RMI who were unemployed due to COVID and with the ADB and World Bank awarding COVID-related grants. By April and May, reduced government tax and fishing revenues were reported and private businesses were facing heavy losses in revenue. The RMI government announced on 19 May 2020 that bilateral and multilateral partners had provided $32.7 million in financial assistance, while the RMI Cabinet had reprogrammed $2.2 million from unused salary accounts in response to COVID. Expected COVID spending response was projected at $37 million. By that point RMI had numerous construction projects underway in response to COVID, including quarantine facilities for arriving travelers and isolation wards for suspected cases.

On 3 June 2020, the first *RMI Coronavirus (COVID-19) Preparedness and Response Plan* was published. The plan programmed $42.3 million in expenditures, with separate expense schedules for the period before community spread (pre-COVID period with no confirmed cases and any suspected cases in quarantine) and the high-risk period of transmission (first cases, established transmission, widespread transmission) with expenditures organized by functional areas (health, infrastructure, etc.). Features of the plan included:

- Funds were allocated between the preparation, disaster, and recovery periods. Of the $42.3 million budget: 67 percent ($28.6 million) was for the pre-COVID transmission period, 17 percent for the COVID transmission period, and 15 percent for the recovery period.
- Planned expenditures were usually designated as either for Majuro Atoll, Ebeye (Kwajalein Atoll), or neighboring islands, with other expenditures not targeted to a certain geography. For the pre-COVID transmission period, Majuro was targeted for 37 percent ($10.5 million) of spending, Ebeye for 8 percent ($2.3 million), and neighboring islands for 23 percent ($6.7 million). Thirty-two percent of pre-COVID expenditures ($9.2 million) were not geographically targeted. Within this category were two large line items: $6.0 million for economic impact and $2.0 million for purchasing a vessel.
- For the COVID transmission period, 58 percent of funds were planned for neighboring islands, 12 percent for Majuro, and 6 percent for Ebeye.
- Of the $10.9 million total for the neighboring islands, 35 percent was for air and sea transportation, 15 percent for health infrastructure, and 16 percent for food security. The food security funds reflected the fear that during COVID transmission individual outer atolls might be isolated to prevent infection and thus miss regular food supply shipments. The $1.76 million was to provide household food reserves and farming and fishing equipment.
- The plan provided no breakdown or geographic allocation of the $6.4 million listed for post-COVID "recovery."

- The plan listed revenue by the source of grants, with $20.5 million from the ADB, $12.3 million from the US, $2.7 million from the European Union, $2.5 million from the World Bank, $1.2 million from Taipei,China, $686,000 from International Organization for Migration (IOM), and $269,000 from Japan. In addition, the RMI general fund accounted for $2.2 million.
- The plan did not schedule or itemize the considerable in-kind contributions of supplies and equipment by the US, Japan, and Taipei,China. Nor did the plan record the US commitments under its CARES Act to provide unemployment payments to qualified RMI workers.

In September 2020, the plan was updated to incorporate sustained funding for the RMI Ministry of Education's program that provided school lunch meals to students from poor families. The additions brought the plan to $45.8 million. The $45.8 million plan allocated funding across four areas:[21]

- $21.1 million for COVID preparedness and response to strengthen health surveillance and provide surge capacity for health care. The plan supports providing training and materials for infection prevention and control (e.g., proper use of PPE, decontamination, waste management) as well as building temporary quarantine shelters at Majuro and Ebeye ports. For neighboring island and atoll communities, the plan allocates funding for: storage units at health dispensaries; mobile teams to conduct facility assessments and trainings; procurement of test kits, PPE, medical supplies, and disinfectants; and referral of patients to Majuro or Ebeye.
- $12.4 million as assistance to businesses: RMI allocated $6 million to an economic relief program providing financial assistance to businesses affected by COVID travel restrictions, with tourism-related businesses targeted, but open to any enterprise that could show proof of adverse impacts. A further $6.4 million was allocated to support business continuity and facilitate quicker recovery of operations. Options under consideration included support for employers to provide necessary protective equipment and transport that would allow staff to return safely to work, creation of a utility discount program, and provision of guaranteed or low-interest loans to help businesses stave off bankruptcy.
- $8.3 million to safeguard the well-being of vulnerable communities and households, particularly those in the neighboring islands and atolls. To safeguard food security was the monthly delivery of food baskets to about 2,380 households over at least a 6-month period. Distribution of fishing and farming implements was to support subsistence production and enable greater self-reliance. Further, the updated plan allocated an additional $3.5 million to expand the school lunch program and provide school lunches to about 11,300 children nationwide, 5 days per week.
- $4.0 million was budgeted toward ensuring the continuity of essential services and for consular assistance for citizens abroad.

Later iterations of the response plan incorporated and included the US CARES Act unemployment program and additional donor funds. By late 2023, the COVID spending plan totaled about $81.9 million, with health mitigation representing the largest share

21 This information is from ADB 2020, *Report and Recommendations of the President to the Board of Directors, Proposed Countercyclical Support Facility Grant Republic of the Marshall Islands: Health Expenditure and Livelihoods Support Program* (Project Number: 54358-001, November 2020). 54358-001-rrp-en.pdf (adb.org)

($37.7 million), followed by general budget support ($21.4 million), household mitigation programs ($15.7 million for US CARES Act unemployment payments, school lunch program and atoll support programs), and $6.9 million for private sector support.[22]

iv. Donor Programs Supported RMI's COVID Response

RMI benefited from numerous and significant contributions from multilateral organizations and individual governments that enabled its response to the COVID crisis in 2020 and continued to support RMI through 2022. As the largest donors, the ADB reports it provided 15 COVID-related projects totaling $32.57 million, while the US provided RMI about $50.2 million in financial grants and additional in-kind support. Numerous additional donors provided further support, through grants and in-kind assistance. The section below is not a full accounting of donor assistance but captures the scope of donor activities.

ADB.

ADB regional actions. During the first four months of 2020 ADB responded to COVID's growing negative impact on its developing member countries (DMCs) across the region with a $6.5 billion package to address the immediate needs of its DMCs as they responded to the health and economic consequences of the pandemic and an additional $13 billion in available countercyclical expenditure financing.[23] These additional funds supported the COVID-19 Pandemic Response Option (CPRO) and increased the total size of ADB's response package to about $20 billion. In addition, the ADB extended access to its Contingent Disaster Financing (CDF) to health-related emergencies, such as COVID.

ADB RMI actions. The ADB reports it provided RMI with COVID-related projects totaling $32.57 million, including $30.61 million through 6 grants and $1.96 million in technical assistance (9 projects).[24] Some of the technical assistance projects covered multiple Pacific Island nations. During 2020-2023 RMI engaged with the ADB to secure grants that directly supported government operations during a period of revenue shortfalls, supported private sector businesses and workers, and improved public utilities.

The ADB grants were:

» $370,000, COVID-19 Emergency Response Project (ADB Project No. 54135-001, Grant 0692), approved 31 March 2020, grant dated 14 April 2020; funded by the ADB Asia Pacific Disaster Response Fund. This was the first COVID-directed donor grant for the RMI. The project supported the procurement of essential supplies, overtime salary and recruitment of emergency health workers, transport

22 *RMI Economic Review 2023*, published March 2024 (EconMAP, Graduate School USA, Honolulu, HI). https://pitiviti.org/storage/dm/2024/04/rmi-econreview-2024-digital-final-20240430031439304.pdf

23 By 11 March 2020, when the World Health Organization (WHO) determined that the world public health emergency had become a global pandemic, ADB had provided $32.3 million in regional COVID assistance, but not yet to the RMI.

24 ADB. 2023. *ADB COVID-19 Response: Marshall Islands*. https://www.adb.org/where-we-work/marshall-islands/covid-19-response

and supply-chain logistics, quarantine costs, and supplies required for disease preparedness.

» $6 million, Pacific Disaster Resilience Program (Phase 2), (ADB Project No. 50028-002, Grant 0666), approved 27 September 2019 to respond to future disaster needs from ADB's Special Funds. The ADB Board of Directors modified the grant's terms on 13 April 2020 to include health-related emergencies. RMI requested these funds for its COVID response.

» $630,000, COVID-19 Emergency Response Project (ADB Project No. 54135-003, Grant 0728), approved 29 July 2020, grant dated 19 August 2020; funded by the Asia Pacific Disaster Response Fund – Government of Japan for COVID-19. The project supported preserving services for communities affected by the COVID pandemic and included: provision of essential goods and supplies such as personal protective equipment required for COVID preparedness and response; payment of overtime for essential workforce and recruitment of emergency health workers; transportation and supply-chain logistics; and supporting the costs of quarantining suspected or confirmed COVID patients.

» $6 million, Pacific Disaster Resilience Program (Phase 3), (ADB Project No. 50028-003, Grant 0761), approved 24 November 2020. Grant dated 11 December 2020; funded by ADB's Special Funds. Grant purpose included supporting public spending to meet short-term and medium-term post-disaster and emergency financing needs.

» $16 million, Health Expenditure and Livelihoods Support (ADB Project No. 54358-001, Grant 0766-RMI), approved 27 November 2020. Grant helped the RMI manage the social and economic impacts of the COVID pandemic and partially financed the government's coronavirus preparedness and response plan. ADB reported that the grant would: strengthen the health sector by supplying essential medical equipment and provide infection prevention training for frontline medical workers; mitigate the economic impacts of the pandemic by providing financial assistance to tourism-related businesses, especially hotels, restaurants, and handicraft makers; support vulnerable communities and households, by extending school lunches to five days a week; and provide a safeguard to the RMI's 22 neighboring islands and atolls outside of the population centers in Majuro and Ebeye by providing every household with monthly food baskets for at least six months and delivering fishing and farming equipment to boost self-reliance.[25]

» $6.5 million, Ebeye Solid Waste Management Project, (ADB Project No. 53082-001, Grant 0780-RMI), approved 8 December 2020. Grant dated 11 December 2020; funded by Asian Development Fund. ADB officials allocate about $1.5 million of this grant to ADB's COVID response in the RMI. The project was to establish a sustainable and effective solid waste management in Ebeye, by building a high-temperature incinerator, upgrading the dump site and other equipment, and strengthening institutional capacity to sustain solid waste system services. The project would also prevent the spreading of COVID and other transmittable and waterborne diseases through improved medical waste disposal and strengthened medical waste management capacity.

25 ADB. 2020. *ADB Approves $16 Million Grant to Help Marshall Islands Fight COVID-19* (01 December 2020) https://www.adb.org/news/adb-approves-16-million-grant-help-marshall-islands-fight-covid-19

In addition, RMI benefited from ADB support that funded technical assistance projects and in-kind supplies for the health sector.

United States. The US government provided COVID support to US states and territories as well as the Freely Associated States (FAS), including the RMI, through a series of four 2020 laws that addressed the COVID pandemic. These laws provided resources to federal agencies to cover COVID-related costs (domestically and overseas) and for new activities, such as Operation Warp Speed to develop and produce COVID vaccines, and to fund new unemployment insurance programs for workers who lost their job due to COVID. According to the US Congressional Budget Office, these 2020 laws increased the US budget deficit by about $3.3 trillion.[26]

In most cases, COVID pandemic laws added funds to existing federal programs, some of which already had authorization to support the Freely Associated States, including the RMI. However, in one key instance, the "Coronavirus Aid, Relief, and Economic Security Act" (CARES Act) created several new unemployment programs, and the RMI was named as a "US state" for purposes of two new US Department of Labor (DOL) COVID pandemic unemployment insurance programs.[27]

Overall, the US provided the RMI about $50.2 million in COVID grants.[28] Four US agencies provided COVID-related grant assistance directly to the RMI: the Departments of Education, Health and Human Services, Interior, and Labor. The US government reports that it provided about $57 million in assistance to the RMI as of 20 June 2023.[29]

» Department of Education provided a $2 million grant to the College of the Marshall Islands.

» Department of Health and Human Services provided RMI $32.6 million in grants though several agencies:

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26 US Congressional Budget Office. *The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020*, 6 June 2020 https://www.cbo.gov/publication/56403 and 2021 *Summary Estimate for Divisions M Through FF , H.R. 133, Consolidated Appropriations Act, 2021, Public Law 116-260 Enacted on December 27, 2020*, 14 January 2021. https://www.cbo.gov/system/files/2021-01/PL_116-260_Summary.pdf Note: this accounting does not include the $1.9 trillion American Rescue Plan Act, enacted on 11 March 2021 that included an economic stimulus package. In addition, this Act further extended COVID unemployment programs, including for the Freely Associated States.

27 US Public Law 116-136, 3/26/2020. The FSM and Palau were also named as US states for these two programs. https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf

28 Combining several US government compilations of support (awards) and data from the RMI on the award of COVID unemployment grants, the total US COVID grant assistance provided to RMI was about $50.2 million. Note, not all grant funds were necessarily drawn down by the RMI. See: "The United States All-of-Government Response to COVID-19 in Pacific Island Countries" (US Department of State, 9/18/2020) https://2017-2021.state.gov/the-united-states-all-of-government-response-to-covid-19-in-pacific-island-countries/index.html; "Federal Assistance to the U.S. Territories and Freely Associated States during the Coronavirus Disease 2019 (COVID-19) Pandemic" (US Department of the Interior, undated) https://www.doi.gov/oia/covid19; and "Interior Office of Insular Affairs Announces Full and Final Allocation of $55 Million in Cares Act Funds to Insular Areas" (US Department of the Interior, 11/1/2021). https://www.doi.gov/oia/press/Interior-Office-of-Insular-Affairs-Announces-Full-and-Final-Allocation-of-%2455-Million-in-Cares-Act-Funds-to-Insular-Areas#

29 US Embassy in the Republic of the Marshall Islands, *U.S. Provides Equipment to Accelerate Marshall Islands' COVID-19 Response* (20 June 2023). https://mh.usembassy.gov/u-s-provides-equipment-to-accelerate-marshall-islands-covid-19-response/

- Centers for Disease Control and Prevention (CDC) provided RMI with 27 grants totaling $27.7 million provided through US Congressional acts that addressed COVID. Grant areas supported included: vaccination activities, detection and mitigation of COVID, epidemiology and lab capacity.
- Health Resources and Services Administration provided the RMI with 5 grants totaling $4.7 million. These funds supported the Ebeye Community Health Center and other COVID activities.
- Assistant Secretary for Preparedness and Response awarded RMI $176,000 for hospital preparation. Importantly, this office also worked with CDC to provide ventilators and PPE supplies from the US Strategic National Stockpile. Numerous flights were used to deliver these supplies.
- Throughout the COVID pandemic, RMI received supplies, vaccines, and treatment medicines from the US that are not captured in this reporting.

» Department of the Interior provided $4.7 million to the RMI in grant awards to address COVID.

- Under the CARES Act, Interior provided $4.3 million: with $2.6 million for hospital medical equipment, $855,000 for medical supplies and shipping, $487,000 for personal protective equipment, and $375,000 to support repatriation of stranded families.
- An additional grant for $409,000 was provided to support the RMI COVID vaccination campaign in the outer islands.
- Interior also provided $859,000 funding to the Pacific Island Health Officers Association (PIHOA) to provide COVID test kits and testing equipment throughout the Pacific, including to the RMI.
- Interior concurred with reprogramming $750,000 of previously awarded FY2020 Compact Health Sector Grant funds to be used for repair and renovation work associated with COVID at the Majuro Hospital.
- Interior funding also supported the development of economic statistics and projections for the FAS, including for the RMI.

» Department of Labor authorized about $10.9 million in grants to the RMI through the CARES Act for eligible individuals whose employment was affected by the spread of COVID.

» Department of State and US Agency for International Development support included funding to the Catholic Relief Service, International Federation of the Red Cross, International Organization for Migration (IOM), UNICEF, and the World Health Organization for Pacific Island activities, for activities that included COVID projects in the RMI. For example, USAID provided $5 million to support the UN World Food Program's logistics program in the Pacific, bringing critical COVID supplies to Pacific Island nations, including the RMI. USAID also deployed the IOM to undertake a rapid assessment of the vulnerability of households on different atolls in advance of the ADB providing a grant to meet these needs. USAID activities included training and PPE for frontline health workers, work to improve food security on outer islands, and funding vaccine voyages where RMI medical teams traveled to outer atolls to administer vaccines.

» Department of Defense contributed substantially to RMI's efforts to repatriate citizens who were left overseas when the RMI border was closed. The Army base at Kwajalein made facilities available for the required quarantine that was part of the RMI repatriation program. Facilitating the RMI repatriation program also benefited the Army base, as it brought many staff members through the same required RMI quarantine process.

US grants are reviewed as part of the RMI annual financial audit process and US grants are selectively reviewed for compliance with grant terms and conditions. Available audits for FY2020 and FY2021 reported accountability problems with RMI use of US funds. For example, Interior grant procurements lacked competitive sealed bidding or justification for sole-sourcing supplies. A review of 46 US-funded health grant purchases found problems with $1.1 million of $1.6 million in purchases.

Other donors.

Australia recognized the primary role of the US to address RMI's COVID health needs and looked for gaps in support that could be funded, providing about $1.7 million. Australia undertook three initiatives: first, to finance transportation to outer islands of US-provided vaccines -- an expense of about $500,000; second, at the time of RMI COVID community spread, Australia transported health supplies (COVID tests, masks, face shields, and sanitizers) and personnel to Majuro with three charter aircraft to reinforce the Ministry of Health; and third, Australia worked with IOM to distribute dignity kits to RMI women, providing $150,000 in support. Early during the pandemic, Australia also supported RMI through a WHO initiative, and later jointly provided COVID test machines, with WHO, New Zealand, PIHOA, and the Pacific Community.

The European Union provided the RMI with $2.7 million, used primarily for food security projects.

Japan provided funds through an ADB grant that supported RMI's COVID response and through a WHO project that focused on outer island COVID preparedness. Japan officials did not characterize Japan's direct assistance to the RMI as a response to COVID, but consistent with its long-term support to the health sector. Japan's past investment in the Majuro hospital over a 20-year period, proved key to the RMI's COVID response. In June 2021, Japan provided medical equipment to the two RMI hospitals ($3 million cost), including x-ray equipment and a CT scanner. A significant Japanese contribution to the RMI health sector, a hospital ship, arrived in April of 2022, just ahead of COVID community spread. This ship was the result of an 18 March 2019 grant to provide this medical capability to the RMI. The total value of the contributed ship with equipment was $4.0 million. The new vessel was well timed to provide medical services to the outer island during community spread of COVID. A significant concern of Japan officials is whether the RMI will commit future financial resources to pay for operating the vessel as well as invest in the medical team and effort to provide services from the ship.

New Zealand provided $1.5 million in support to the RMI for COVID.

Taipei,China provided RMI with regular budgetary support during COVID, which helped maintain government revenues. In addition to building isolation wards at Majuro Hospital, Taipei,China provided $1.8 million to support COVID efforts, including in the outer islands and provided telemedicine support. Annually, Taipei,China provided

60 tons of rice to support food security. Medical supplies and equipment, including freezers (for US-provided vaccines), masks, oximeters, oxygen generators, test kits, soap, thermal scanners, and ventilators were brought to the RMI beginning in April 2020 and continued through the community spread period. For example, in July 2021, Taipei,China delivered nine container-based medical units, six for Majuro and three for Ebeye. During August 2022, when COVID spread to the RMI, Taipei,China provided multiple shipments of supplies and deployed four physicians to support the RMI medical team.

World Bank announced a $2.5 million emergency project for the Republic of Marshall Islands on 18 April 2020, to support the country's fight against COVID. The grant provided support to respond to the coronavirus and support longer term systems strengthening for public health emergencies. The project was to assist community prevention and provided technical assistance to Marshall Islands' Ministry of Health and Human Services for case detection, disease investigation, and contact tracing. The project included support for on-island laboratory COVID testing along with funding for technicians, supplies, and training in Majuro and Ebeye labs. The project also provided personal protective equipment, funding for clinical care providers, and training and coaching for back-up staff.

World Health Organization provided COVID-related supplies, with Australia providing the air transportation. In conjunction with IOM, WHO organized a COVID "tabletop" exercise and simulation to test the preparedness and response mechanisms in the context of repatriations during COVID. This USAID-funded event included a full-scale simulation of a repatriation event from the point of entry to quarantine but added passengers who needed testing and contact tracing.

Additional donors were occasionally mentioned in the RMI newspaper, including RMI citizens in the United States, Taiwanese businesses in the RMI, and the United Arab Emirates.

B. RMI Implemented Economic Mitigation Programs

The economic responses of the RMI government were three-fold. First, it established the Pandemic COVID-19 Economic Relief Program (PCERP) where COVID-affected businesses could apply for support. Second, it implemented social assistance programs. And third, it implemented the US-funded unemployment program.

i. Economic Relief Program for Businesses

RMI provided relief payments to COVID-impacted businesses as part of the 3 June 2020 *RMI Coronavirus (COVID-19) Preparedness and Response Plan*. That plan included $6.0 million for an economic relief package and reserved an additional $6.4 million for COVID recovery. The plan incorporated conclusions and recommendations of the National Disaster Committee's Economic Impact Assessment Ad Hoc Committee that in May 2020 reported "urgent" sectors of the economy would incur a negative economic impact of $6.0 million. Further, the Committee's report recommended that the RMI solicit donors to finance "economic relief" that could be earmarked for business operators within the impacted sectors, giving priority to the tourism sector. Also, the

report recommended providing financial assistance to retailers and wholesalers who were competing globally to maintain stocks and for strategic stockpiling for extended disaster relief efforts. The RMI Cabinet implemented the plan and endorsed the economic findings and recommendations in June 2020.

The Pandemic COVID-19 Economic Relief Program (PCERP) was implemented in early June. The program was restricted to businesses in Majuro and Kwajalein, with priority for the tourism sector. The tourism sector included: hotels, bars and restaurants, backpackers, handicraft shops, beauty salons, souvenir shops, airport vendors, travel agents, shipping agents, and tour operators (dive operators and boat charters). Applications were distributed and collected by the Chief of Tax and Revenue, Ministry of Finance. Applicants were required to be licensed businesses and were encouraged to do advance filings of all taxes, especially gross revenue tax and hotel tax (if applicable) for April, May, and June of 2020. A review board would use the tax information to determine eligibility of relief assistance. Part of the vetting process was to review for the applicant's good standing on tax payments: gross revenue taxes and payments to Marshall Islands Social Security Administration (MISSA).

Relief assistance was distributed slowly. The first two checks were issued on 10 July 2020. By 28 July 2020, over 70 local companies had submitted applications that were under review. However, the review board reported that many applicants did not submit requested documents, which delayed awards. To speed up awards, the board established a policy of awarding smaller lump sum payments when information was lacking. On 14 August 2020, checks were distributed to an additional 15 businesses in a presentation that included the 17 program beneficiaries to date, the RMI President, ministers, and senior officials. Issued checks totaled $718,300 and ranged in size from $718 to $239,000. The largest relief check went to the Marshall Islands Resort, a RMI state-owned enterprise (SOE). The next two largest checks were for other hotels/ resorts. The letter accompanying the payments stated that "the purpose of the program is not to cover all your losses, rather it is to provide relief assistance to ensure that impacted companies have the means to cover their basic costs of operation to keep afloat as they plan for the future of their companies through mitigation, adaptation or whether to seek to diversify."

As the program continued, many small businesses received $150 per month, usually receiving payments for 6 months at a time. By mid-September, the Economic Impact Assessment Committee was working to extend the program to Kwajalein Atoll. Businesses in other atolls were informed that $500,000 had been allocated for stimulus loans from the Marshall Islands Development Bank with a low interest rate of 4 percent. Further, taxi drivers were granted $35 per day as a fuel voucher for each vehicle that had been in service for 3 months. Funds were distributed to gas station owners who then fueled the taxis of listed drivers. In the case of handicraft producers, several shops received a business relief payment, but individual handicraft producers were instructed to apply for the US CARES Act unemployment program. However, PCERP did establish a program of providing "seed money" to handicraft shops that were to cover the cost of continued purchases of handicrafts, especially from weavers. Most program PCERP payments were made in 2021 (61 percent), with about a third in 2020 (see **Table 1**).

By the end of the program in February 2023, PCERP had provided $5.7 million through 366 payments to 204 recipient businesses.[30] In addition to payments to

30 The number of actual beneficiaries was far larger. For example, a single payment to one of the taxi associations could have as many as 45 taxi drivers or owners listed as beneficiaries.

Table 1: Pandemic COVID-19 Economic Relief Program Payments by Year (2020-2023)

Year	No. Payments	Percent	Payments ($)	Percent
2020	153	41.5%	$1,839,967	32.3%
2021	175	48.2%	$3,486,213	61.1%
2022	36	9.8%	$356,049	6.2%
2023	2	0.5%	$21,600	0.4%
Total	**366**	**100.0%**	**$5,703,829**	**100.0%**

Source: EconMAP analysis of RMI administrative data.

businesses, the program also transferred $179,500 to other RMI government entities, bringing the program's total cost to almost $5.9 million.[31] Economic relief beneficiaries were concentrated in the tourism-related areas of accommodation/food service, transportation, and wholesale/retail trade (see Table 2):

» The accommodation/food service sector received 33 percent of program payments. Total recipient payments ranged from $1,800 to $657,000, with the highest payment being to the Marshall Island Resort, a RMI SOE. The next highest payments went to other large hotels and restaurants.

» The transportation sector received 31 percent of program payments. Total recipient payments ranged from $445 to $549,000, with the highest payment to the Marshall Island Port Authority, a RMI SOE. The second-highest payment was to Air Marshall Islands, another RMI SOE. The smallest sector payments were for individual taxi owners or drivers.

» The wholesale/retail trade sector received 11 percent of program payments. Total recipient payments ranged from $450 to $166,000. Recipients represented a variety of stores.

Other areas of support included:

» The electricity sector received 11 percent of program payments, with the Kwajalein Atoll Joint Utility Resources (KAJUR) – a RMI SOE – receiving $619,000.

» Local governments received 9 percent of program payments. These included: Kwajalein Atoll, Majuro Atoll, and Namdrik Atoll local governments. In the case of Kwajalein Atoll, the payment recognized that on 16 March 2020, the atoll government had waived business taxes to enable the businesses to establish a 3-month supply of staple items.

» For the purposes of this presentation, handicraft stores and associated payments are included in the informal sector. These should also be considered tourism-related payments.

31 $50,000 was transferred to the National Emergency Operations Committee (NEOC), $10,000 to the Ministry of Health COVID vaccine raffle, and $119,500 to the National Disaster Committee (NDC) for repatriation expenses.

Table 2: Pandemic COVID-19 Economic Relief Program Payments by Sector (2020-2023)

Sector	Payments ($)	Percent
Agriculture and forestry	$9,000	0.2%
Fishing	$58,631	1.0%
Electricity, gas, steam and air conditioning supply	$620,455	10.9%
Construction	$25,349	0.4%
Wholesale and retail trade; repair of motor vehicles and motorcycles	$604,770	10.6%
Transportation and storage	$1,791,194	31.4%
Accommodation and food service activities	$1,878,072	32.9%
Arts, entertainment and recreation	$12,071	0.2%
Other service activities	$6,920	0.1%
Informal Sector	$101,113	1.8%
Pharmacy	$34,122	0.6%
Local Government	$525,629	9.2%
Self-Employed	$18,300	0.3%
Solar Energy	$3,600	0.1%
NGO	$3,000	0.1%
Landlease	$11,603	0.2%
Total	**$5,703,829**	**100.0%**

Source: EconMAP analysis of RMI administrative data.

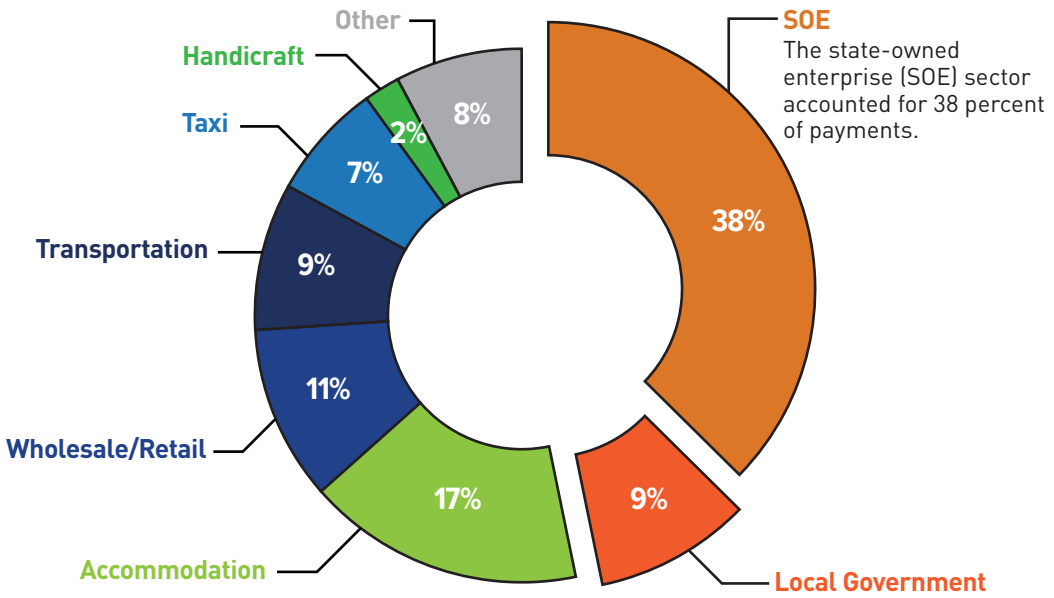
Notes: Sectors without payments are not listed.
State-owned enterprises are allocated to the appropriate sector.

The importance of SOEs in the RMI economy and within the government's COVID response is evident once the SOEs are grouped together (see **Figure 10**).[32] Grouped together, SOEs represented 38 percent of program payments. In combination with the local governments (at 9 percent) the public sector received 47 percent of program assistance. Two areas that were cited in press articles as areas of public concern were payments to taxi drivers and handicraft makers. Taxi-related payments amounted to $408,000 or 7 percent of PCERP payments. While taxi-related payments occurred in Majuro in 2020 and 2021, none occurred in Ebeye until December 2022 and February 2023. Payments to handicraft stores (and makers) totaled $89,000 or 1.6 percent of PCERP payments.

The distribution of program benefits was concentrated with the SOEs and a few firms accounting for most of program benefits (see **Figure 11**). For example, 12 recipients, which received more than $100,000, accounted for 71 percent of the total program

32 In Figure 10: the state-owned-enterprise grouping (SOE) consists of a hotel/resort, a public utility, the port authority, and an airline; the accommodation grouping is hotels and resorts and excludes the SOE hotel/resort; and the transportation grouping excludes the SOE port authority and airline, but includes private sector taxis.

Figure 10: Pandemic COVID-19 Economic Relief Program Total Payment Distribution by Recipient Groupings (2020-2023)



Source: EconMAP analysis of RMI administrative data.

Note: The state-owned enterprise (SOE) sector consists of a hotel/resort, public utility, port authority, and airline.

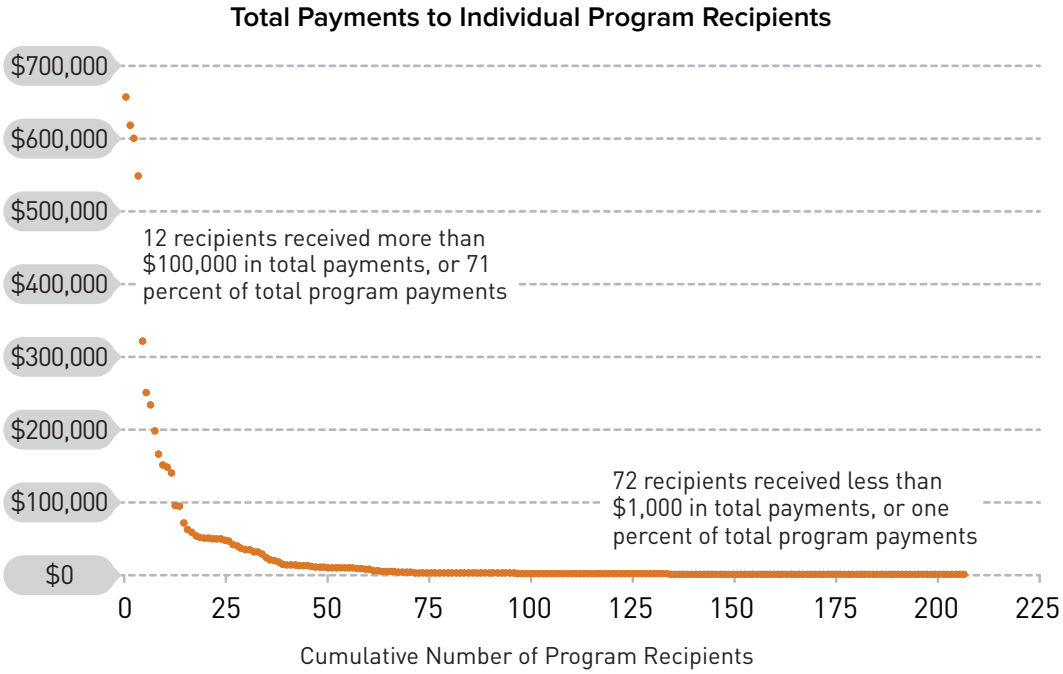
payments, while 72 recipients received less than $1,000 and together accounted for 1 percent of the total program payments. The size distribution of program benefits can also be visualized by rank ordering benefits by total benefits for each recipient (see Figure 12). The five largest total program payments (of which four went to SOEs) accounted for 48 percent of program funds, while the 10 largest total program payments accounted for 66 percent of program funds, and the largest 25 total program payments accounted for 84 percent of program funds.

In an RMI After Action Review conducted in October 2022, officials responsible for the program outlined some of the challenges they faced, including backlash from certain groups (taxi association), lack of commitment within the membership of the program review board that delayed meetings and business payouts, and untimely submission of required applicant documents. Looking ahead, the officials recommended dedicated and full-time staff for this function and the development of an economic assessment for all natural and medical disasters. In interviews, government and private sector officials reported concerns about the program's transparency and fairness.

ii. Economic Stability Program for Communities and Households

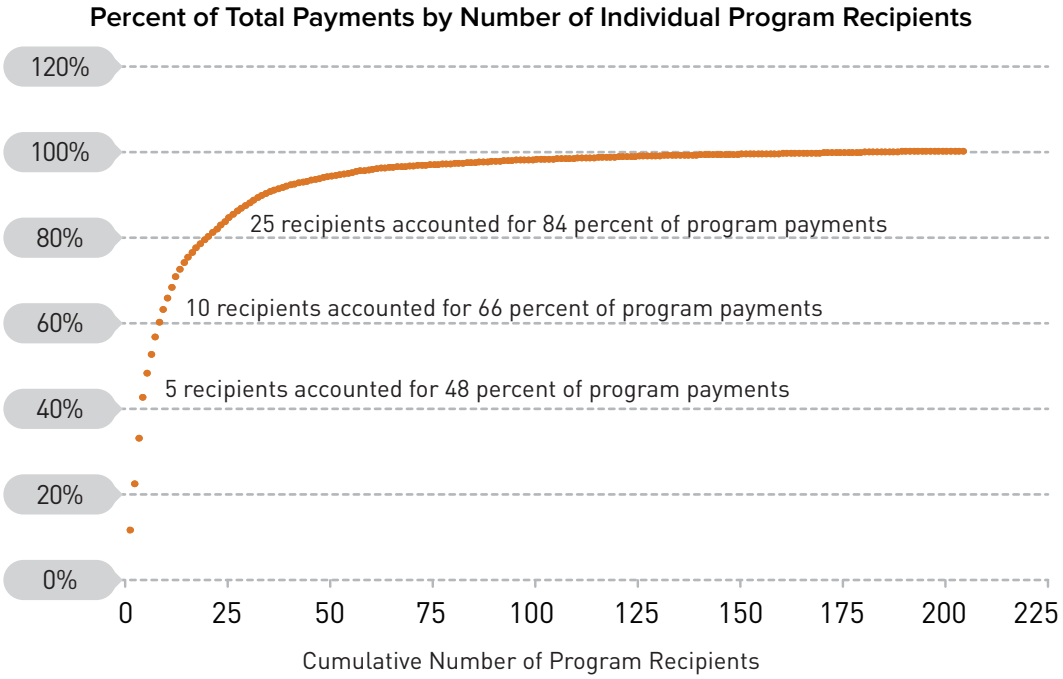
RMI funding for communities and households were part of the 3 June 2020 RMI Coronavirus (COVID-19) Preparedness and Response Plan, which incorporated recommendations of the National Disaster Committee's Economic Assessment Ad Hoc Committee. A pervasive concern in the economic assessment was the need to provide

Figure 11: Pandemic COVID-19 Economic Relief Program Total Payment Distribution by Recipient (2020-2023)



Source: EconMAP analysis of RMI administrative data.

Figure 12: Pandemic COVID-19 Economic Relief Program Percentage of Total Payments by Number of Recipients (2020-2023)



Source: EconMAP analysis of RMI administrative data.

food security both for the urban centers and outer islands. Also proposed were cash subsidies for workers in impacted sectors, with special consideration of support for handicraft producers, who were not part of social security and lacked documentation for business support. The June 2020 response plan allocated funds for repatriations ($670,000), neighboring island food security ($1.8 million), and post-COVID recovery ($6.4 million).

Programs implemented by the RMI for communities and households included:

- Repatriation support. The RMI government awarded small stipends to citizens marooned overseas due to travel restrictions. The Pandemic Plan allocated $300,000 for stranded residents and an additional $370,000 for COVID response activities by the RMI Arkansas and Hawaii consulates. Once the RMI established a repatriation process, the government also paid for the operation of the sites in Honolulu, Hawaii and on Kwajalein Atoll. With the total quarantine period at 5 weeks initially, the government incurred the full cost of operations. After spending a reported $2.5 million on the process, the government began to shift more of the cost to the traveler in 2022.
- Worker support. RMI government program support for workers was limited. Majuro taxi drivers were incorporated through their association into the business relief program in 2020 and 2021. Similar taxi operations in Ebeye received support in December 2022 and February 2023. Handicraft workers did not have financial documents to apply for individual unemployment under the RMI's implementation of the US CARES Act unemployment program. Nor were these workers registered businesses with a record of tax payments as required for the RMI- funded business relief program.[33] While business relief funds were provided to handicraft shops as "seed" money to continue craft purchases, it is not clear the level of support provided for craft workers during the pandemic.
- Food security support. As islands dependent on imports and at risk of being cut off from food supplies, food security was a significant driver of RMI policy. First, this shaped COVID port operations in the urban areas, but then shaped how to provide for the neighboring islands in the event of any shipping ban aimed at stopping the transmission of COVID. Several strategies were used:
    - "Food Baskets" were provided to 2,380 households in the neighboring islands/atolls (as well as 38 highly vulnerable households in Majuro and Ebeye). The program twice provided a three-month supply of rice, flour, sugar, and baking powder. The "size" of the basket reflected the number of family members in each household.
    - An expanded school feeding program provided meals 5 days per week during the 2020-2021 school year and benefited 10,272 school children.
    - Fishing gear -- nets, spears, snorkels, and masks -- was provided to encourage fishing. Agricultural tools and supplies, such as seedlings, were provided to encourage farming. These had been delivered to 19 of 23 target atolls by August 2021.
    - The effectiveness of these food security efforts was not tested. When the community spread of COVID occurred in 2022, shipping and transport to

33 A single craft maker qualified for program benefits who provided evidence of paying social security taxes.

neighboring islands was only briefly suspended. The extent that food basket supplies were held as reserves, rather than used as current consumption has not been reported. In interviews, several government and private sector officials were skeptical about the effectiveness of the program in establishing reserves.

Post-COVID recovery efforts provided funding to local governments, government workers, and vulnerable households:

- In September 2022, local governments received $1,475,000 from ADB grant funds. Funds were distributed to local governments according to population, with Majuro receiving $230,000, Kwajalein $150,000, and smaller amounts for other atolls/islands. The smallest level of funding was $35,000. According to news articles, Kwajalein Atoll distributed $128,000 of its award as $100 benefits to individual households, either as cash, electric power credit, or as food supplies.
- The RMI government considered granting $50 per person in post-COVID relief, but in early October 2022 instead chose to distribute $250 to all employees of the RMI government, SOEs, and the public school system. Further, at that time, frontline government workers, such as those who had worked in quarantine facilities and had pending pay claims could submit their claims for past due hazardous and overtime pay.
- In November 2022 the Ministry of Finance announced individual support payments funded by $1.5 million of ADB COVID relief funding to several groups: 181 people with disabilities, 140 taxi drivers and unemployed seniors, and 875 vulnerable families in Majuro. Finance used a list of vulnerable families previously identified by the World Bank-funded Early Childhood Development program to establish eligibility for Majuro families to receive a one-time $250 COVID relief stimulus payment. Press reports indicated that the Early Childhood Development program in Ebeye needed to complete interviews with 300 families and that those families would be eligible for the same $250 one-time payment before the end of December 2022.[34]

iii. US CARES Act Implementation

US Coronavirus Aid, Relief, and Economic Security Act unemployment programs were implemented by the RMI Labor Division under the Ministry of Justice, Immigration, and Labor in coordination with the Ministry of Finance, Banking and Postal Services. Unemployed citizens of the RMI, the Federated States of Micronesia, Palau, and the United States were eligible for the US programs in the RMI under the CARES Act. Other unemployed foreign workers in RMI were ineligible.

Two programs from the CARES Act were available to the RMI:

- Pandemic Unemployment Assistance (PUA) temporarily extended unemployment benefits to people who otherwise would not qualify for unemployment insurance benefits. Since RMI did not have an unemployment insurance program, the PUA was available for all unemployed RMI citizens as well as unemployed FSM, Palau,

34 This COVID relief payment was in addition to funds the World Bank Early Childhood Development program provided to mothers/guardians through Bank of Marshall Islands debit cards.

and US citizens in the RMI. In the RMI, it provided $262 a week for unemployment, initially from 2 February 2020 to 26 December 2020.

» Federal Pandemic Unemployment Compensation (FPUC) increased the level of unemployment benefits to workers affected by the COVID pandemic. Under the FPUC, eligible workers who collected unemployment compensation (including PUA payments) received an extra $600 in federal benefits each week they were unemployed. For the RMI, the period of initial eligibility was from 4 April 2020 through 31 July 2020.

RMI developed a special unit to implement the CARES program:

» The President of the RMI signed an agreement with the US Department of Labor 2 April 2020, following the enactment of the CARES Act on 17 March 2020. The RMI estimated its needs and requested $7 million for payments to workers and an additional $100,000 for administration.

» The RMI did not have any existing unemployment system to use for implementation, nor had it received any recent grants from the US Department of Labor. Consequently, it had to establish a new unit for implementation. US Labor required a series of six staff training sessions to prepare for the rollout of the program. RMI implementation was later than in the FSM and Palau.

» The RMI began accepting program applications the first week of August 2020, while it was still waiting for US Labor agreement to begin awards. RMI officials noted that laid-off Marshall Islands Marine Resource Authority (MIMRA) fishing boat observers, Pan Pacific Foods loining plant workers, and local United Airlines staff were expected among the initial applicants.

» The first CARES unemployment relief checks were distributed 21 September 2020 to 26 initial recipients, including MIMRA fisheries observers, Pan Pacific Foods workers, and United Airlines employees. The handover event was covered in the press and attended by three RMI ministers and the attorney general. Twenty-two MIMRA fisheries observers received checks ranging from $10,792 to $16,759 for the 25-week period 15 February to 2 August. A second tranche of 34 checks were issued 2 October 2020, bringing program distributions to $810,936.

» As implemented by the RMI, informal workers, such as craft makers, could not benefit from the program. Applications required proof of employment (paystubs, income tax returns, social security contributions, or bank statements) to document that employment or self-employment had a COVID impact. RMI implementation of the CARES program was evaluated as part of the FY2021 RMI audit of US federal grant compliance. Of 60 unemployment case files reviewed (which accounted for 19 percent of program benefits at that time) the auditor reported 14 cases where eligibility requirements were not followed, and claims were paid that should not have been.[35]

» US DOL informed RMI that RMI social security taxes should not have been deducted from unemployment payments and they were returned to beneficiaries.

35 *Republic of the Marshall Islands, Independent Auditor's Reports on Internal Controls and on Compliance, Year Ended September 30, 2021*, posted on the website of the RMI Office of the Auditor-General. *https://www.rmioag.com/wp-content/uploads/2023/03/RMI_comp21-Final-Mar-10-2023.pdf*

RMI CARES Act unemployment expenditures totaled $8.1 million to support 467 unemployed workers. In total, the RMI CARES program spent $8.1 million in FY2020-FY2022 of $10.9 million made available from US DOL (see Table 3).

In total, after reviewing 600 applicants, 463 unemployed workers from about 54 employers benefited from the CARES Act program. Program benefits were concentrated with workers from five employers, accounting for 76 percent of program benefits (see Table 4).[36] The largest recipients were employees of fisheries and visitor-related employers.

» The largest share of program benefits, 23 percent, went to support 55 workers at MIMRA, at an average benefit of $30,140 per worker. (MIMRA is a component of the RMI government.) With the onset of COVID, MIMRA recalled its onboard fishing observers from private fishing vessels, leaving the observers unemployed for the duration of the COVID pandemic. Further, the Majuro-based fish processing plant suspended operations during some of the COVID pandemic, with 105 workers in the CARES program, accounting for 22 percent of program benefits, but at a lower average benefit of $14,986 per worker.

» Among visitor-related employers, United Airlines suspended most ground and passenger activities when RMI closed its borders. As a result, 31 United employees accounted for 12.8 percent of program resources, at an average benefit of $29,329. The two largest hotels in the RMI lost business with the end of travel and therefore laid off workers. Together they had 102 workers in the CARES program for combined benefits totaling 17.4 percent of the program.

The compensation provided by the US CARES PUA and FPUC benefits significantly exceeded RMI private sector worker compensation. For example:

» The average annual pre-COVID compensation for private sector workers in RMI was $6,983 per year or about $134 per week in FY2019, while the RMI minimum wage of $3.00 per hour, provided $120 per week.

» Under the US CARES program, unemployed RMI citizens with PUA and FPUC, had weekly unemployment payments as high as $862 per week ($262+$600)

Table 3: CARES Act Unemployment Grants and Expenditures, FY2020-FY2023

Unemployment Grant Categories	US Federal Authorization	RMI Expenditures
Pandemic Unemployment Administration	$786,828	$693,122
Pandemic Unemployment Assistance (PUA)	$4,474,960	$3,574,221
Federal Pandemic Unemployment Compensation (FPUC)	$5,634,000	$3,860,118
Total	**$10,895,788**	**$8,127,460**

Source: RMI Ministry of Finance data extract from the US government Payment Management System.

36 The table and referenced data on employers and employees is based on administrative data provided in February 2023. This would not capture any subsequent awards and does not include administrative costs paid under the CARES program. Data reported is approximate, as several payment records were hard to group due to data anomalies such as spelling differences.

Table 4: CARES Unemployment Program Use by Employer

Employer	# CARES workers	% CARES workers	Total PUA $	Total FPUC $	Total CARES $	% Total CARES $	Avg CARES $/worker
Marshall Islands Marine Resources Authority	55	11.9%	$826,996	$830,700	$1,657,696	23.3%	$30,140
Pan Pacific Food	105	22.7%	$777,070	$796,500	$1,573,570	22.1%	$14,986
United Airlines	31	6.7%	$417,210	$491,984	$909,193	12.8%	$29,329
Marshall Islands Resort	54	11.7%	$283,787	$354,934	$638,721	9.0%	$11,828
Robert Reimers Enterprises	48	10.4%	$278,939	$321,000	$599,939	8.4%	$12,499
Restaurant	10	2.2%	$84,364	$112,500	$196,864	2.8%	$19,686
Other	160	34.6%	$770,281	$761,882	$1,532,163	21.6%	$9,576
Total	**463**	**100.0%**	**$3,438,645**	**$3,669,500**	**$7,108,145**	**100.0%**	**$15,352**

Source: EconMAP analysis of RMI administrative data.

when FPUC was at $600 per week. This was almost 6.4 times the average level of earnings, or 7.2 times minimum wage earnings.

» During the period when FPUC was $300 per week, total weekly CARES compensation was $562 per week ($262+$300). This amounted to unemployment payments almost 4.2 times the average level of private sector earnings and still 4.7 times minimum wage earnings.

» However, for those workers in CARES who worked at state-owned enterprises, the compensation differential may have been smaller. The average annual salary and wage rates for "public enterprises" was $13,818 per year or about $266 per week in FY2019, substantially higher than the private sector average earnings of $134 per week.

Because the CARES program was benchmarked to US wage levels and unemployment system compensation, its benefit structure was not aligned to RMI's labor market wage rates.[37]

iv. Impact of Mitigation Programs on Household Income

Mitigation programs had two distinct objectives: supporting the business sector suffering through the decline in tourism and supporting unemployed workers and their families. ADB grants supported RMI efforts that provided businesses with payments and

37 Wage rates used are from *RMI Statistical Appendices FY21-Preliminary*, posted on the RMI Economic Policy, Planning and Statistics Office (EPPSO) website. https://rmieppso.org/social/#

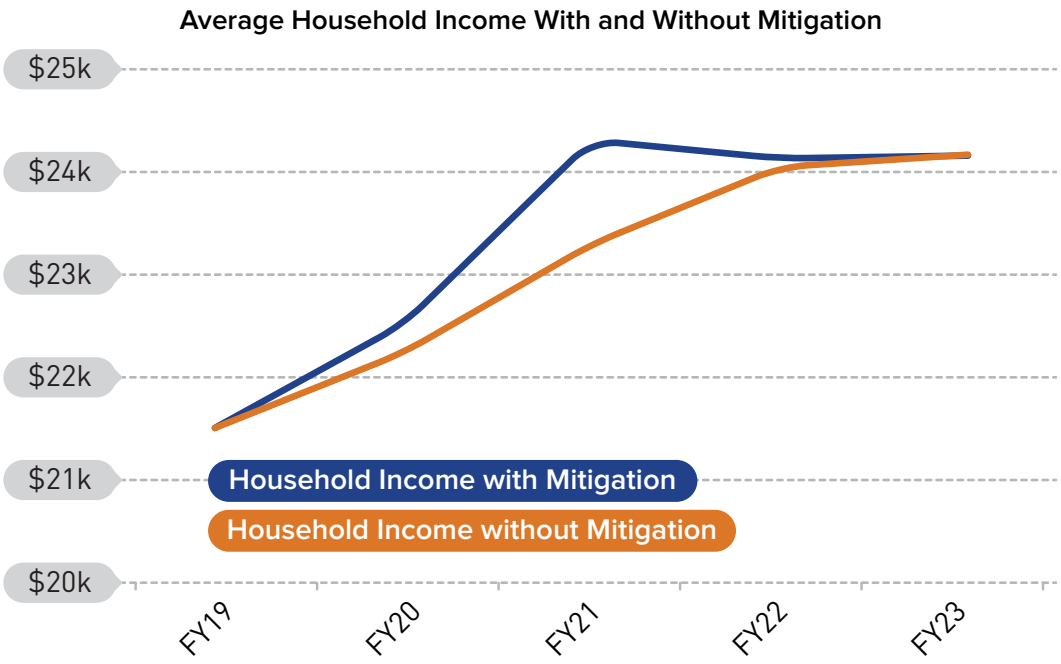
assistance to certain households. The US CARES Act provided unemployment benefits to qualifying unemployed workers in the RMI.

Mitigation programs had beneficial impacts on average household incomes during the COVID pandemic, as they were to offset the expected negative impact of declining visitors and falling fisheries activity on average household income in the RMI. With COVID's impact, but without the various mitigation programs and CARES unemployment benefits, household incomes were originally projected to fall by 4.9 percent in FY2021, which would have resulted in rising levels of distress in the workforce. However, as events transpired:

» Household incomes were on a rising trend during COVID even without mitigation, with average household real income 12.4 percent higher in FY2023 than in FY2019 before COVID (see **Figure 13**).

» In FY2023, the level of actual household income with mitigation converged with the level of simulated household income without mitigation efforts.[38]

Figure 13: RMI Average Household Income With and Without Mitigation Programs, FY2019-FY2023 (FY2015 prices)



Source: EconMAP analysis of RMI economy (prepared February 2024).

38 The economic model used to prepare economic and fiscal forecasts can be used to simulate the impact of mitigation by comparing household income while receiving the mitigation income to a counterfactual experience that excludes the receipt of mitigation funds. The mitigation programs covered in this analysis are the ADB-funded outer island food baskets and school lunch program, and the US-funded US CARES Act unemployment programs. The difference in the 'with' and 'without' scenarios represents the impact of mitigation on average household income. This presentation is constructed by estimating total household income and dividing by an estimate of the number of households. It is a not a direct measure of household income.

» The beneficial impact of mitigation was captured in FY2020-FY2022, where average real household incomes in FY2021 rose to $24,311 (FY2015 prices), which was 13 percent above the FY2019 level and 4.3 percent over average real household income without mitigation.

Mitigation benefits were targeted at specific groups: the unemployed, a hot lunch program for school children, and food baskets for the outer atolls; thus, the needs of other COVID-affected households may not have been addressed. By FY2022 the benefits of the mitigation programs were tapering off and coupled with the slowing economy, real household incomes are estimated to have fallen slightly. In FY2023 the ADB allocated a further $6 million in COVID mitigation due to a period of rapid community spread in August 2022 at the start of the fiscal period. This helped offset the impact of inflation and the loss of jobs at the Kili-Bikini-Ejit (KBE) Local Government. As a result of these forces, household incomes are projected to remain steady. The overall experience has thus been that the donor support and mitigation programs had a beneficial impact during COVID, but once the crisis was over household incomes have stagnated.

C. RMI's Economy Sustained by Donor Grants During COVID

To assess the impact of COVID on RMI's economy, economic statistics are used to describe the "COVID Period" of operations, FY2020-FY2022, when substantial travel restrictions remained in place. Beginning with FY2023, travel restrictions were normalized, starting the "Post-COVID Period" for the economy where visitors return. Economic statistics presented for FY2023 combine existing economic data and projections. Where FY2023 data is available, it is presented. However, RMI economic statistics are incomplete for some FY2023 data series.

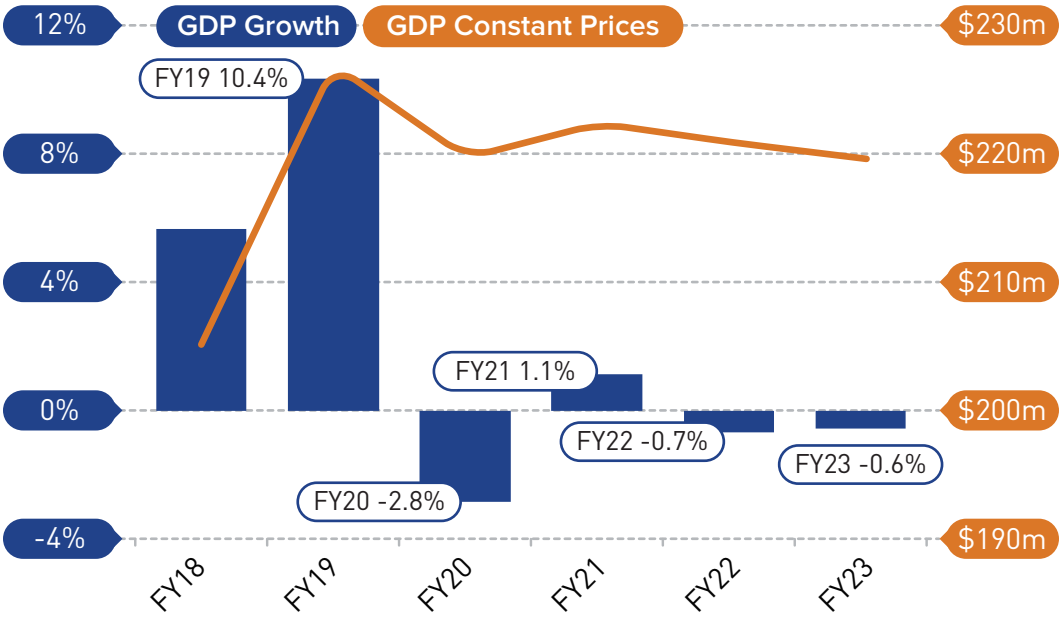
i. GDP declined by 3.0 percent FY2019-FY2023

The RMI's inflation-adjusted GDP declined due to the COVID restrictions on travel and volatility in the fisheries industry but was substantially offset with donor support. With the end of the pandemic, GDP performance is now below its pre-COVID FY2019 level (see **Figure 14**). Overall RMI GDP declined 3.0 percent over the four-year period, FY2019-FY2023.

COVID-Period fiscal years: Immediately prior to COVID, the RMI experienced substantial economic growth, with real GDP growing 10.4 percent in FY2019. With COVID's impact, the RMI economy contracted by 2.8 percent in FY2020, grew by 1.1 percent in FY2021, and fell by 0.7 percent in FY2022, bringing the total impact of the pandemic to a 2.4 percent GDP decline over the three-year period, FY2019-FY2022.[39] If the volatility in the fisheries sector is excluded from this calculation the overall impact of COVID during the FY2019-FY2022 period is only -0.2 percent. Initial COVID estimates projected a larger decline in GDP; however, as events transpired, the changes were similar to normal economic fluctuations.

39 The data presented in this section through FY22 is based on provisional economic statistics, while the data for FY23 is based on projections derived from a hybrid of actual data and the GSUSA economic model for the RMI.

Figure 14: RMI Real GDP Level and Annual Percent Growth, FY2018-FY2023 (FY2015 prices)



Source: EconMAP analysis of RMI economy (prepared February 2024).

» Public sector expansion played a significant role during COVID, partially offsetting significant declines in commercial fisheries in FY2020 and smaller declines in the non-fisheries private sector (see **Figure 15**).[40] The public sector grew by 3.5 percent. Commercial fishing in FY2019 had surged when Pan Pacific added three new purse seiners to its fleet.[41] During the FY2019-FY2022 COVID period, commercial fishing contracted by 15.3 percent and was responsible for the majority - 2.6 percentage points - of the overall contraction in GDP. The remaining private sector contracted by 3.0 percent.

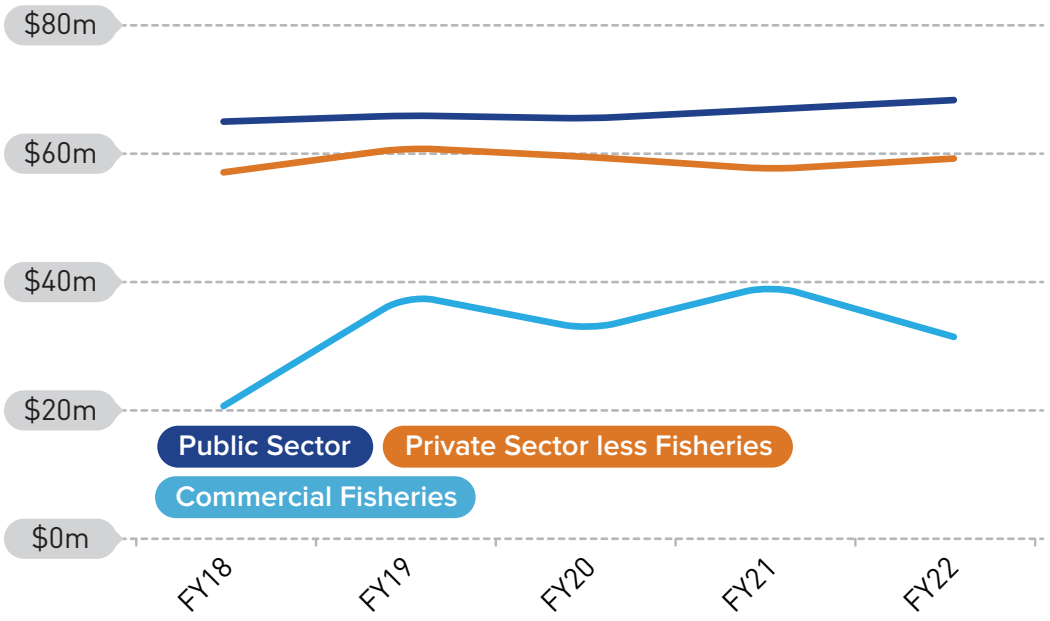
» At the industry level, COVID had a mixed impact with some positive effects in unanticipated sectors. Negative impacts on GDP included the closure of the loining plant[42] due to health concerns and contraction of port activities with a decline in onshore fisheries operations and restrictions on shipping entering RMI's borders. However, increased domestic operations of Air Marshall Islands and Marshall Islands Shipping Corporation, both government SOEs, had a positive impact on GDP, reflecting the additional support for the outer atolls during the pandemic. It had also been feared that the construction sector would suffer a major decline. However, the recorded impact was minor, and the sector made a small positive contribution to GDP. Despite the negative impact of travel restrictions on key skilled personnel, the construction industry avoided any large cutbacks. Finally, the education sector also supported GDP during the period.

40 Fisheries includes domestic near-shore fishing, Pan Pacific fishing and loining (manufacturing), Marshall Islands Fishing Venture (manufacturing), and Koos (transshipment).

41 In FY19 Pan Pacific withdrew two leased vessels from operations that were excluded from GDP and replaced them with three new (owned) vessels, which are included in GDP.

42 The fish loining plant is treated as part of the manufacturing sector in GDP.

Figure 15: RMI Real Private and Public Sector GDP Levels, FY2018-FY2022 (FY2015 prices)



Source: EconMAP analysis of RMI economy (prepared February 2024).

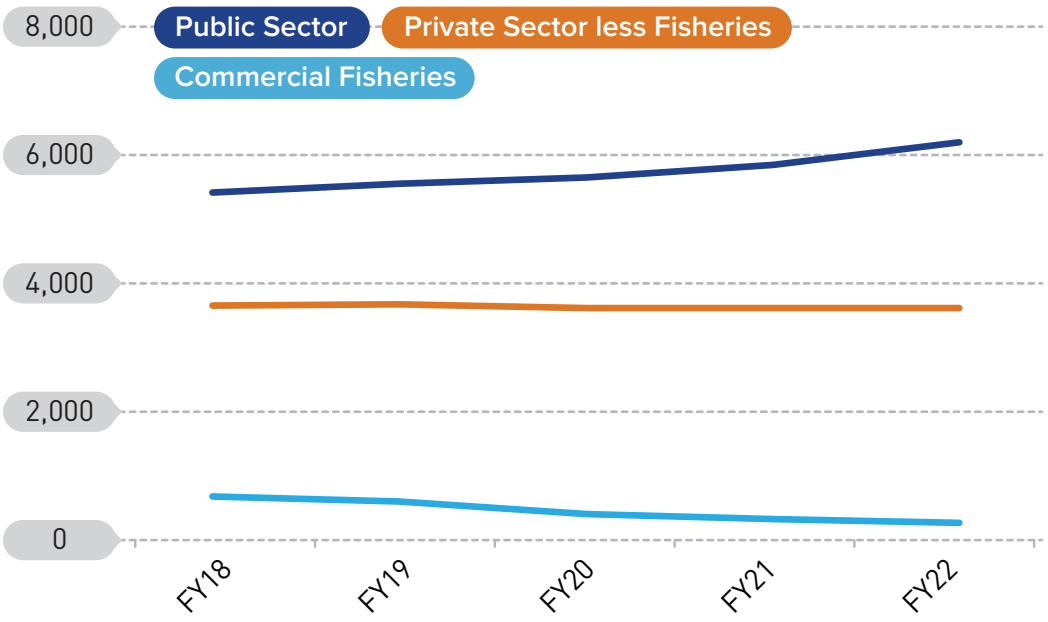
Post-COVID Period fiscal year: The overall result for FY2023 was a weak economy, with inflation-adjusted GDP expected to fall by 0.6 percent. While the economic recovery was well underway in FY2023, it was not complete, with the first six months still experiencing the after-effects of COVID. Further, inflation is estimated to be high, at 7.9 percent for the year, depressing demand and GDP. The end of nuclear-related settlement fund payments from KBE Local Government had further large macroeconomic implications. Transfers to households fell dramatically by $4 million and employment by the KBE Local Government is estimated to have fallen by 350 jobs (albeit at low wages). This likely had a negative impact on the banking sector, as loans secured against this payroll went into default. Construction is projected to have improved slightly in FY2023, with COVID restrictions lifted and supply constraints alleviated, but a significant lag in restarting infrastructure projects remains.

ii. Employment Grew During the COVID Period

During the COVID period, FY2019-FY2022, the RMI saw a gain of 214 jobs, a 1.9 percent increase of the work force despite the impact of the pandemic. The overall impact of the pandemic was far less than originally feared as the government significantly increased jobs, which more than compensated for the reduction of jobs in the private sector. [43] The public sector gained 645 jobs during this period, a 12 percent expansion, while private sector employment fell by 403 jobs (see Figure 16).

43 The presentation does not cover employment trends by non-governmental organizations (NGOs), foreign embassies, or the US Army base in Kwajalein, all of which are included in the total employment change.

Figure 16: RMI Employment by Sector, FY2018-FY2022



Source: EconMAP analysis of RMI economy (prepared February 2024).

» Commercial fisheries (part of the private sector) lost 341 jobs; in the early stages of the pandemic, fishing operations were restricted due to travel and port regulations. Layoffs included: 222 employees at the Pan Pacific loining plant, 67 at the Marshall Islands Fishing Venture shore base for longliners, and additional jobs lost at other domestic fishing operations, including purse seiners. Layoffs were in some cases beneficial for workers and employers: Under the US Cares Act unemployment programs, loining plant workers were able to increase their income through the higher unemployment payments, while the employer Pan Pacific was able to cut back on loining operations and reduce costs.[44]

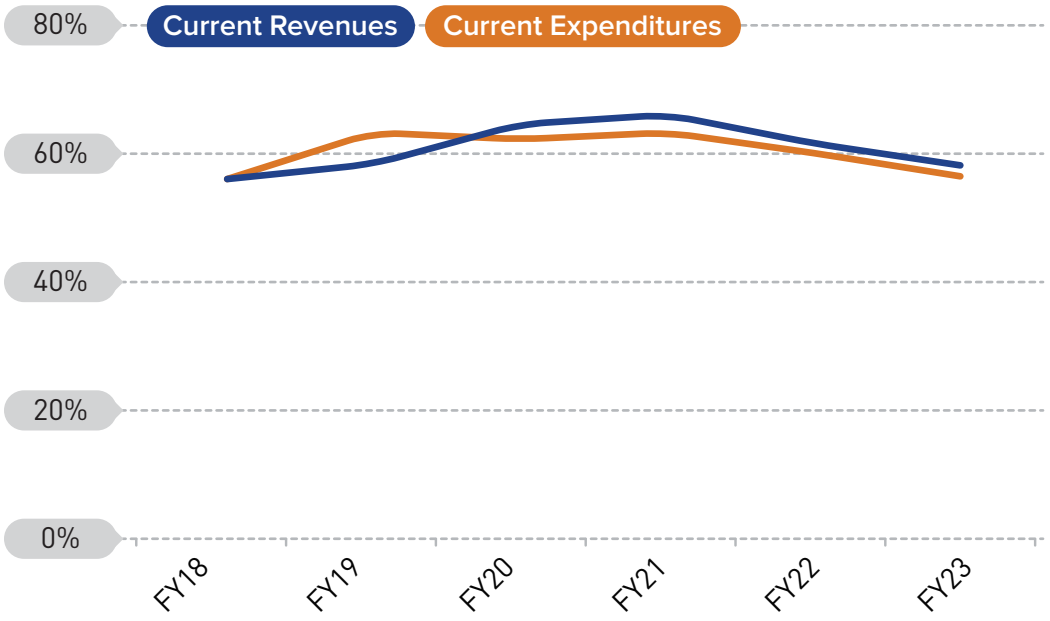
» The non-fisheries private sector recorded a loss of 62 jobs, with the major sectors impacted being wholesaling and retailing with a loss of 40 jobs, and the hotel/ restaurant sector with 26 jobs lost. Despite an earlier expectation of a large loss in construction, the sector had a gain of 21 jobs.

iii Fiscal Position Supported by Donor Grants

During the COVID period, FY2020-FY2022, revenues increased with large grants to protect public health and for budgetary support to mitigate the impact of the pandemic. Fiscal policy during COVID was designed to support the health needs of the nation and the private sector, and to mitigate the social-economic impact of the pandemic. During the COVID period, the strong growth in grants covered the expenses for additional needs and helped the nation avoid running a deficit. RMI debt continued to decline

44 The processing plant itself ran at an operating loss, but this made sense for the larger business as it paid lower fees to the RMI for fishing access because it had "domestic" status.

Figure 17: RMI Government Revenues and Expenditures as a Percent of GDP, FY2018-FY2023



Source: EconMAP analysis of RMI economy (prepared February 2024).

through the period. Recent trends in fiscal performance -- current revenues and current expenses as a share of GDP -- are shown in **Figure 17.**

Current Revenues: Revenues grew strongly to a record level of $181.2 million in FY2021, $32.8 million or 22.1 percent above pre-COVID FY2019 level. While the initial expectation at the onset of the pandemic was a sharp fall in tax revenues, government revenues actually grew strongly, as donor grants rose to record levels.

» Tax revenue fluctuated during COVID: At the start of COVID in FY2020, tax collections contracted by 4.0 percent with the reduction in economic activity. While wage tax collections and import duties held their ground, the gross receipts tax fell 10.6 percent, reflecting the decline of business activity. However, in FY2021, all categories of taxation rebounded, with the gross receipts tax improving significantly, and total tax collections growing by 5.7 percent. By FY2023, with the economic recovery underway, tax revenues had returned to their pre-pandemic FY2019 level.

» Grant revenue strongly increased during COVID: In FY2020, grants increased by $17.0 million, or 23.6 percent, reflecting support from the US for health programs and unemployment benefits and additional resources from the ADB under its Disaster Resilience Program. In FY2021, a reduction in health funding was offset by continued US CARES Act support and the large $16 million ADB CPRO grant for general budget support. By FY2023, COVID-related grants were largely exhausted except for a further $6 million under the ADB Disaster Resilience Program to support the RMI during the outbreak and community spread of COVID. In FY2023, overall grants remained $14.1 million above pre-COVID levels, and included increased spending on World Bank projects.

» Sovereign rents were largely stable during COVID. Marshall Islands Marine Resources Authority (MIMRA) receipts from the sale of fishing rights remained largely stable during COVID. However, MIMRA transfers to the government fell by $5.3 million in FY2021 to $26 million and remained at the same level in FY2022, before rising in FY2023 with a transfer of $28 million. Receipts from the Trust Company of the Marshall Islands (TCMI), which are a mix of earnings from maritime and corporate registration fees, grew during the COVID period from $8.4 million in FY2019 to $11.4 million in FY2022, offsetting some of the reduced transfers received from MIMRA in FY2022.

Current expenditures: During COVID, government expenses grew strongly in FY2020 through FY2021, fell in FY2022, and reverted to pre-COVID levels in FY2023.

» Payroll costs rose during COVID: During the COVID period through FY2023 payroll costs grew rapidly from $50.8 million in FY2019 to $58.7 million in FY2022. This significant increase matched the increased level of public sector employment during COVID and reflected the large infusion of budgetary support arising from the ADB CPRO grant. By FY2023 payroll expenses had stabilized.

» Expenses on goods and services rose, peaked in FY2021, and then declined. Expenditures on repairs/maintenance and travel fell strongly during COVID. Expenditures increased for food baskets and professional services. Reductions in purchases followed the grant cycle and declined by FY2023. From the peak of $56.5 million in FY2021, expenditures fell to $40.3 million in FY2023.

» Subsidies to the SOE sector fell during COVID but were offset by the COVID mitigation payments to the private sector. After a period of rapid increases in SOE subsidies, they fell in FY2021 due to a more favorable world price for coconut oil and remained stable though FY2023. With the onset of COVID, the government introduced a private-sector subsidy program to support businesses adversely affected by the pandemic. Subsidies to the private sector, financed by an ADB grant, of $3.9 million and $2.5 million, were recorded in FY2021 and FY2022, respectively. By FY2023 the economy had reopened and the reduction in private sector support led to an overall reduction in subsidies that year.

Capital grants and fixed assets: Public infrastructure investment grew during COVID despite fears of contraction. Despite the impact of COVID on the economy and the fear of reduced investment due to skill shortages in the construction industry, there was a large increase in expenditures on nonfinancial assets, such as a sizeable investment in health-related equipment and infrastructure.

Financing: RMI ran a fiscal surplus in FY2020 through FY2022, but a deficit is estimated for FY2023 as the pre-COVID structural deficit reasserts itself.

» In FY2019 the RMI recorded a fiscal deficit of 1.8 percent of GDP, which reflected the emergence of a structural deficit as rising expenditures outstripped revenues. (This measure of fiscal balance incorporates current revenue, current expenditures, and capital revenues/expenses.)

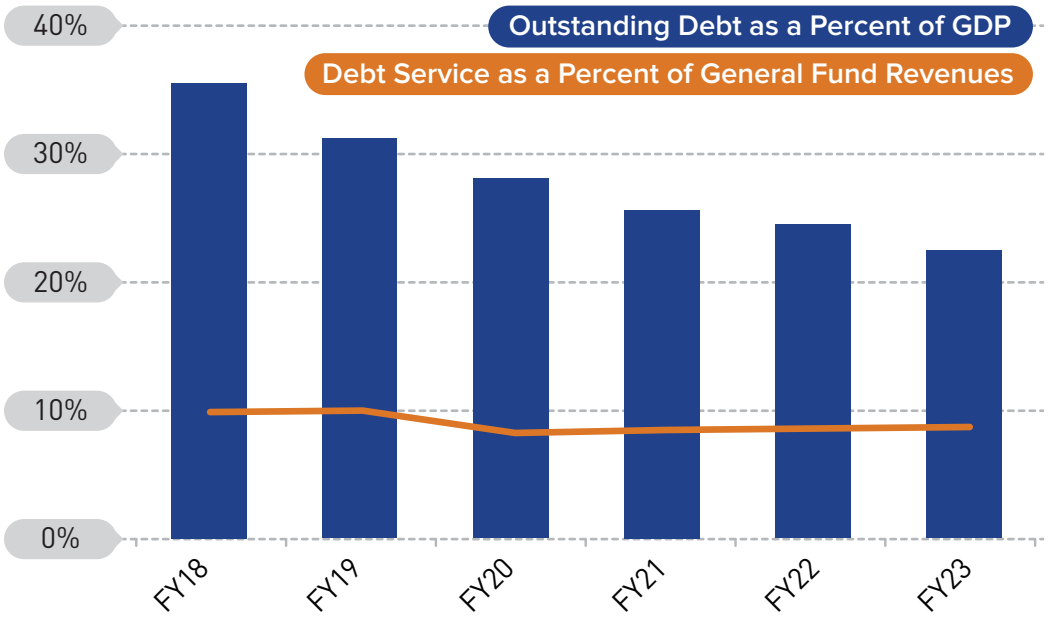
» During COVID the fiscal balance was restored: In FY2020 a fiscal surplus of 2.5 percent of GDP was recorded as the rapid increase in grants led to a buildup in deposits with the accumulation of unused funds. In FY2021 the fiscal surplus fell to 0.2 percent of GDP as capacity limitations were overcome and cash balances

were drawn down, while in FY2022 a larger fiscal surplus of 0.7 percent of GDP was achieved.

» In FY2023, however, a fiscal deficit of 0.4 percent of GDP reemerged as the large COVID-related grants were no longer available and the underlying RMI structural deficit that had existed before COVID reasserted itself.

Debt: External debt and debt service fell to low levels over the COVID period. As a result of a pre-COVID IMF/World Bank's Debt Sustainability Analysis (DSA) that determined the RMI faced a high risk of debt distress, the RMI was designated as a "grant only" recipient. With that designation, COVID donor support was only through grants. During COVID the external debt position fell further, from 31.1 percent (FY2019) to 22.5 percent of GDP (FY2023) (see Figure 18). Debt service as a ratio of payments to general fund revenues has also fallen from 10.0 percent (FY2019) to 8.7 percent of GDP (FY2023).

Figure 18: RMI Government Debt/GDP Ratio and Debt Service/Domestic Revenue Ratio, FY2018-FY2023



Source: EconMAP analysis of RMI economy (prepared February 2024).

D. Conclusions

RMI's response to health and economic impacts of the COVID pandemic required numerous key actions, and many were determined by external donors. However, the RMI had to make key decisions regarding its targeting of mitigation resources. In addition, several data gaps were apparent during the implementation of the government response. These observations explore some of these actions and the outcomes.

The RMI took early action to close its border. Before the RMI closed its borders, it took on substantial risk during the early weeks of the pandemic when US flights were still bringing in arrivals. As an island nation without a land border, travel to the RMI can be stopped so that the population is protected from a pandemic until a vaccine can be distributed. Although RMI took actions to screen arrivals early on, its border was not closed until after community spread in Guam and the US. The RMI was fortunate that arrivals ended in 2020 before it had COVID cases and that the closure of borders protected the RMI from the 2020 transmission that circulated worldwide. This gave the RMI time to prepare for COVID, to distribute vaccines, and for Paxlovid to become available, all before community spread of the disease started.

The RMI prioritized protecting health over reopening its economy. While protecting public health, the RMI took strong actions to maintain import access and continue fisheries industry activities. The tradeoff between health and economy was faced in almost all nations but became a much smaller tradeoff for the RMI as it learned how to limit person-to-person border contacts and keep the port and repatriation process open. RMI benefited from its limited dependence on travelers and from significant donor assistance.

The RMI prioritized firms and households in mitigation efforts. The RMI focused its mitigation on a small number of businesses closely tied to the visitor or fisheries sectors. Unemployed workers were covered by US unemployment payments. RMI payments to COVID-affected businesses were focused on relatively few firms, reflecting the structure of the affected sectors. The importance of SOE employment was clear in the mitigation programs.

The US CARES Act unemployment program was a disincentive to employment. While the RMI was a fortunate beneficiary of the CARES Act, it had no input on the CARES Act payment structure. The payments were very high relative to RMI wages so that being unemployed resulted in a windfall and very likely delayed reemployment. The program went to a subset of all households and temporarily changed the distribution of household income.

ADB and US grants preserved government operations. ADB grants stabilized public sector employment and provided resources to support RMI businesses and households. US funds and in-kind assistance were key to the government health response which saved lives and supported unemployed workers. The government of the RMI and donors successfully sustained the economy, livelihoods, and government operations. However, there were gaps in support as both grant sources missed areas of private sector impact. For handicraft makers, a key part of the RMI informal sector, neither the ADB business relief program nor the US unemployment program addressed these workers. Looking to the future, the RMI needs to develop policies that bring these workers into the social security system such that they can be eligible for any future assistance. Further, neither program addressed COVID's impact on foreign firms or foreign workers that were left without any government program response.

Economic analyses were critical to RMI's COVID response. Critical data undergirding RMI's COVID response were: business information from the tax and employment data derived from tax and social security records. These data elements allowed the projection of COVID's impact on the RMI, including changes in GDP, employment, household incomes, government revenue, and fiscal balance. In turn, the projections spurred the RMI government to develop policies to address COVID. Furthermore, this same tax data was required for program implementation.

Accountability concerns have been raised about COVID program implementation. RMI audits from FY2020 and FY2021 both reported concerns about the proper use of US funds for health operations and providing unemployment. Concerns included problems with procurement and the eligibility of unemployment recipients. (The evaluation of FY2022 RMI expenditures of US grants has not been released and donor assistance from other sources has not been evaluated.) Members of the Nitijela raised concerns that RMI procurement requirements had been improperly relaxed to allow firms in arrears on their tax payments to contract with the RMI government. Furthermore, the RMI newspaper consistently commented on the lack of transparency in COVID program information.

Unavailable information hampered the RMI's COVID response:

- The health response was challenged by the lack of accurate data on the current population and the extent of outward migration. This resulted in persistent underestimates of the success of the vaccination campaign. Further, current data on the geographic distribution of households among atolls was not available for planning the vaccine campaign.
- The RMI economic response lacked data on the informal economy's scale and participants. In the RMI, businesses without tax records were not eligible for business support. Similarly, workers outside of the tax system were not eligible in the RMI for the US-funded unemployment program. While taxi drivers were aided and craft makers may have been aided by programs, the extent and sufficiency of this support is not known. Additional household and economic activity surveys are needed to understand the informal sector. Also, the RMI economic response did not address the COVID impact felt by foreign workers (who were usually ineligible for the US unemployment program), nor did the business support program actively include all foreign direct investment firms.
- Information on the neighboring atolls was not central to RMI's disaster response. The RMI response focused directly on the urban atolls: first on conditions in Majuro Atoll, the seat of the national government with an active newspaper and business Chamber of Commerce; and secondly, on Kwajalein Atoll. Kwajalein health issues were addressed, but the atoll was a secondary priority to Majuro when economic programs were implemented. Neighboring atolls were not integrated in the planning process and were usually not a priority except for food security, where donor support paid for supplies and transportation. The RMI disaster response process would benefit by incorporating atoll local government representatives. In addition to adding Marshall Islands Mayors to the disaster planning and response process, participation should also come from the Chamber of Commerce, Marshall Islands Non-Governmental Organization Council, Red Cross Society, and other civil organizations.

II. Data: Migration, Remittances, FDI, and SMEs

The ADB identified four specific data areas for examination in three of its North Pacific members: migration, remittances, foreign direct investment (FDI), and small-to-medium enterprise (SME) information. The task was to evaluate existing information and provide insights on how additional information can be developed.

» Migration and remittances. In the case of small island economies, migration and remittances are closely related with a country's migrants moving overseas and then transferring income home to family members as remittances. This relationship is often cited as a key structure for Pacific economies.[45]

» FDI and SMEs. FDI and SME data represent information on the structure of the business economy, albeit at opposite ends of the scale. FDI is likely tied to large investments in manufacturing or tourism, while SMEs are likely to be comprised of small local firms. FDI is often studied due to its importance in providing capital, management and technology for economic development and growth, but also as it reflects foreign influence in the national economy and society. SMEs often are dynamic new enterprises that may spur economic growth and diversification.

For each of these four areas, this chapter reviews the existing public information from RMI government and international sources. In several cases, underlying RMI survey/census data and administrative records/data are analyzed to provide additional insights. This demonstrates how existing data and records can be used to enhance migration/remittances and FDI/SMEs. Suggestions to improve data availability are also offered.[46]

A. RMI Migration Data

i. Existing Migration Data

RMI has a small but dynamic population. RMI citizens migrate freely to the United States and establish residency, although some later may return to the RMI. Foreign citizens enter the RMI on fixed-length work permits and become residents of the RMI during their time of employment. A small tourism/visitor sector brings in temporary visitors.

» Under the terms of the Compact of Free Association with the United States, RMI citizens can move to, reside, and work in the United States freely, without entry visa requirements. This outward migration has been measured through surveys conducted in the United States, computed from airline travel information, and derived from an analysis of passport entries upon arrival and departure from the United States. This migration is well recognized in the RMI and with a significant

45 The MIRAB model, standing for "migration-remittances and aid/bureaucracy", was first outlined by Geoff Bertram and R. Watters to reflect the stylized facts and experience of small Pacific islands. See: Geoff Bertram. 2006. "Introduction: The MIRAB model in the twenty-first century," *Asia Pacific Viewpoint*, vol. 47, no. 1, April. https://www.researchgate.net/publication/229449401_The_MIRAB_model_in_the_twenty-first_century In the North Pacific, researchers have mostly reported on Kiribati, Marshall Islands, and Micronesia, but not Palau.

46 Upon the completion of individual reports on the three FAS nations under this ADB Technical Assistance project, EconMAP will assess the approaches used by the three FAS in these four areas to make recommendations to further improve available data. The recommendations will address survey strategies that can be used to expand data and how administrative data can be enhanced to improve routine information for government policy making.

number of RMI citizens in the US states of Arkansas and Hawaii, the RMI has established consulates to serve these overseas citizens.

» The RMI has long augmented its domestic labor force and backfilled for its migrating citizens with a work permit system where employers apply for foreign workers to enter RMI for employment.

» The economy of the RMI sees a small but steady flow of visitors, including some tourists.

Data on the RMI's inward and outward migration can be drawn from demographic and administrative data sources. In addition, the US government has reported on the migration of RMI citizens to the United States.

RMI census data. To date, RMI has not published migration data directly from its census data, either in total or by its citizens or by foreign residents.[47] However, across its periodic censuses, demographic data that the RMI collects and has published can illustrate migration trends.

The RMI has completed four population censuses since its independence in 1986; however, census publications are not currently available to the public on the RMI Economic Policy, Planning and Statistics Office (EPPSO) website. Some RMI Census information can be found on a Pacific Community website, but the most complete source of Census information is available on a private website hosted in Honolulu, Hawaii.[48]

2021 Population Census. RMI's recent 2021 Census proved to be controversial as it found that the RMI population declined 20 percent over a ten-year period since 2011. Significant outward RMI migration to the United States was understood to be taking place, but the RMI population had grown during the prior decades as migration was less than births minus deaths. Initial 2021 census information was released in October 2021, with EPPSO continuing work to follow-up on non-responding households. An official public announcement asked anyone who had not been surveyed to call for an enumerator to visit. The Pacific Community (SPC) organization was also working with the RMI to finalize the census.

EPPSO released further information about Census results over time:

» In December 2021, EPPSO initially reported the population was 41,499, with the decrease in population representing outward migration for three reasons: school, medical support, and better job opportunities. Additional reasons cited for the population decline were the COVID pandemic, family planning, and climate change.

» In October 2022, the RMI posted a series of census data slides and reported an upward/revised 2021 population total of 42,594, representing a 20 percent decline from the 2011 Census.

47 The 2021 Census questionnaire had a series of questions for each household about any household members who were not long present. For those who had died, it asked the location, with the US being one checkbox. For those who had otherwise left the household it asked if they had moved elsewhere within the RMI, to the US mainland, Guam, Hawaii, or to a home country. This series of questions would not capture the outward migration of entire households, as there would be no one to interview. These 2021 Census question responses have not been published.

48 See The Pacific Data Hub program that is led by the Pacific Community (SPC) and supported by the New Zealand Ministry of Foreign Affairs and Trade *https://microdata.pacificdata.org/*, and the privately provided *https://www.pacificweb.org/*.

» A "draft" 2021 Census report was released early in 2023 and Vol. 1 of census information was published by the Pacific Community in May 2023, with another slightly revised total population count of 42,418.[49]

Comparing the 2021 Census to prior RMI census data illustrates the significant demographic change underway in the RMI (see **Table 5** and **Figure 19**):

» The RMI population fell 20.2 percent from 2011 to 2021 to the level of 42,418 from 53,158.

» Previous census intervals had positive growth, although the rates of growth were declining over time. During the 1980-1988 census interval, the population grew 40.5 percent, but the growth fell to 17.2 percent for the 1988-1999 census interval. The census interval of 1999 to 2011 saw a far reduced increase in population of only 4.6 percent. Migration had become a strong demographic component by that time.

» Rural atolls lost almost one-third of their population over the recent 2011-2021 decade, while both urban areas Majuro and Kwajalein showed population losses as well.

» RMI political leadership expressed considerable concern about the population exodus and advocated improved services and government efforts to meet the needs of the outer islands. Newspaper accounts had titles such as "Abandoning RMI," "Out-miGraTion a cOnceRn for mAny," and "'Ignore the people and they will leave'."[50]

The 2021 Census result surprised RMI government officials as it was far lower than the government's official projection that the population was still growing and that the 2021 population would be 55,090.[51] In March 2022, the RMI launched a validation process to see if the 2021 census data was accurate, comparing it to other surveys, traveler data, and administrative records. The results of this effort were kept internal to the RMI government.

This RMI approach to census validation did not encompass recommended approaches to evaluate census results. The United Nations Statistics Division recommends that evaluation be built into the census project and budget to measure "coverage errors" that arise from omissions or duplications in the enumerations and "content errors" where the reporting or recording of information is in error.[52] Two strategies are used for these UN-recommended evaluations:

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49 *Republic of the Marshall Islands 2021 Census Report, Volume 1: Basic Tables and Administrative Report* https://www.spc.int/resource-centre/publications/marshall-islands-2021-census-report-basic-tables

50 *Marshall Islands Journal*, "Opinion," 28 January 2022. The opinion piece came from a private citizen who noted that migrants were seeking to "escape poverty, a corrupt system, structural oppression ..., climate change and nuclear issues" and that they needed "a secure and fair future: livable wages (not $1.50 or $3/hour minimum wage), world-class health care and education system, a decent cost of living, safe and sustainable housing and infrastructure, a digital economy for better public services, and other needs that any government should provide its citizens."

51 *Republic of the Marshall Islands Statistical Yearbook, 2017* (EPPSO, Office of the President, RMI). https://rmieppso.org/#.

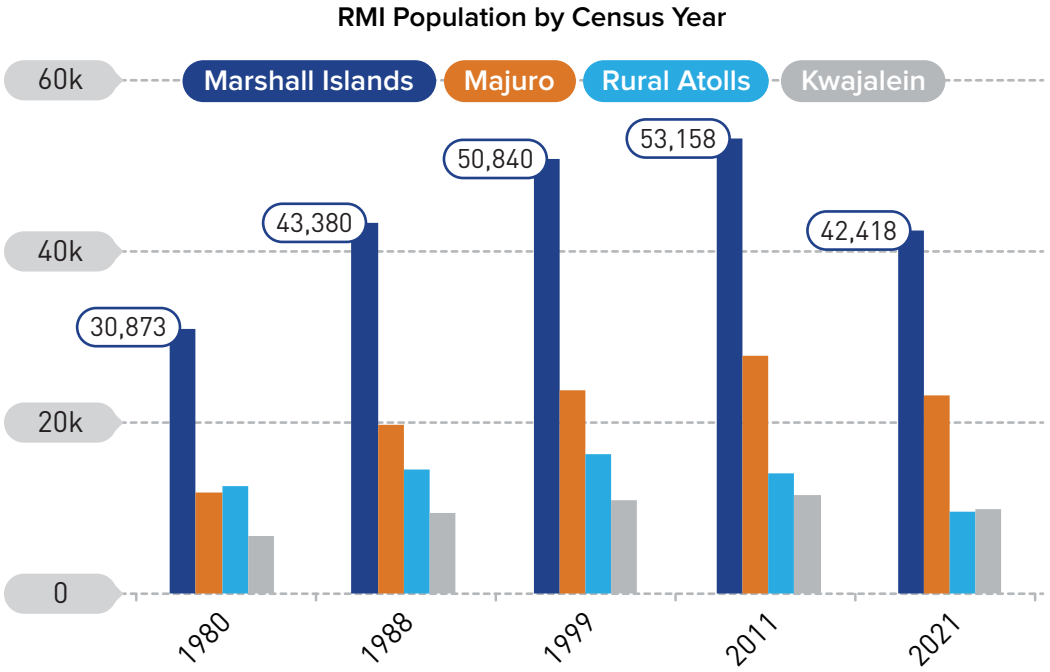
52 United Nations, Department of Economic and Social Affairs, Statistics Division, *Principles and Recommendations for Population and Housing Censuses, Revision 3 (2017).* https://unstats.un.org/unsd/demographic-social/Standards-and-Methods/files/Principles_and_Recommendations/Population-and-Housing-Censuses/Series_M67rev3-E.pdf

Table 5: Analysis of RMI Population Census Data: 1980, 1988, 1999, 2011, and 2021

Atoll/Island	Population				
	1980 Census	**1988 Census**	**1999 Census**	**2011 Census**	**2021 Census**
Marshall Islands	**30,873**	**43,380**	**50,840**	**53,158**	**42,418**
Majuro	11,791	19,664	23,676	27,797	23,156
Rural Atolls	12,458	14,405	16,262	13,953	9,473
Kwajalein	6,624	9,311	10,902	11,408	9,789

Source: RMI 1980, 1988, 1999, 2011, and 2021 Census data.

Figure 19: RMI Population: Total and by Urban/Rural Atolls (1980-2021)



Source: RMI 1980, 1988, 1999, 2011, and 2021 Census data.

» Post-enumeration surveys are deployed to reinterview a representative sample of the census to evaluate coverage and content errors. Doing this requires advance planning and funding as the survey must be done within a few months of the original enumeration. RMI did not plan for such a survey and was unable to arrange funding for one once it was concerned about the 2021 Census results.

» Demographic analysis can also be used to evaluate the census. Demographic analysis often uses fertility, mortality, and migration data to develop comparisons between extrapolated population levels and the census result. For example, during the 2011–2021-decade, RMI birth registrations were falling, from 1,394 in 2011 to 1,040 in 2018 (the last year available), while RMI death registrations did not show a

similar downward trend but averaged 329 over 7 years of data.[53] Derived migration data from transportation and immigration sources was incomplete for some years of this prior decade. With incomplete migration data, the demographic analysis found the census results to be plausible but could not actually validate the results.

Going forward, the RMI should incorporate recommended approaches to evaluate census results. Further, improving its capacity to measure migration on an annual basis will improve its population projections. Improved projections matter: During the COVID response, better population data would have facilitated more effective COVID vaccine distribution.

Outward migration. RMI household censuses capture the age, ethnicity, citizenship, gender, and place of birth of each resident. In concept, this information can be used to illustrate the outward migration patterns of RMI citizens. For example, a migration analysis can track the number of the age 15- to 19-year-old population cohort in the 2011 Census by assessing that population count 10 years later when that cohort is the age 25- to 29-year-old cohort in the 2021 Census. Unfortunately, this cohort age data for the "RMI citizen" population is not published in RMI Census reports.

However, since the foreign population in the RMI is relatively small, 4.9 percent in 2021, a cohort analysis by age only, without any consideration of citizenship (or place of birth) could still be informative about outward migration.[54] As an example of how a cohort analysis works, **Table 6** puts together cohorts across the 1999, 2011 and the 2021 RMI censuses. Because the difference in years between the 1999 and 2011 censuses was 12 years, an age 3-7 cohort in 1999 is the same as the age 15-19 cohort in 2011 and the age 25-29 cohort in 2021. The implied migration of this cohort is substantial:

» During the 1999 to 2011 period, the cohort declined from 6,622 to 4,731, a 29 percent decline.

» During the 2011 to 2021 period, the same cohort further declined from 4,731 to 2,561, a 46 percent decline.

» The overall decline for this age 3-7 cohort in 1999 is that 61 percent are "gone" over the longer 1999 to 2021 interval. This is an astounding amount of migration.

Reviewing another cohort, an age 18-22 cohort in 1999 is the same as the age 30-34 cohort in 2011 and the age 40-44 cohort in 2021. The implied migration of this cohort is also large:

» During the 1999 to 2011 period, the cohort declined from 5,301 to 3,789, a 29 percent decline.

» During the 2011 to 2021 period, the cohort declined from 3,789 to 2,683, a 29 percent decline.

» The overall decline for this age 18-22 cohort in 1999 is that 49 percent are "gone" over the 1999 to 2021 interval. This is also an astounding amount of migration.

53 *Civil Registration and Vital Statistics in the Marshall Islands (Republic of the)*, published by Pacific CRVS, Pacific Community, and UNICEF. https://sdd.spc.int/digital_library/civil-registration-and-vital-statistics-marshall-islands RMI school enrollment data also suggest a significant exit. The enrollment for the 2010-2011 year was 15,396, which by 2021-2022 had fallen 17 percent to 12,734.

54 Comparing data across censuses assumes that that the censuses are of equal quality. If not, some of the observed numerical change may reflect differences in population coverage rather than implied migration.

Table 6: Analysis of RMI Population Census Cohort Data: 1999, 2011, and 2021

2021 Census		2011 Census		1999 Census		2021 vs 2011		2021 vs 1999	
5–year age group	Cohort size	5–year age group	Cohort size	5–year age group	Cohort size	Percent of 2011 present in 2021	Percent of 2011 missing in 2021	Percent of 1999 present in 2021	Percent of 1999 missing in 2021
0–4	4,740								
5–9	4,573								
10–14	5,140	0-4	7,743			66.4%	33.6%		
15–19	4,865	5-9	7,017			69.3%	30.7%		
20–24	3,641	10-14	6,493			56.1%	43.9%		
25–29	2,561	15-19	4,731	3-7	6,622	54.1%	45.9%	38.7%	61.3%
30–34	2,962	20-24	5,094	8-12	7,452	58.1%	41.9%	39.7%	60.3%
35–39	3,003	25-29	4,404	13-17	6,872	68.2%	31.8%	43.7%	56.3%
40–44	2,683	30-34	3,789	18-22	5,301	70.8%	29.2%	50.6%	49.4%
45–49	2,280	35-39	3,136	23-27	4,019	72.7%	27.3%	56.7%	43.3%
50–54	1,849	40-44	2,785	28-32	3,429	66.4%	33.6%	53.9%	46.1%
55–59	1,461	45-49	2,344	33-37	2,890	62.3%	37.7%	50.6%	49.4%
60–64	1,091	50-54	1,930	38-42	2,592	56.5%	43.5%	42.1%	57.9%
65–69	814	55-59	1,576	43-47	2,258	51.6%	48.4%	36.0%	64.0%
70–74	432	60-64	1,052	48-52	1,656	41.1%	58.9%	26.1%	73.9%
75+	323	65-69	522	53-57	966				
		70-74	250	58-62	632				
		75+	292	63-67	496				
				68-72	391				
				73-77	204				
				78+	249				

Source: EconMAP analysis of RMI 1999, 2011, and 2021 Census data.

Note: 1999 census population by age data was grouped to match the 2011 and 2010 cohorts. 1999 Census data for ages 0-2 are left out of table as they do not group to a five-year interval.

The bottom line is that the RMI population has demonstrated substantial outward migration since 1999. Births (minus deaths) were great enough to more than offset the outward migration until 2021 but could no longer offset increased rates of migration in the last decade. Additional tabulations of RMI Census data could provide more granular data for reporting on RMI citizen migration and could do so for individual birth years of the population, rather than grouping observations in 5-year cohorts. Likewise, analyses could review gender differences and review whether the characteristics of those leaving the RMI differ from those remaining. For example, they could compare differences in education and employment experiences.

Inward migration. RMI household censuses capture personal characteristics of residents based on citizenship, place of birth, and ethnicity, all of which is information relevant to understanding inward migration. For example, the 2021 Census reports 2,044 resident non-citizens of the RMI and they constituted 4.9 percent of the population.[55] The RMI census does not collect information on the year of entry or reason for migration. By nation of citizenship, US citizens were the largest group at 27.8 percent of the foreign population, Philippines represented 20 percent, Kiribati 15.5 percent, Fiji 9.9 percent, and FSM 6.8 percent.

While the reason for migration is not collected, Census data on employment demonstrates that foreign citizens are highly employed. For example, of those 15 years of age and older, 44 percent of RMI citizens were employed, while 68 percent of non-citizens worked.

US government data. US government agencies have collected data and reported on Compact migration into the United States from the Freely Associated States, including the RMI. The US defines "Compact migrants," as FAS citizens arriving after each Compact began, and any children under age 18 in the household, including US-born and therefore US-citizen children.[56]

» Official enumerations of FAS migration. Beginning in 1993, the US Census Bureau reported FAS migration to Guam, Hawaii, and the Northern Mariana Islands for the US Department of the Interior (DOI).[57] The reports detailed the characteristics of Compact migrants but have not included this information since 2003. During the FY2004-FY2023, period DOI allocated an annual compact impact grant between American Samoa, Commonwealth of the Northern Mariana Islands, Guam, and Hawaii based on their proportion of FAS migrants. This required DOI to contract with the US Census Bureau for FAS population estimates in the four US areas. These estimates were prepared in 2003, 2008, 2013, and 2018. The US Census has not prepared official enumerations of FAS migration to the mainland.

» Special US Census tabulations. Through special requests, the US Census Bureau has reported two special tabulations from the ongoing American Community Survey to report on FAS migration.[58] The ACS covers the 50 states, Puerto Rico, and District of Columbia, but it omits Guam and Northern Mariana Islands from its coverage, which both have FAS populations. For the 2005-2009 period, 12,295 RMI Compact migrants were estimated to live in the 50 states, with 3,535 in

55 Dual citizens with RMI and another country's citizenship (n=23) are grouped with RMI-only citizens.

56 For FAS nation migrants who arrived before the effective dates of their respective Compacts, they and their children under age 18, including US-born children, are not captured in these enumerations.

57 US Department of the Interior, *https://www.doi.gov/oia/reports/Compact-Impact*.

58 These special tabulations were requested by the US Government Accountability Office (US GAO). The US Census, *American Community Survey* collects data on the ethnicity, place of birth, and citizenship of respondents. For persons born outside of the United States, it asks the year when you last arrived to live in the United States. For statistical validity, multiple years of survey results are pooled when reporting on small subpopulations, such as the number of Compact migrants.

Hawaii.[59] For the 2013-2017 period, Census reported that an estimated 20,545[60] migrants born in the RMI had entered the 50 US states after 1986, with 5,355 in Hawaii and 4,345 in Arkansas.[61] Again, this data excludes RMI migrants to Guam and the Northern Mariana Islands.

» Decennial US Census tabulations. The 10-year US Census asks respondents to identify their ethnicity either alone or in combination with another race. In 2010, 22,434 US residents reported Marshallese as race alone or in combination, while 52,624 were reported in 2020. These counts would represent a combination of RMI citizens who migrated and US-born citizens of Marshallese ancestry.[62]

» US arrival and departure immigration data. US Government Accountability Office (GAO) used US Department of Homeland Security's Customs and Border Protection's Arrival and Departure Information System data to estimate net arrivals to US areas by travelers with FAS passports. This effort calculated monthly FAS net arrivals to US areas. For 2017-2019, on average, 1,490 more RMI citizens departed to the US than arrived from the US each year: 1,543 in 2017, 1,116 in 2018, and 1,811 in 2019. One concern about this data source is whether dual US-RMI citizens use different passports to enter versus leave the US.[63] If occurring, such behavior could easily create a false observation of persistent home-bound migration to the RMI from the United States. For policy makers, summary data from US passport scans could be a source of information on FAS and RMI population movements but it is not currently available to RMI officials. Further, the US government does not routinely derive such data.

» US transportation data. EconMAP/Graduate School USA had previously used flight data from the US Transportation Department to report measures of net migration from the Marshall Islands and Micronesia where all flights transit Guam or Hawaii. For the period 1999-2011 the level of RMI net migration averaged 1,025 per year. Data were not usable for the period 2012-2016, but the years 2017-2019 showed an average net outflow of 1,950, a significant 90 percent increase in outward RMI migration.

US government information on the RMI migration to the United States is not reported on a regular basis. Further, the information may not be made available to RMI officials.

RMI wage and salary tax data. While the RMI's small inward migration has been recorded in RMI household surveys and censuses, the inward migration of foreign workers is captured in other administrative data. Such administrative data includes work permit data and wage and salary tax withholding documentation that employers file

59 This measure includes US-born children under the age of 18. US Government Accountability Office. *Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration*. GAO-12-64, 14 November 2011. https://www.gao.gov/products/GAO-12-64

60 As a survey, the American Community Survey has a margin of error on the estimate which is exacerbated for a small subpopulation; for the 2013-2017 date, the 90 percent margin of error is plus or minus 707.

61 This measure excludes US-born children under age 18. US Government Accountability Office. *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects*. GAO-20-491, 15 June 2020. https://www.gao.gov/products/GAO-20-491

62 US Census, *Detailed Look at Native Hawaiian and Other Pacific Islander Groups*, 21 September 2023. https://www.census.gov/library/stories/2023/09/2020-census-dhc-a-nhpi-population.html

63 Entering the United States on a US passport can ease entry at a US airport, while entering RMI with a RMI passport may also ease entry.

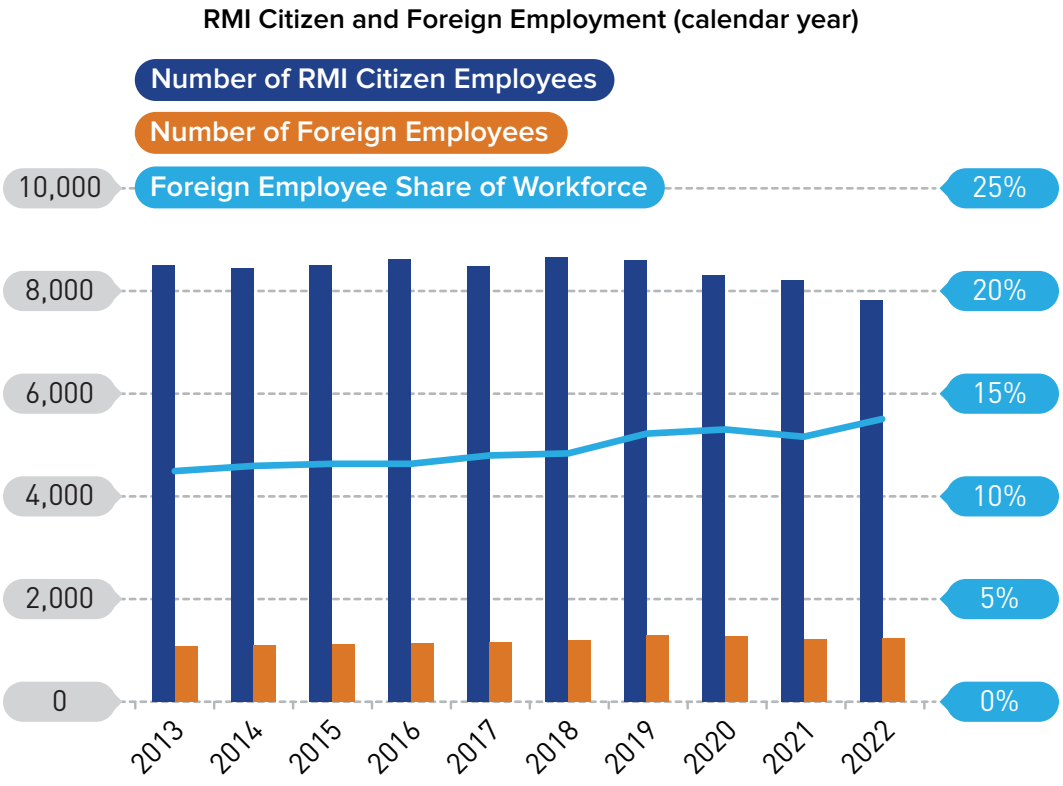
each quarter. Administrative data from the Social Security Administration is an additional source of information about the number and characteristics of foreign workers in the RMI. Each quarter, employers file wage and salary tax withholding information for each employee, including foreign workers. Although this data source has not been used to report on the role of foreign workers in the economy, it can provide annual or quarterly counts of workers by citizenship, as well as information on earnings and the industry of employment.

For example, in reviewing the composition of the RMI workforce over one decade, 2013-2022, the foreign worker share of the RMI labor force grew slightly from 11.4 percent in 2013 (1,067 workers) to 13.7 percent in 2022 (1,239 workers). The more significant change over that decade is that RMI citizen workers declined in number from 8,469 in 2013 to 7,785 in 2022 (see **Figure 20**). Over the decade, foreign worker numbers increased by 16 percent, albeit from a small presence, while RMI citizen worker number fell by 8.1 percent.

Social security data can also be used to identify the overall sectoral employment of RMI citizens and foreign workers (see **Figure 21**)

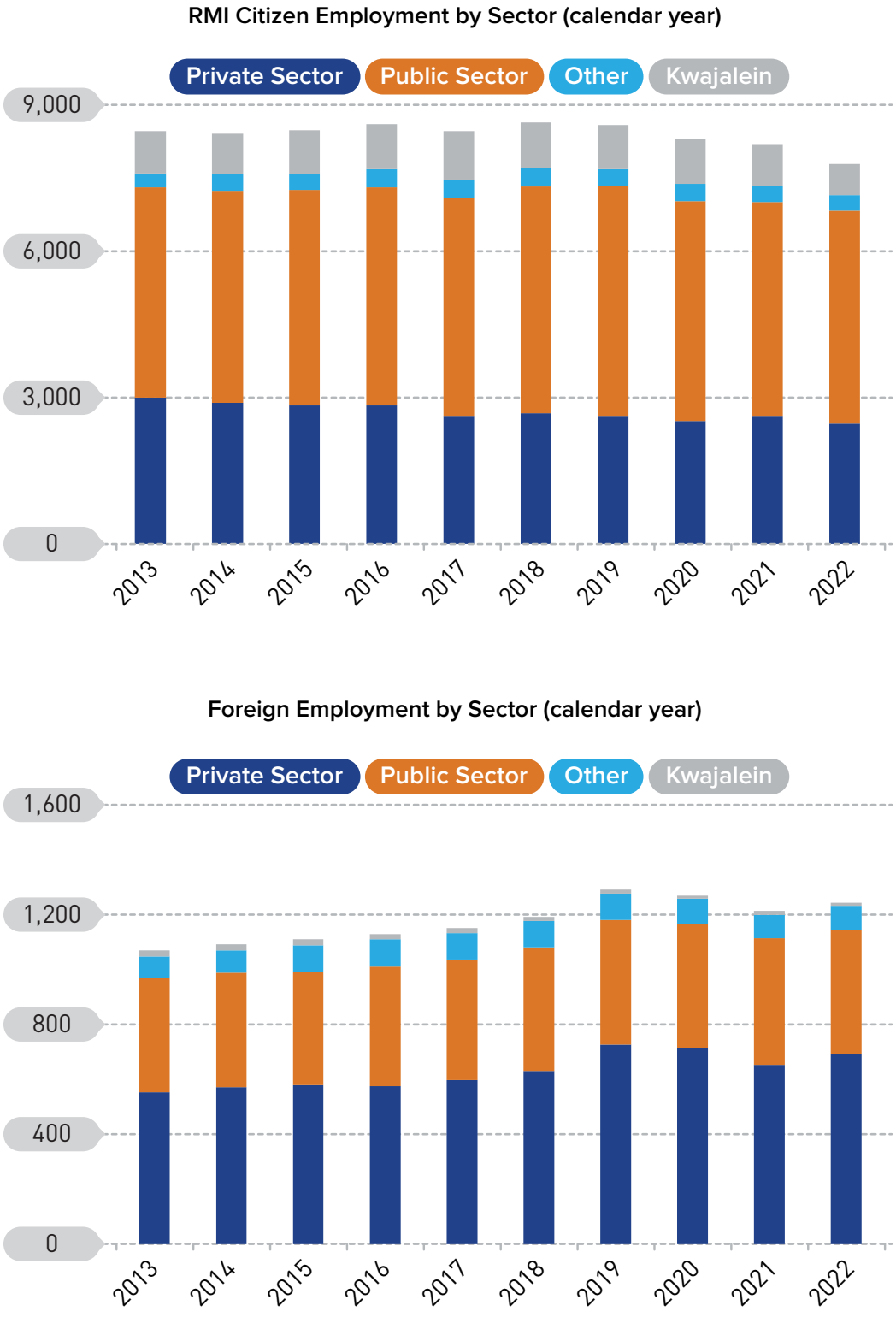
» RMI citizens work primarily for the public sector, where 51 percent worked in 2013, rising to 56 percent in 2022. RMI citizens were also employed at the US military base in Kwajalein Atoll, with 10.3 percent employed there in 2013, falling to 8.1 percent in 2022.

Figure 20: RMI Citizen and Foreign Employment (2013-2022)



Source: EconMAP analysis of Marshall Islands Social Security Administration data.

Figure 21: RMI Citizen and Foreign Employment by Sector (2013-2022)



Source: EconMAP analysis of Marshall Islands Social Security Administration data.

» RMI citizen private sector employment was 35 percent in 2013 and fell to 32 percent in 2022.

» In contrast, foreign worker employment is focused on the private sector, with 52 percent in the private sector in 2012, rising to 56 percent in 2022. A significant share of foreign workers are in the public sector, where 39 percent worked in 2013, but falling to 36 percent in 2022.

While foreign workers are employed primarily in the private sector, they are concentrated in certain industries. For example, foreign workers have comprised about 38 percent of construction workers and 20 percent of hotel and restaurant employment. By country, the Philippines is the source of about 49 percent of RMI foreign workers, with 592 workers, followed by the People's Republic of China (PRC) with 140 workers (11.5 percent) and Fiji with 139 workers (11.5 percent).

Policy considerations. Census information is useful for long-run analysis of migration trends and changes in the composition of the population and workforce. For policy makers, no current data source provides timely data on out-migration of RMI citizens. Further, a source such as that of RMI citizens' movement across the US border is not readily available to the RMI. For inward migration, RMI government social security tax data represents a timely data source that can track the activities and numbers of the foreign workforce.

ii. RMI Border Management Data

Border Management System. Since 2018, the RMI has implemented a Border Management System developed by the United Nations International Organization for Migration (IOM). RMI immigration staff received training from IOM in 2018 in preparation for launching the RMI's new Migration Information and Data Analysis System (MIDAS), which was funded by the RMI government and provided by IOM.

» The first phase of the system was its installation at the Division of Immigration's headquarters, Amata Kabua International Airport and Majuro Seaport-Uliga Dock. By March 2019, the system was operational at all Majuro locations, including the Delap Dock.

» The second phase of the system was to install MIDAS at the Kwajalein Atoll, Kwaj Airport on the US military base and Ebeye Seaport in 2019.

According to IOM officials, the RMI is the first Pacific nation to implement MIDAS. However, once COVID hit the RMI, some of the system's implementation paused. A recent review of summary system data found shows that implementation in Majuro appears to be complete and in place for several years. Data for the Kwajalein ports of entry show gaps in capturing all arrivals and departures. Implementation at Kwajalein has been challenged by the lack of cooperation by the US military in facilitating the immigration process at the airport located on the military base. For example, the military does not provide space at the airport to host the immigration function. Consequently, RMI immigration officials are required to carry a portable passport reader by boat from Ebeye to Kwajalein Island (where the airport is located) to process arrivals and departures for each flight. Recent data from the MIDAS system suggests that more complete passenger screening (inbound and outbound) has been implemented in

Kwajalein. Operational conditions for RMI immigration at the airport on the military base can change with a change in the base commander.

Part of the need for the RMI to better manage its border originates from concerns about human trafficking and illegal adoptions outward bound to the United States, and concerns about blocking Marshallese citizens who have been deported by US immigration back to the RMI from trying to re-enter the United States via flights to Honolulu. While citizens of the RMI can travel to live and work in the United States, they are subject to deportation to the Marshall Islands if they commit a crime. Those with this status are prohibited from boarding aircraft to the United States. The earlier lack of full MIDAS implementation had resulted in a US deportee boarding an aircraft for Honolulu where they were then denied admission to the United States.

A permanent and complete implementation of the MIDAS system, could also be a valuable way to monitor and track migration by RMI citizens and foreign residents. Broadly, passport data analysis to measure migration can be approached two ways:

i) computing net arrivals by differencing arrivals and departures in total or by citizenship for a given time period, or

ii) matching the arrival and departure of unique individuals to create a travel history. An individual that arrives in the RMI and does not depart within a set time period can be classified as an in-bound migrant to the RMI. Conversely, a resident who leaves the RMI and does not return within a set time period can be classified as an out-bound migrant.

Net arrivals. Net arrivals can be measured either across total travel events or for subsets of travelers, such as by purpose of travel or by citizenship by differencing raw numbers of arrivals and departures. For example, across any set time period, departures and arrivals can be subtracted to establish migration flows. However, this "differencing" analysis approach is inherently incomplete at the start and end periods of the data. Travel is a flow that takes place over time, so some departures recorded in January of a given year (and later months) will match arrivals that took place late in the prior year and could be outside of the analysis period. Similarly, some departures recorded at the end of an analysis year could be matched to arrivals (returns) later on, but outside the analysis frame. However, net arrivals over a long time period represent a valid way to look at overall RMI migration movements. Differencing strategies can be deployed based on "purpose" of travel as well as by citizenship.

Matched travel history. By matching the arrival and departure of unique individuals, an individual travel history can be assessed within a fixed time period or can be assessed through a "rule-based" approach to identifying a traveler as an inward or outward migrant. The "fixed" time period approach is an individual-based differencing approach. The travel history, "rule-based" approach classifies behavior as inward or outward migration based on a "duration rule."

» For example, if a traveler arrives in the RMI and does not exit by a certain number of days they would be classified as a migrant to the RMI. This classification strategy is independent of whether the traveler has permission to remain in the RMI, and/or their declared purpose on arrival. Observing this behavior could identify in-migration by a citizen of the RMI (returning from the United States) or by a foreign national entering the RMI.

» Conversely, if someone departs the RMI, citizen or non-citizen, and does not return by a set amount of time they could be classified as a departing migrant.

» Separate from statistical objectives, this record matching may also serve as a tool for administering the worker permit program and for border security purposes.

Using this approach would provide the RMI government with a better understanding of population dynamics than is available from household surveys and censuses. This approach represents a best practice methodology to create migration statistics. This travel history approach to estimating permanent and long-term migration statistics has been implemented recently in New Zealand[64] and is also used in Australia.[65] Outlining the approach undertaken in New Zealand, the key features are:

» Immigration records alone are used – i.e. no separate arrival/departure cards.

» Travel histories are generated for each individual. This depends on the ability to precisely link arrivals and departures, enabling measurement of the exact time that each traveler spends in New Zealand or overseas after crossing the border.

» Residence status is determined using a 12-out-of-16-month rule: if a traveler remains in New Zealand for 12 out of a 16-month interval, they are deemed to be a resident, and are deemed non-resident if outside New Zealand for 12 out of 16 months. This allows the consideration of frequent travelers with multiple movements.

» Estimation methods are used to allocate the status of travelers for the most recent months. Once four months have passed, the estimation component becomes relatively small.

The RMI has the data collection system needed to implement this approach, since all persons crossing the border, including RMI citizens, are recorded. The key implementation question is whether the quality of the data allows the precise linkage of travel histories for each traveler. In addition, data exchange must be established between Immigration and EPPSO for implementing this analysis. The RMI border management system is not set up to calculate the travel history of months within or away from the RMI.

To enhance data quality and produce regular migration reports using a travel history duration model would require additional investment. Areas of investment would include:

» Improved data cleaning and editing. Some of this could be achieved programmatically, but it will always need manual input on at least an annual basis.

» Programming to organize the travel records into individual travel histories, to generate the continuous day history and identify migration events. This could entail the deployment of statistical techniques to guide matching for the creation of individual travel histories.[66]

64 *https://www.stats.govt.nz/methods/outcomes-versus-intentions-measuring-migration-based-on-travel-histories*

65 *https://population.gov.au/population-topics/topic-overseas-migration*

66 See, Varghese P Kuruvilla. 2023. A Comprehensive Guide to Fuzzy Matching/Fuzzy Logic. 12 September 2023, *https://nanonets.com/blog/fuzzy-matching-fuzzy-logic/* ; Aaron R. Kaufman and Aja Klevs. 2021. Adaptive Fuzzy String Matching: How to Merge Datasets with Only One (Messy) Identifying Field. *Political Analysis* published online by Cambridge University Press, 11 October 2021, *https://www.cambridge.org/core/journals/political-analysis/article/adaptive-fuzzy-string-matching-how-to-merge-datasets-with-only-one-messy-identifying-field/275D7890548359215AC728C1E35B53CE*.

» Establishing and maintaining the analytical capacity to compile and review the results, ensure the process is working, and disseminate the findings in a form useful to stakeholders.

If the RMI decided to develop the travel history approach to generate migration statistics, the generation of overseas travel statistics should require a relatively low additional investment.

iii. Steps to Improve RMI Migration Data

There are two areas of opportunity to improve existing information on RMI migration:

» Existing census and survey information could be further tabulated to reveal migration patterns. This approach would create a valuable source for understanding and measuring long-term trends but is less valuable for current policy making or for forecasting trends.

» Improved information on foreign worker migration can be developed using a combination of permit data, withholdings tax data, and/or passport clearance information. Linking this information would provide real-time information on this foreign population in the RMI.

The RMI could implement travel history matching through its border management system, which would allow travel information to segment RMI citizen vs foreign travelers. Technical assistance to support this effort could be sought from the immigration offices of New Zealand or Australia since they already use this approach. Beyond providing real-time migration information, the passport match data would support other data needs as well:

» Balance of Payments (BOP) statistics could be improved with better travel data. RMI residents spend substantially when traveling abroad, and this is currently a data gap for the BOP current account statistics. Improving BOP data would flow into improved GDP expenditure estimates (travel service imports).

» Program compliance could benefit. Matching would be useful for immigration and border control purposes which is a RMI government interest. Linking information from the border control system with worker permit data would also provide information for foreign work permit program compliance and for foreign investment regulation and compliance.

Lastly, consideration can be given to a publication strategy for information on migration. Such a publication could also include information on remittances, which stem from migration actions. As data can be drawn from multiple sources across the government, organizing the analysis and publication will require cooperation across ministries and a clear lead agency responsible for reporting and disseminating information.

B. RMI Remittance Data

i. Background on Remittance Measurement

Remittances are payments by residents of a country to households in another country, and a reflection of the migration of people. The RMI is on both sides of remittance flows: with outbound remittances from foreign workers who send some of their earnings home as well as RMI citizens who send funds abroad to family members and inbound remittances from RMI citizens who have migrated to the United States and send some of their earnings to family in the RMI. The structure of RMI's two-way remittances would also be found in the US territories of American Samoa and the Commonwealth of the Northern Mariana Islands. This is not the usual one-way structure of Pacific Island remittances where citizens of Pacific islands go abroad to work and send funds home.

The International Monetary Fund (IMF) and the World Bank both worked to strengthen the conceptual basis for measuring remittances and to support developing data for these measures.

IMF. The IMF has addressed remittance concepts and definitions. The 2009 IMF balance of payments (BOP) guidance updated concepts to address increased globalization, including the increased economic integration of migrant workers and their associated remittance flows.[67] The IMF stated that remittance flows for some economies represent a sizable and stable source of funds that can exceed official aid or foreign direct investment. In addition, these flows to households may reduce poverty and support consumption.

Remittances represent household income from foreign economies arising mainly from temporary or permanent migration. The IMF definition of "personal remittances" includes cash and in-kind transfers between resident and non-resident households, plus compensation of employees, less taxes, social contributions, transport and travel costs. This second category covers the net earnings of residents of the host nation who work abroad for less than a year for a non-resident employer. (After one year abroad, under the IMF definitions, a migrant worker is "resident" in the destination country.) Special guidance applies for students and embassy staff who retain their resident status beyond one year.

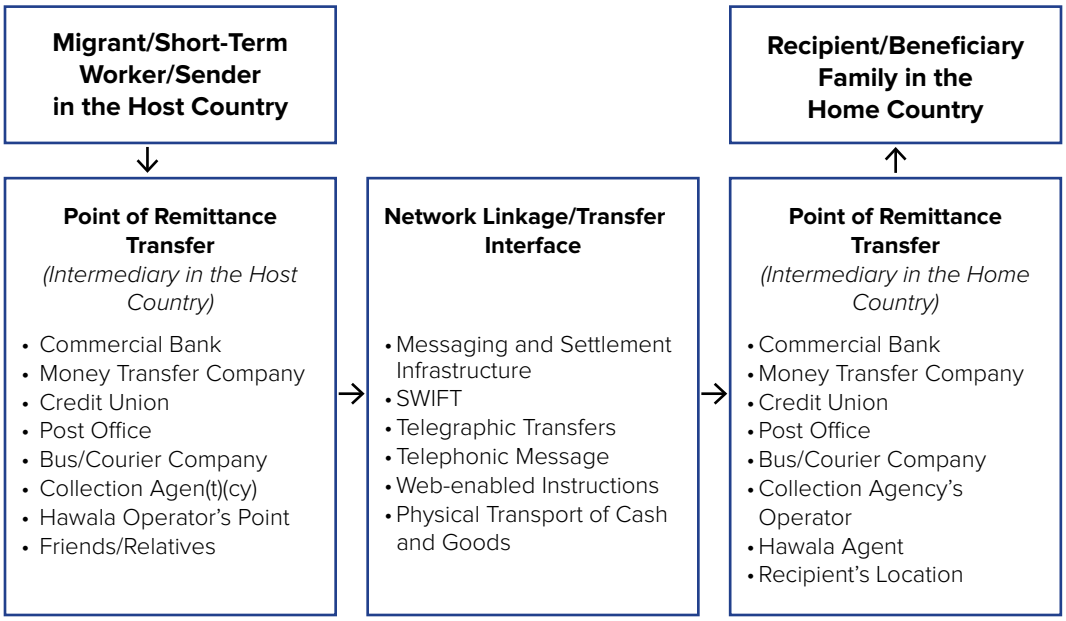
Remittances can include cash that flows through formal channels such as banks and wire transfers or informal channels such as money or goods carried or shipped across the border (see **Figure 22**).

IMF guidance for data compilers of remittance information focuses on four data sources, each with strengths and weaknesses:

» International Transactions Reporting Systems: These collect individual transaction data from banks and through foreign exchange activities. The value of this as a data source depends on the government's reporting requirements, including whether data is structured by the sending and originating country and the level of reporting

67 International Monetary Fund, *Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)*, 2009. https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/31/Balance-of-Payments-Manual-Sixth-Edition-22588 IMF, *International Transactions in Remittances: Guide for Compilers and Users*, 2009. https://www.imf.org/external/np/sta/bop/remitt.htm

Figure 22: Remittance Channels for Migrants to Send Funds to Home Country



Source: IMF, International Transactions in Remittances: Guide for Compilers and Users, 2009.

threshold values. This source may not cover money transfer operators and will not cover informal remittances.

» Money Transfer Operators: This source may capture more detail than is captured in the bank clearance data but will be a subset of remittance activities.

» Surveys of Households: Questions on remittances can be incorporated in censuses, labor market surveys, living standards assessments, and household income and expenditure surveys. Surveys will not capture time series information and will suffer from reporting gaps.

» Indirect Data Sources: This approach uses administrative data, demographic profiles, and econometric methods to estimate remittances. These techniques may build on other information, including survey data.

World Bank. The World Bank hosts a multi-donor trust fund to implement the Global Knowledge Partnership on Migration and Development (KNOMAD), with a focus on improving migration and development. It has established a working group to improve data on remittance flows.[68] Forty-one nations are participating in this effort (as of May 31, 2022); however, no Pacific Island nations are taking part, nor is the United States, which is the primary destination for North Pacific nations.

Research studies. Two studies have focused on remittances in the Pacific. However, neither had significant coverage of RMI remittance information.

» An ADB study assessed remittances across the Pacific, finding that remittances "respond to an implicit social contract, contribute to human capital formation, and

68 https://www.knomad.org/

can be seen as a form of intergenerational transfer."[69] Remittances are seen as supporting consumption, but also future migration. However, in the case of the RMI and part of the FSM (Yap), remittances flow to migrants in the US. This is a function of relatively high incomes in the RMI due to aid and lease payments, the high cost of education in the US, and that RMI citizens have relatively low-paying jobs in the US.

» An IMF working paper reviewed Pacific migration and remittance practices.[70] It found that migration in the Pacific consisted of families settling abroad for long time periods, but maintaining close ties to relatives, villages, and churches at home. These ties were altruistic, rather than investment-oriented as seen elsewhere in Asia. The IMF paper notes that the Marshall Islands (and Micronesia) benefit from remittances from the large number of citizens who reside in the United States, but that the recorded inflows are surprisingly small.

ii. Existing Remittance Data

The RMI publishes limited information on remittances, but remittance data is incorporated in its Balance of Payments statistics, and censuses and household surveys.

Balance of Payments Remittance Presentations

RMI Balance of Payments Statistics. EPPSO publishes annual Balance of Payments (BOP) statistics. However, data on household remittances, both outflows and inflows, is not itemized but incorporated into "other" or summary categories.[71] The RMI does not publish routine data on remittances. One exception is remittance data from the Bank of Marshall Islands (BOMI) and Western Union (WU) published in the most recent RMI Stats Bulletin.[72] For FY2022, EPPSO reported total remittance inflows of $130.9 million ($111.7 from BOMI and $19.2 million from WU) and total remittance outflows of $123.2 million ($116.2 million from BOMI and $7.0 million from WU). In an overall sense, the movement of remittance-classified transactions were in close balance.

Graduate School, USA. EconMAP maintains a time series of household remittances as part of its Balance of Payments data in support of the RMI's statistics office.

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69 John Connell and Richard P.C. Brown, *Remittances in the Pacific: An Overview*, Asian Development Bank, March 2005. *Remittances in the Pacific: An Overview | Asian Development Bank (adb.org)*

70 Christopher Brown and Aiko Mineshima, "Remittances in the Pacific Region, "*IMF Working Paper*, WP/07/35, February 2007. *https://www.elibrary.imf.org/downloadpdf/view/journals/001/2007/035/001.2007.issue-035-en.pdf*

71 The RMI's posting for FY2021 is labeled as "preliminary." EPPSO data is published at: *https://rmieppso.org/download/37/2021/673/rmi_bop-iip-2021-preliminary.xlsx*. The RMI does not include information on remittances in its periodic *Statistical Year Book*. The most recent yearbook was published in 2018 for 2017, with the most recent prior yearbook being published in 2008, combining data from 2005 and 2006.

72 EPPSO, *RMI Stats Bulletin, August 2023, FY23 1st & 2nd Quarter. https://rmieppso.org/document-library/#*

» The inbound personal transfers (household remittances) time series is the sum of household transfers and humanitarian assistance that is targeted to communities/ households; it was estimated to be $3.4 million for FY2022. For household transfers the estimate is based on a 2001 survey of Marshallese households in Arkansas and other US states that established the percentage of households who send remittances to the RMI and their dollar level. That point estimate has been subsequently adjusted due to population change and inflation. The value of humanitarian assistance includes estimated supplies provided annually by visiting navy vessels (US or Taipei,China) and community support provided by the US Department of Agriculture.

» The outbound personal transfers (household remittances) time series is the sum of transfers by RMI citizen and non-citizen households and by employees of the Pan Pacific Food company. It was estimated to be $12.7 million for FY2022. The estimate of household outbound transfers is derived from the 2002 Household Income Expenditures Survey which has been subsequently adjusted for economic growth. Employee transfers are derived from an estimate of employee remittances since FY2008.

With respect to the four data sources outlined by the IMF, the EconMAP remittance time series combines data points from household surveys on remittance activity, with administrative data on humanitarian assistance and worker income to estimate remittances. The current estimation process would benefit from updated Household Income and Expenditure Survey (HIES) and Census information, as well as data collection from the overseas Marshallese community.

RMI Census and Household Survey Data

The most recent RMI Census and HIES included questions related to remittances. However, the structure of the questions is not the same across time and in some cases the questionnaire responses regarding remittances have not been tabulated in published tables.

RMI Census. The 2021 census included several questions relevant to inward remittances, including questions about inward monetary remittances:

» In the “Household Income Sources” questionnaire module, the first question asked about the sources of household income, including “remittances from anyone not on household roster” as one choice. Other options included wages, own business, rental income, retirement, etc. These were check boxes. There was not a follow-up question about the geographic source of the reported income.

» The following question asked if the household sometimes receives money from anyone not listed on the household roster or from a member of the household who is temporarily traveling. If the answer was “yes,” it was itemized as: from outside the RMI only, inside the RMI only, or from outside and inside the RMI. A further follow-up to the money question asked about frequency (weekly, every 2 weeks, every month, every 2-3 months, twice a year, once a year, or occasionally). The questionnaire did not outline whether the “money” question was a subset of the prior “income” question.

» A summary question then asked for the total income over the prior 12 months from the "sources of household income" and from the "money" questions.

» There was no breakout information about the value of remittances asked – either under the "income" or the "money" questions. In addition, the structure of the two questions suggests that the right measure of the frequency of remittances would come from the money question which distinguishes between domestic vs. foreign sources of transfers. Between these two sets of questions, the concept of "income" vs "money" received could trigger different responses.

Another set of questions asked about goods received, following the structure of the money questions for goods received from anyone not listed on the household roster or from a member of the household who is temporarily traveling. If the answer was "yes," it was itemized as: from outside the RMI only, inside the RMI only, or from outside and inside the RMI. A further follow-up on the GOODS question asked about frequency (weekly, every 2 weeks, every month, every 2-3 months, twice a year, once a year, or occasionally). There were no questions regarding the type or value of goods received.

To date, no information on these inward remittance questions has been included in published 2021 RMI Census information.[73] EPPSO officials suggested that remittance information might not be tabulated in final reporting. Further, if remittance information is tabulated and published, it will need to separately report on the income, money, and goods questions to be informative about "inward" remittance occurrences. However, the census questions were not structured to collect any information about the value of these inward remittances, either income/money or goods.

Further, the 2021 Census collected no information about outward remittances, either the occurrences of income, money, and goods transfers or their value.

The 2011 RMI Census was equally limited regarding remittance information. It collected, but not did not publish the total remittances reported by households from "abroad and domestic."[74] Further, for individual household members, it specified that any remittance income from abroad or domestic sources be excluded in individual income data collection. There were no census questions that addressed outward remittances.

RMI Household Income and Expenditure Survey (HIES). The 2019/20 RMI HIES included questions relevant to remittances, both inward and outward.[75]

» **Inward to the household**. In a questionnaire section labeled "remittances," it asks if any member of the household received cash remittances from anyone not living in

73 *Marshall Islands. 2023. Republic of the Marshall Islands 2021 census report: volume 1: basic tables and administration report* (Majuro, Marshall Islands: Economic Policy, Planning and the Pacific Community (SPC), 2022). https://purl.org/spc/digilib/doc/f6ywp

74 *Republic of the Marshall Islands, 2011 Census report* (Economic Policy, Planning and Statistics Office, Republic of the Marshall Islands, and the SPC Statistics for Development Programme, 2012). https://microdata.pacificdata.org/index.php/catalog/22/download/2030

75 *Poverty, food consumption, labour, and household income and expenditure in the Marshall Islands: a compendium of analyses of the 2019/20 household income and expenditure survey* (Economic Policy, Planning and Statistics Office, Republic of the Marshall Islands, and the Pacific Community (SPC) Statistics for Development Division, July 2022). https://purl.org/spc/digilib/doc/2ibmj Using data from this HIES faces some uncertainty. The HIES states that there are 14,950 households in the RMI, while the 2021 Census found 7,123 households. For reference, the 2011 Census reported 7,738 households. The 2021 and 2011 counts of households are consistent as the 2021 Census found that the population fell substantially over the period.

the household. For each person providing this cash, the questionnaire asks if it was sent from Majuro, Kwajalein, an outer atoll, or from outside the RMI/overseas. The sender's relationship to the head of household and the dollar amount are collected.

» Of the households surveyed, 45 percent reported receiving remittances. Half (49.8 percent) of remittance senders were children sending cash to their parents, with an additional 30.5 percent being the brother or sister of the head of household. Based on the location of the sender, 87 percent came from outside the RMI and 12.8 percent from Majuro Atoll.

» Remittances were minor, however, when compared to overall household income, with cash gifts and remittances received together accounting for 2.2 percent of household income. Another category, "cash purchased gifts" where the household received actual goods or services as a gift accounted for 9.1 percent of household income. This latter category did not seek to identify the location of the provider of these goods/services. Overall, cash gifts/remittances were $125 while cash purchased gifts received were $530 of average annual household income.

» **Outward from the household**. The HIES questionnaire asked if any member of the household gave money or gifts (in-kind) to recipients including: another household (support), another household (special event eg. birthday, wedding, funeral), special donation to a church, village (support), village (special events), school events and other groups and institutions. The value of these transfers are collected and the location of the receiver of the gift is established: Majuro, Kwajalein, an outer atoll, or outside the RMI/overseas. The specifics of these outward remittance responses have not been tabulated to the extent of inward remittances.

The 2019/20 HIES has potential regarding remittance information if it was further processed. For example, it could isolate the behavior of households based on citizenship to illustrate foreign worker remittance behavior. Given the relatively large size of "gifts" as compared to remittances, that presentation could also be further developed.

The 2002 HIES also contained questions related to remittances.[76] Of the 657 surveyed households, 190 reported overseas remittance expenditures that in total represented 6.6 percent of surveyed household income. An additional category was reported in 2002, "overseas education" expenditures by 86 households, which in total represented 5.0 percent of surveyed household income.

RMI Banking Commission Data

Data from the RMI Banking Commission can be used to provide additional information about remittance patterns. According to Banking Commission officials, they have data from the Bank of Marshall Islands (BOMI) on correspondent bank and MoneyGram transfers and data from Western Union. The Banking Commission does not receive remittance-related information directly from the Bank of Guam. Banking Commission quarterly data includes the number of transactions and their total value as well as the country where funds originate from or are transferred to. For 2022, the following transfers were reported:

76 *Republic of the Marshall Islands Household Income & Expenditure Survey 2002* (Economic Policy, Planning and Statistics Office, 2003). https://purl.org/spc/digilib/doc/qzeix

» BOMI FY2022 international wire transfer data showed inbound transfers of $116.4 million, all from the US, with an average transfer value of $130,375. Outbound international wire transfers were $104.4 million with an average transfer value of $28,392. Outbound transfers to the US were 66.3 percent of the total, followed by China with 11.6 percent, and then Taipei,China with 5.2 percent. Note: these wire transfers cannot all be considered remittances, as they are likely to also include business-related payments to suppliers and customer receipts.

» BOMI FY2022 MoneyGram data showed inbound transfers of $11.4 million, with almost 100 percent from the US. The average inbound transaction was $208. Outbound transfers were $7.4 million, with the average transaction value of $515. By country of destination: 75.6 percent went to the US, 8.0 percent to Fiji, 7.1 percent to the Philippines, and 7.1 percent to China.

» Western Union 2022 (calendar year) data showed inbound transfers of $5.1 million, with an average transaction of $266. US inbound transfers accounted for 75.4 percent of transfers and averaged $217 across 17,725 transfers. Transfers assigned to the Bank of Guam accounted for a further 13.2 percent of inbound transfers. Western Union outbound transfers were $7.0 million with an average transaction of $626. The Philippines accounted for 41 percent of these transfers, with the US representing 23.1 percent. Also, the Bank of Guam represented 24.1 percent of outbound transfers.

Overall, Banking Commission remittance data can be enhanced further by collecting data directly from the Bank of Guam, and all other entities not yet incorporated in remittance data collection. For example, according to one money company representative, they have underlying data on the state/city within the US and could provide more disaggregated information.

iii. Steps to Improve RMI Remittance Data

Balance of payment remittance data can be improved in two ways:

» First, the assumptions used for the current BOP estimates can be compared to updated information from the most recent Census and household survey and updated as merited. This will require further tabulations of underlying census and survey information by the RMI statistics office. It will also require addressing the significantly larger estimated number of households in the 2019/20 HIES as compared to the 2021 Census.

» Second, data collected from banks operating in the RMI by the Banking Commission on incoming and outgoing international money transfers may provide a new measure of certain remittance activities. Mandatory data reporting should be required of all market participants as set out in regulations.

RMI census and survey remittance data can be improved in two ways:

» Census and HIES questions should be consistently structured to capture the inward and outward flows of remittances to and from the RMI. This data collection could separate out the categories of regular vs. ad hoc remittances, and cover money and goods. Using the same questions across census and HIES surveys could provide a more frequent time series of relevant data on remittance activities.

» Additionally, collected census and HIES data should be consistently tabulated and published. Currently, while remittance information is covered by census and survey questionnaires, it is sometimes not reported in summary documents. Further, there are opportunities to do additional cross tabulation of the information with other demographic characteristics such as citizenship.

Lastly, consideration can be given to a publication strategy for information on remittances. This publication could also include information on migration, which leads to remittance actions. As data can be drawn from multiple sources across the government, organizing the analysis and publication will require cooperation across ministries and a clear lead agency responsible for reporting and disseminating the information.

C. RMI FDI Data

i. Background and RMI's Regulation of FDI

Background on FDI

Foreign Direct Investment (FDI) is cross-border investment where an individual/entity resident in one country makes a long-term investment in a business in another country. This long-term status is a critical aspect of FDI, where the foreign investor has acquired a lasting interest and some control over the operations of the business. Investment flows are presented as annual transactions that result in a stock of foreign-controlled assets.

FDI can have several forms of operation as well as differing motives for the investor. Research on FDI usually focuses on the impact of FDI on economic growth, employment, and trade, but there is also considerable interest in FDI's effects on non-economic areas such as environmental, political, and social sectors.

FDI forms and motives.

» Forms of FDI can have different structures: new investment that builds something from the ground up (greenfield investment), such as a hotel or factory; mergers and acquisitions, where a foreign investor acquires an interest in a company through stock purchases; and joint ventures. In the case of the RMI, the establishment of a fish processing plant is a prime example of greenfield investment.

» Several frameworks have been outlined regarding investment motives. One framework includes: access to resources (natural resources or labor) or markets (consumers or suppliers), ability to gain efficiencies (through scale or cheaper inputs); or acquire a strategic asset (technology and patents).[77] In the case of the RMI, access to marine resources is a prime motivation for FDI investment, while access to markets is the basis for other FDI investors, such as banks.

Research on FDI. Measuring and understanding FDI is important for understanding the economy and informing economic policies, and it is relevant for informing political and social policies. These two areas of interest about FDI both recognize that FDI can have benefits and costs for the host nation. An example of benefits would be improvement in labor skills through training or the introduction of new production technology, while

77 This formulation is from J.H. Dunning, *Multinational Enterprises and the Global Economy*, Addison-Wesley, 1993.

an example of costs would be increased competition by the FDI entity crowding out domestic firm sales or supply of inputs such as labor.

» FDI is cited as a key source of economic growth and poverty reduction, with the host country gaining resources for "greenfield" investment, management expertise, and technology. Historically, FDI drives economic expansion with an increasing standard of living; however, individual country experiences can vary. A key consideration is whether FDI benefits or injures local firms and labor. Research on FDI in Pacific Island economies has been limited, and what has been done has not covered the RMI, the FSM or Palau. Existing Pacific Islands FDI economic research includes:

  - Industry case studies in Fiji and Samoa: In 2003, in the context of a general view that inward FDI and linkages between foreign investors and domestic businesses are beneficial to a Pacific Island country's development, the Secretariat of the Pacific Islands Forum recognized that some Pacific Island country governments were not yet fully convinced on the questions of how and how fast the liberalization process to promote FDI should proceed. The Secretariat commissioned a study that focused on five case studies in two countries of three industries: Fiji (apparel and footwear manufacturing, and tuna fishing) and Samoa (coconut processing and tuna fishing).[78] This study found benefits from FDI due to inputs purchased from the domestic economy (fish and coconuts) and the use of local labor (manufacturing). However, it found little benefit from FDI technology or worker training for domestic firms. Further, FDI firms had a negative impact on local firms through competition for supplies (coconuts and tuna). Study recommendations included promoting that FDI firms hire and train local labor, acquire inputs from local sources, and engage in joint activities with local firms.

  - Worldwide FDI statistical analysis: A study of worldwide FDI over a 40-year period (1971-2010), found that FDI impact on economic growth in Pacific Island nations, while positive, was much lower than for other regions of the world and that in the Pacific Islands, FDI crowds out domestic investment.[79]

  - Fiji case study: This study found that FDI had a positive impact on Fiji GDP and employment; and recommended that Fiji continue its proactive policy to attract FDI.[80]

  - Pacific island economic growth: A statistical study assessed the impact of tourism, inward remittances, FDI, and domestic credit on economic growth. The study covered Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu. FDI was

78 Foreign Investment Advisory Service (A joint service of the International Finance Corporation and The World Bank) "Linkages and flow-on impacts of foreign investment in Pacific island economies: Final Report April 2004", S*ecretariat Pacific Islands Forum.* https://documents1.worldbank.org/curated/pt/432491468098051313/pdf/347030v10rev0EAP0Linkages.pdf

79 The study covered 209 countries, including 7 Pacific Island nations. However, it did not include the FAS nations. Simon Feeny, Sasi Iamsiraroj, and Mark McGillivray, "Growth and Foreign Direct Investment in the Pacific," *Economic Modelling. Volume 37, February 2014, Pages 332-339.* https://www.sciencedirect.com/science/article/abs/pii/S0264999313005154

80 T.K. Jayaraman, Baljeet Singh, "Foreign Direct Investment and Employment Creation in Pacific Island Countries: An empirical study of Fiji," *Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 35, May 2007.* https://econpapers.repec.org/paper/escwpaper/3507.htm

found to be positive in 4 of the 5 countries, and most conducive to growth in Fiji and Vanuatu. The study also found that tourism attracts FDI for all five countries.[81]

» Non-economic interest in FDI also stems from historical, environmental, political, and social concerns. For example, for nations that were former colonies, a large role in the economy by foreign investors may extend or restore past colonial relations. In the political realm, FDI operations may raise concerns about undue political influence and corruption. Meanwhile, in the social realm, FDI may require the importation of foreign labor that has a large social local impact or environmental impact within the host country.[82] Especially in the case where FDI is seeking natural resources, concerns are cited about FDI having an adverse environmental impact.[83] However, in the case of the RMI, where FDI is oriented towards fisheries, protecting the environment may not be the short-run objective of the FDI firm, even though it is aligned with the FDI firm's long-term interests. The small body of research on non-economic FDI impact has, to date, not covered the Pacific Islands.

Developing consistent and robust statistics on FDI is important for understanding FDI's role in the economy and to build a broader understanding about other impacts.

RMI's FDI regulations

In the case of the RMI economy, FDI is a significant component of economic activity as demonstrated by the large external investment in fisheries. Like other Pacific Island nations, the RMI has laws and regulations that directly affect the FDI entities, including foreign investment licensing, corporate registration, foreign labor permits, and taxation.[84]

RMI Regulatory System. The RMI's regulatory system recognizes the benefits and costs of FDI. The underlying statute controlling FDI is the Foreign Investment Business License Act of 1990, mostly recently amended in 2020.[85] The Act establishes the requirement that a non-citizen must first obtain a Foreign Investment Business License (FIBL) before doing business in the RMI or before acquiring an interest in any business previously owned by citizens of the RMI. Further, the Act stipulates that a Reserved List of economic sectors, sub-sectors or activities in which investment is reserved solely for

81 Ronald Ravinesh Kumar and Peter Josef Stauvermann, 2021. "Tourism and economic growth in the Pacific region: evidence from five small island economies," *Journal of the Asia Pacific Economy, 22 Jul 2021.* https://doi.org/10.1080/13547860.2021.1944796

82 Stephen D. Cohen, *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity (Oxford University Press, 8 February 2007).* https://academic.oup.com/book/9537

83 Eric B. Yiadoma, Lord Mensah, and Godfred A. Bokpin, "Environmental Risk and Foreign Direct Investment: the role of Financial Sector Development," *Environmental Challenges (Volume 9, December 2022).* Environmental Risk and Foreign Direct Investment: the role of Financial Sector Development - ScienceDirect

84 See a 2003 publicly available overview of FDI in the RMI in: Paul Holden and Sarah Holden, *Republic of the Marshall Islands: A Private Sector Assessment - Promoting Growth Through Reform* (Report prepared by the Enterprise Research Institute for the Asian Development Bank, May 2003). https://www.adb.org/documents/republic-marshall-islands-private-sector-assessment-promoting-growth-though-reform

85 See: *RMI Foreign Investment Business License Act of 1990,* https://rmiparliament.org/cms/images/LEGISLATION/PRINCIPAL/1990/1990-0099/ForeignInvestmentBusinessLicenseActof1990_4.pdf

RMI citizen investors be maintained by the FIBL registrar -- the Ministry of Finance. This reserved list is approved by the RMI Cabinet. The current reserved list activities are:

- Small scale agriculture for local markets
- Small scale mariculture for local markets
- Bakeries and pastry shops
- Motor garages and fuel filling stations
- Land taxi operations, not including airport taxis used by hotels
- Rental of all types of motor vehicles
- Businesses with a quarterly turnover of less than $10,000
- Laundromat and dry cleaning, other than service provided by hotel/motels
- Tailor/sewing shop
- Video rental
- Delicatessen of deli shops or food take-outs.

The RMI's FDI regime has often been cited as cumbersome and slow to garner approvals.[86] Investment policy is outlined in "National Investment Policy Statement" documents. According to a May 2015 RMI trade policy report, foreign investment is encouraged in fisheries, tourism, manufacturing and agriculture to meet development goals.[87] The report further outlined examples of how FDI firms pay more than domestic firms for the same process. For example, company registration for a FDI firm was $1,000 as compared to $250 for a domestic firm, while annual registration renewal was $500 for a foreign firm and $100 for a domestic firm. Similarly, the cost of foreign labor was more for a FDI firm than for a domestic firm.

Recent RMI FDI Regulations. RMI's most recent FDI regulations went into effect in December of 2019. [88] It highlighted the RMI's interest in protecting the "reserved list" of activities for RMI citizens and stated that a non-citizen who violates the provision is liable for up to 12 months imprisonment and a $50,000 fine. The document also outlined the RMI agency responsibilities for the approval of FIBL applications:

- Office of Commerce, Investment, and Tourism in the Ministry of Natural Resources and Commerce facilitates the application process;
- Foreign Investment Business License Unit of the Ministry of Finance, Banking, and Postal Services approves and issues the FIBL and enforces the FIBL Act and Regulations jointly with the Attorney General's Office;

86 For example, see the 15 July 2016 draft report: *Republic of the Marshall Islands: Private Sector Assessment*.

87 See: *The Trade Policy for the Republic of the Marshall Islands, May 2012*, RMI Ministry of Resources and Development, Division of Trade and Investment. mas170019.pdf (fao.org)

88 R*epublic of the Marshall Islands Foreign Investment Business License Regulations 2000, Amended*. Posted on the RMI Courts website: https://rmicourts.org/wp-content/uploads/2020/05/FIBL-Regulations-2000-Amended.pdf.

- Division of Immigration in the Ministry of Justice, Immigration & Labor issues immigration clearance for the investor and approves and issues visas and alien registration;[89]
- Division of Labor in the Ministry of Justice, Immigration & Labor issues labor clearance and approves and issues work permits to all non-resident employers and the employees;
- Marshall Islands Social Security Administration issues employer identification numbers and social security numbers;
- Marshall Islands Police Department of the Ministry of Justice, Immigration & Labor conducts a criminal background check for all investors and potential foreign employees;
- Banking Commission conducts a financial background check for all investors and potential foreign employees; and
- Registrar of Resident Domestic Corporations of the Ministry of Justice, Immigration & Labor reviews FIBL application to assure compliance with RMI laws and regulations.

Subsequently, the RMI published the Foreign Investment Business License Guideline, providing FDI applicants with an eleven-step checklist.[90] However, the mechanics of the application process remained complex with a total of 40 steps before an FDI applicant had completed the process (see **Figure 23**).

RMI FDI Promotion. Although the underlying process has not been streamlined, the RMI Office of Investment, Commerce, and Tourism has taken steps to promote FDI and serves as the initial point of contact for investment facilitation and registration for any non-citizen. Currently it posts the FDI application as well as the RMI Investment Policy Statement on its website.[91] Investment opportunities are encouraged in virtually all sectors: agro-industry, aquaculture, fisheries, hospitality/tourism, manufacturing, renewable energy, and services.

The May 2023 Policy Statement includes information on RMI investment incentives, where Investors intending to establish business investment in the following export-oriented sectors can be exempted from paying gross revenue tax for a five-year period:

- Off-shore or deep-sea fishing;
- Manufacturing for export, or for both export and local use;
- Agriculture; and
- Hotel and resort facilities.

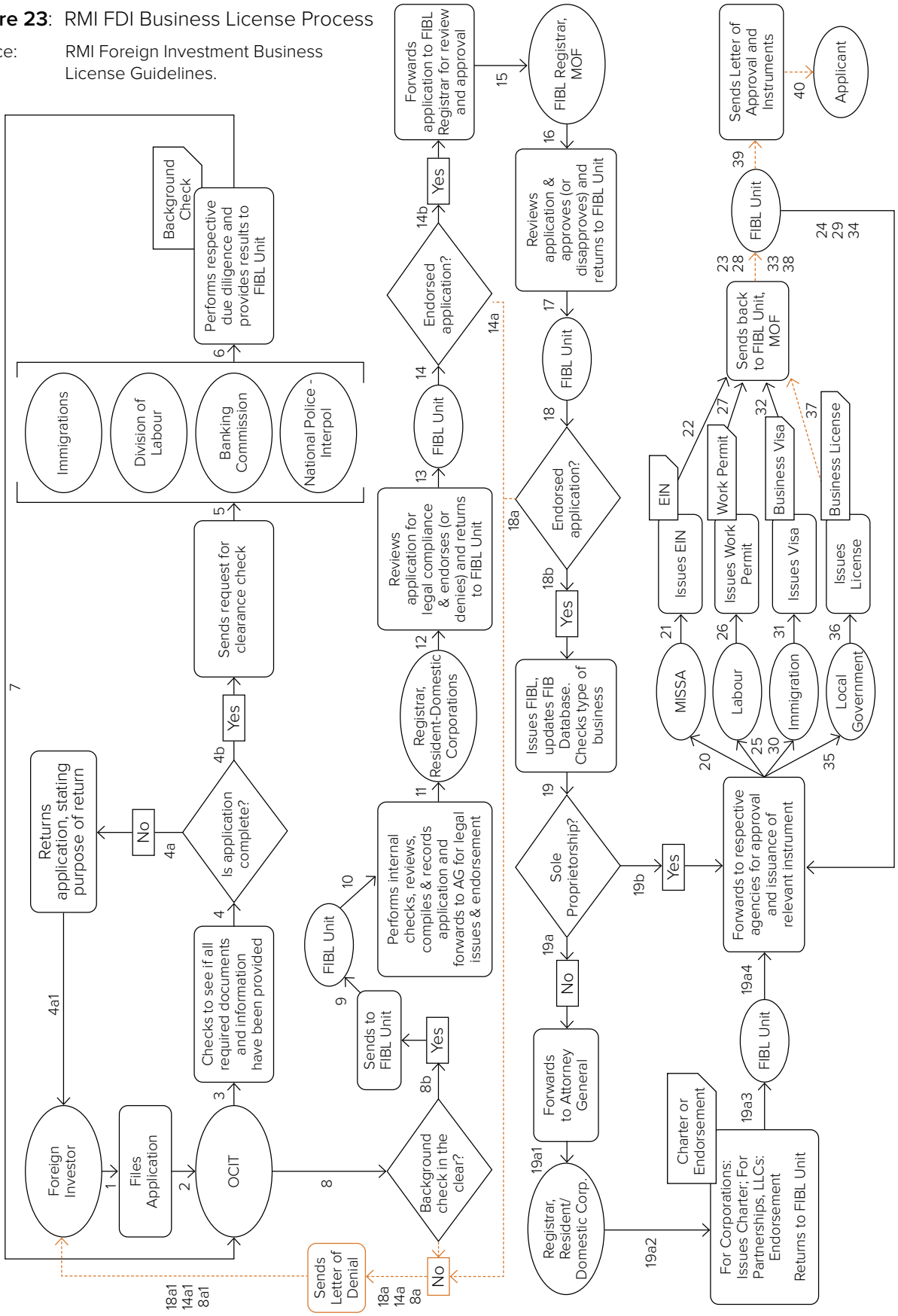
89 *https://rmiimmigration.org/applications/*

90 Currently this information cannot be found on a RMI government website. It is posted by the Pacific Islands Centre: *https://pic.or.jp/ja/wp-content/uploads/2022/05/FIBL-Guideline.pdf.*

91 *https://www.rmiocit.org/investment.*

Figure 23: RMI FDI Business License Process

Source: RMI Foreign Investment Business License Guidelines.



To qualify for an exemption, investors must make an investment of at least US$1 million, or provide employment and wages in excess of US$150,000 per year to RMI citizen workers.[92]

Other government data collected from FDI firms

In addition to information collected by the Ministry of Finance for the FIBL, several other RMI agencies collect firm-level data that can be used to measure and analyze FDI activity:

- Corporate Registration. Registration of corporations (domestic and authorized foreign corporations) and partnerships/LLCs in the RMI are under the Office of the Attorney General. Annual reports and the payment of an annual fee are made by all business entities to the Registrar of Corporations (within the Office of the Attorney General).[93] Information on RMI domestic registrations with the Office of Attorney General are not available online.[94] This contrasts with information on RMI non-resident corporations and other entities ithat are registered by International Registries, Inc. for the non-resident RMI Maritime and Corporate Registries. These registrations can be reviewed and searched online.[95]
- Foreign Worker Registration. Government policy provides an employment preference to RMI citizens, but if qualified RMI citizen workers are unavailable, it allows the employment of noncitizen workers for FDI as well as RMI-owned firms.[96] Application is made to the Division of Labor within the Ministry of Justice, Immigration & Labor. Work permits are issued for one year and can be extended for a second year. After a work permit has been issued there is a separate application process with the Immigration Division, also within the Ministry of Justice, Immigration & Labor, for an entry visa.
- Social Security. FDI firms are required to apply for an Employer Identification Number (EIN) from the Marshall Islands Social Security Administration, providing their corporate charter and FIBL as part of the application process. For employees, the application for a social security number includes entries for date of birth, citizenship, place of birth, gender, marital status, parent names, and the name of their present or previous employer. If they are a foreign worker, required documents include passport, entry permit, alien registration certificate, work permit, and employment contract. On quarterly tax reports to Social Security to pay social security and health care fund taxes for each employee, all employers provide their EIN and each employee's Social Security Number and gross wages. Thus, within Social Security data, FDI firms are linked to wage and salary payments and the citizenship of the workers can be derived.

92 *Republic of the Marshall Islands National Investment Policy Statement*, May 2023. https://www.rmiocit.org/_files/ugd/a113bc_3bb6d80f47314a839ed06f18beef5128.pdf

93 *Business Corporations Act of 1990, most recently amended in 2020.* https://rmiparliament.org/cms/images/LEGISLATION/PRINCIPAL/1990/1990-0091/BusinessCorporationsAct1990_8.pdf

94 The Ministry of Justice and the Office of the Attorney General do not currently have websites.

95 https://www.register-iri.com/corporate/business-entities/entity-search/

96 *Labor (Non-Resident Workers) Act, 2018.* https://rmiparliament.org/cms/images/LEGISLATION/PRINCIPAL/2018/2018-0068/LaborNon-ResidentWorkersAct2018_1.pdf

» Tax and Revenue. Businesses in the RMI use the EIN when they submit tax payments to the Division of Customs, Treasury, Revenue, and Taxation. RMI tax data records when a firm is classified as a foreign company.

Across these administrative systems there are opportunities to link data and create profiles of the role of FDI among registered corporations and in terms of revenue and employment by sector.

ii. Existing FDI Data

Balance of Payments and International Investment Position Data

International Monetary Fund Data Guidance. Formal estimates of FDI are part of the RMI's Balance of Payments (BOP) and International Investment Position (IIP) statistics that record external financial transactions. The terms and definitions for these statistics are developed by the IMF.[97] These two sets of statistics are linked, with BOP capturing the annual flow of financial transactions and IIP capturing the stock value of assets and liabilities at the end of a fiscal year. Investment is usually the value of equity (stocks) but can be based on the provision of in-kind goods and services, such as equipment or technology.

To be counted as FDI under BOP and IIP definitions, two criteria must be met:

» **Control**. A foreign investor must acquire control or a significant degree of influence on the management of an enterprise in another economy. Stock ownership of 10 percent is considered to represent significant influence, while control is ownership exceeding 50 percent. Foreign direct investment in the RMI is recorded as a liability in this accounting framework.

» **Non-resident**. One key aspect of the BOP concept of foreign investment is that investors are non-resident. For example, an RMI citizen who resides in another country and invests in the RMI represents foreign investment in the BOP. Or an RMI business owner who moves overseas would convert a domestic firm to a FDI firm with that action. Moreover, a foreign citizen who externally invests in the RMI is treated as FDI, but if that investor moves to the RMI and establishes residency, the investment becomes domestic.

With this focus on residency as the driver for the BOP definitions, data collected based on this definition will not match reporting based only on RMI FIBL status, where foreign owner citizenship is the key factor. The number of BOP FDI firms will be smaller than the number of RMI FIBL firms, as some foreign investors are resident in the RMI. Further, the RMI does not track whether RMI citizen owners of an enterprise are resident in the RMI. With high rates of outward migration, some RMI business owners are likely to reside overseas.

Economic Policy, Planning, and Statistics Office (EPPSO) Data. EPPSO annually publishes several data tables that cover FDI in the RMI. For example, in its annual Balance of Payments (BOP) statistics inward direct investment is captured and reported as a component of BOP statistics: Annual inward direct investment averaged $6.4

97 International Monetary Fund, *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6), 2009. *https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/31/Balance-of-Payments-Manual-Sixth-Edition-22588*

million over the last five years of reported data (FY2017-FY2021). For the same time period, EPPSO reported on the "stock" of direct investment as a component if its IIP statistics: The annual value of direct investment averaged $156.5 million over the last five years of reported data (FY2017-FY2021).[98] The RMI does not include FDI data in its quarterly Stats Bulletin or in the periodic Statistical Year Book.[99]

Graduate School, USA Data. EconMAP maintains a time series of FDI data as part of its Balance of Payments data in support of the RMI's EPPSO.[100] Its annual inward direct investment captures any net equity investments in the RMI through stock or the acquisition of an existing RMI-owned business, or the provision of equipment and buildings. This inward investment is dominated by Pan Pacific Food capital investment in the fish processing plant and working capital when the plant was not profitable, as well as Pan Pacific Fisheries investment in fishing vessels, including annual vessel repair expenses. Other small-scale annual investments are estimated but remain at a low level. Further, annual reinvested earnings from ongoing investments in banking, energy, fisheries, and small firms are estimated based on an assumed payout of 80 percent of operating earnings to non-resident owners as dividends, with 20 percent reinvested in RMI operations.

RMI FDI information developed from GDP and tax data

This report section uses existing data on the RMI private-sector GDP to illustrate opportunities to report on the role of FDI in the RMI economy. The underlying GDP presentation draws on revenue from the sale of goods and services reported by the RMI private sector on tax forms. Using identifiers for foreign-owned businesses in the tax data it is possible to allocate reported tax data to either FDI or "local" businesses within the private sector.[101] Further, this revenue data is adjusted to reflect the GDP contribution of firms in different industries.

Two decades of FDI. Analysis of "FDI" and "local" business operations show that FDI firms accounted for an increasing share of private-sector GDP over the FY2001-FY2022 period. The FDI share of private-sector GDP reached its highest in FY2021 at 59.8 percent and was at its lowest in FY2001 at 18.9 percent. Conversely, the local b usiness share of private-sector GDP was smallest in FY2021 at 40.2 percent, and largest in FY2001 at 81.1 percent (see **Figure 24**). This change is virtually all due to the food processing and fisheries investment of Pan Pacific, which entered the RMI during this period and grew rapidly in terms of its impact on GDP.

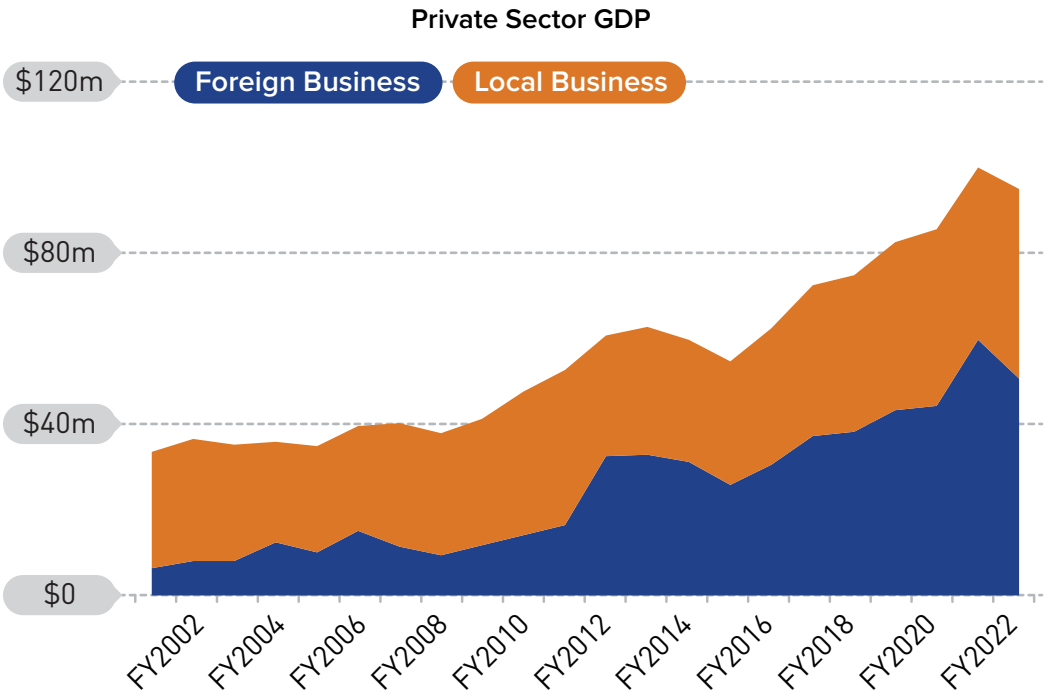
98 The RMI's posting for FY2021 is labeled as "preliminary." EPPSO BOP data is published at: *https://rmieppso.org/download/37/2021/673/rmi_bop-iip-2021-preliminary.xlsx.*

99 See, EPPSO, *RMI Stats Bulletin, August 2023, FY23 1st & 2nd Quarter*. *https://rmieppso.org/document-library/#* The RMI did not include information on FDI in its recent *Statistical Year Book*. The most recent yearbook was published in 2018 for 2017, with the most recent prior yearbook being published in 2008, combining data from 2005 and 2006. *https://rmieppso.org/download/20/yearbook/646/rmi-statistic-yearbook-2017.pdf*

100 *https://pitiviti.org/marshall-islands*

101 This presentation is using the available data as labeled by the Ministry of Finance as FDI or local. This does not take into account the formal BOP definition of FDI based on actual residency. Thus, enterprises where the foreign investor is known to be resident in the RMI are counted here as FDI. Further, data is not currently available to indicate whether any FDI businesses are partnerships between an FDI investor and a local investor. All FDI-labelled businesses are assumed to be 100 percent foreign owned.

Figure 24: Private Sector GDP of FDI and Local RMI Businesses, FY2001-FY2022 (current prices)



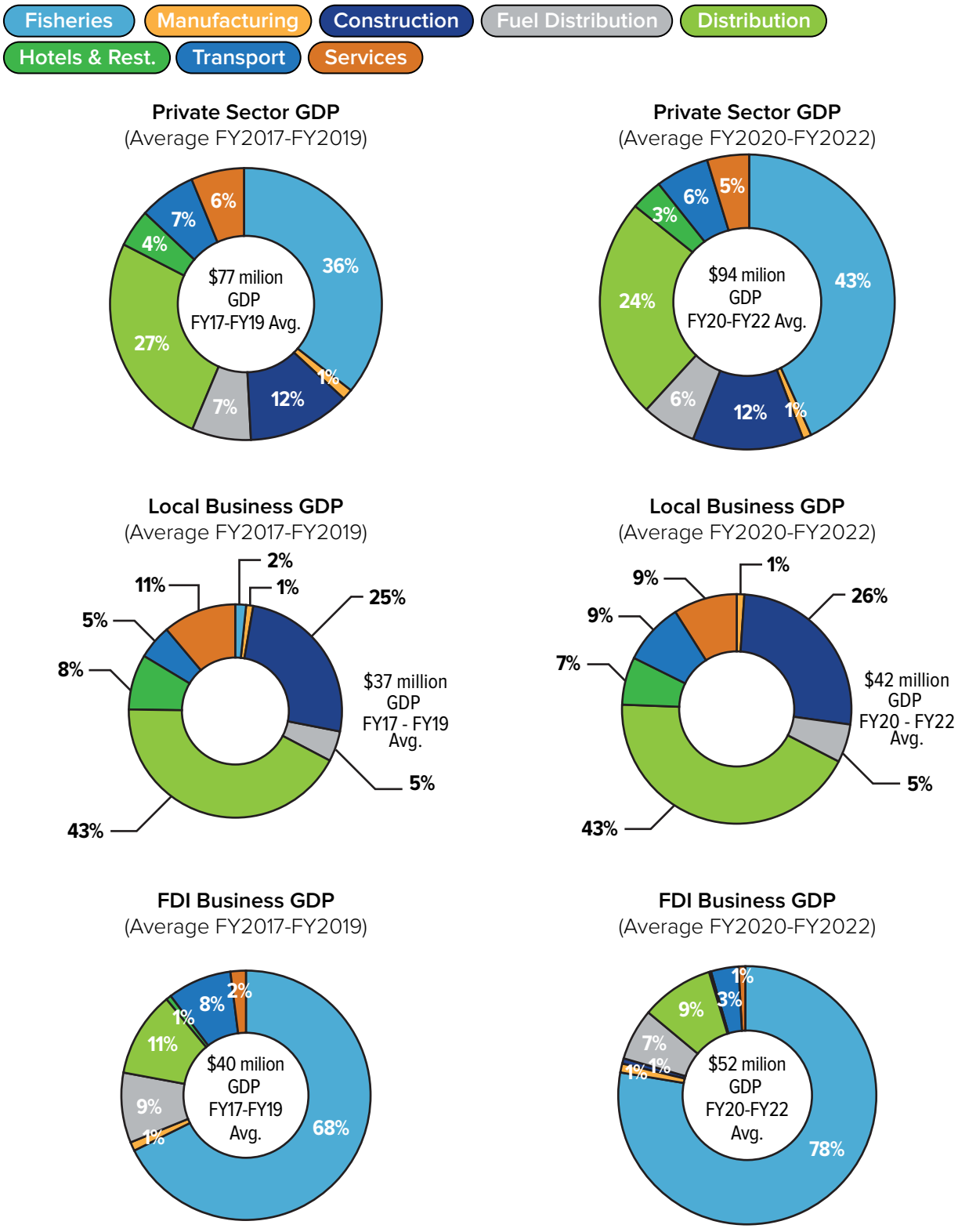
Source: EconMAP analysis of RMI Ministry of Finance business tax data.

Composition of RMI private-sector GDP by industry categories. FDI and local business GDP contributions can be allocated by the 19 industry categories that are assigned to each firm. The categories are further consolidated for this presentation. Below, the industry composition of the overall pre-COVID economy is presented and then reported separately on the FDI and local RMI business sectors. Three years of private-sector GDP data is averaged for these presentations with FY2017-FY2019 as the pre-COVID period. This analysis is then replicated for the "COVID" period, FY2020-FY2022 (see **Figure 25**). The underlying administrative data source that allows this analysis is business gross revenue tax filings.

Pre-COVID period:

- The RMI economy was dominated by the fisheries sector before the COVID pandemic. It represented 36 percent of private-sector GDP, followed by the distribution sector with 27 percent.
- FDI businesses overall had a slightly larger role than did local RMI businesses, accounting for 52 percent of average FY2017-FY2019 private-sector GDP, as compared to 48 percent for local firms.
- The FY2017-FY2019 GDP composition of industries varied between FDI and local RMI businesses. For FDI businesses, fisheries represented 68 percent of FDI business GDP. For local RMI businesses, distribution accounted for 43 percent, followed by construction with 25 percent.

Figure 25: Private Sector GDP for FDI and Local RMI Businesses by Industry, FY2017-FY2019 and FY2020-FY2022 (current prices)



Source: EconMAP projections of RMI private sector GDP by industry.

COVID period:

» RMI private sector grew during the COVID period and total private-sector GDP grew by 21 percent. Local business GDP grew by 13 percent and FDI business GDP grew by 30 percent.

» COVID had little impact on the composition of overall RMI business GDP, but the fisheries share of FDI business GDP rose to 77 percent. This reflected a 49 percent increase in the size of the FDI fisheries sector (as a GDP measure).

Other opportunities to use administrative data

In addition to the above analysis that draws on gross revenue tax data, other RMI administrative data could be used to analyze the different roles of FDI and local businesses. For example, all firms report wage and salary data to the Marshall Islands Social Security Administration for each employee. With this information, additional presentations are possible, including the comparative role of FDI and local businesses in the labor market with respect to total compensation, income per worker, and the distribution of income payments to employees within the firm. Further, as Social Security data includes worker citizenship, analyses are possible regarding any employment and compensation differences between FDI and local businesses based on citizenship.

iii. Steps to Improve RMI FDI Data

Opportunities to enhance FDI administrative data and FDI-related statistics include:

» Corporate Registry and FIBL Information: RMI statistics could be more frequently updated if corporate registry and FIBL information was compiled and shared on a regular schedule. This would improve the underlying data in the BOP and IIP reports. Further, including this information in publicly available documents would improve public understanding of the role and contribution of FDI in the economy. Public and transparent listings of FIBL firms could also enhance enforcement of legal requirements. In 2021, the RMI Office of the Attorney General published a Public Notice in The Marshall Islands Journal that non-citizens operating without a FIBL or not complying with FIBL conditions can be imprisoned for up to 12 months and fined not less than $10,000.[102] More transparency would encourage compliance.

» BOP and IIP statistics: For RMI official statistics, more regular dissemination of corporate registry and FIBL information could improve BOP and IIP statistics. Currently, FDI ownership shares are not available but may be available from corporate registration documents. This would improve the allocation of retained earnings for FDI firms in BOP estimates. Updated ownership share data can then subsequently increase the precision of allocating revenue, taxes paid, labor compensation, and employment counts between foreign and domestic firms.

» Incorporate International Guidance: International efforts to improve BOP and IIP data should be incorporated into the RMI statistics program. Recent IMF and OECD

102 The *Marshall Islands Journal,* 3 September 2021. The notice also stated that "RMI Public Servants are also restricted from additional employment by Public Service Regulations."

guidance on direct investment measures and data collection can be reviewed to identify areas for enhancement.[103] For example, recent guidelines on FDI include the principle of collecting data on the ultimate country of corporate control of an investment. For example, if a company in Korea makes an investment in the RMI, that investment is currently classified as a Korean investment. However, if that Korean company in turn is owned by a firm from Japan, that investment in RMI should be traced back to the ultimate source of the investment, Japan.[104] This constitutes a data consideration that is not part of the current process. Also, according to the OECD, many countries augment their FDI data through business surveys as well as data collected in administrative systems. The opportunity and usefulness for a RMI business survey should be investigated.[105]

» Government-wide data interest: Beyond the specific needs of agencies that directly deal with foreign investors and statistics, there are broader opportunities to enhance compliance across government programs and to increase understanding of the impact of FDI. A starting point for this is to ensure that FIBL numbers are consistently incorporated into government forms and included in administrative databases. Doing this would increase the capabilities of offices to track and report on the impact of FDI. For government statistics and analysis, this might facilitate enhanced reporting on immigration, labor force, taxation, economy, and trade flows. To improve the linkages between FDI data collection for statistics and compliance it may be useful to create a task force of stakeholders to review data gaps and identify opportunities for cooperation.

» Lastly, a publication strategy for routine information on FDI should be implemented. RMI's EPPSO is best positioned to report on FDI and provide comparative information about FDI and local firms' roles in the economy. This draws on its existing access to administrative data, including from the tax system and Social Security Administration. Routine reporting on FDI will require an assignment of agency responsibility for reporting and disseminating information.

D. RMI SME Data

i. Administrative Data Sources on Businesses

To date, RMI small and medium enterprise information has not been available. RMI's primary data publications, the periodic Statistical Yearbook[106] and its quarterly Stats Bulletin[107] do not include information on the structure of the business sector. Further, the

103 For example: *Coordinated direct investment survey guide* (Washington, D.C. : International Monetary Fund, 2015). https://www.elibrary.imf.org/view/book/9781513519418/9781513519418.xml

104 *Measuring International Investment by Multinational Enterprises: Implementation of the OECD's Benchmark Definition of Foreign Direct Investment*, (Organization of Economic Cooperation and Development, 4th edition 2015). https://www.oecd.org/corporate/FDI-BMD4-brochure.pdf

105 Foreign Direct Investment: Trends, *Data Availability, Concepts, and Recording Practices* (Washington, D.C. : International Monetary Fund, 2004). https://www.imf.org/external/pubs/ft/fdi/2004/fditda.pdf

106 See the most recent yearbook, *RMI Statistics Yearbook 2017*. https://rmieppso.org/download/20/yearbook/646/rmi-statistic-yearbook-2017.pdf

107 See the most recent quarterly publication, *RMI Stats Bulletin, August 2023, FY23 1st & 2nd Quarter*. https://rmieppso.org/download/23/quarterly-stats-bulletin/702/rmi-stats-bulletin-q12-fy23.pdf

RMI has not conducted business surveys or economic censuses. According to EPPSO, information on small and medium enterprises (SME) has not been a data focus, but members of the Nitijela -- the RMI legislature -- do seek information about small local businesses. During the period of COVID policy response, the government had little information on the smallest enterprises and the informal sector.

One RMI administrative data system, at the Marshall Islands Social Security Administration (MISSA), receives information from businesses on a quarterly basis that can be used to develop SME statistics based on employment. MISSA issues an Employer Identification Number (EIN), to all business entities, including sole proprietors, partnerships, and corporations. For partnerships and corporations, the MISSA EIN application requires a copy of the certification or corporate charter from the Registrar of Corporations (Attorney General's office) and other corporate documents. Foreign companies are required to provide a copy of their Foreign Investment Business License (FIBL) from the Ministry of Finance.[108] In addition, each business entity identifies its principal activity, such as construction or hotel, and MISSA assigns it an industry classification. MISSA data includes information for each business such as whether it is foreign or domestic and its industry classification.

Each business is required to file an employer's quarterly tax report that covers the owner and employees (if any). Taxes collected by MISSA are 16 percent of gross wages for Social Security (8 percent paid by the employee and 8 percent paid by the employer) and 7.0 percent of gross wages collected by MISSA for the Health Fund (3.5 percent paid by the employee and 3.5 percent paid by the employer), for a total of 23 percent in social insurance contributions.[109] The tax report contains the employee's name, RMI Social Security number, and gross wages. For employees, the taxes collected by MISSA are equally divided between employer payments and withholdings from employee gross wages. For owner payments, business owners are considered to be "self-employed" workers and accordingly, are required to pay to the Fund for both the worker and employer contributions.[110]

RMI EPPSO uses MISSA data to report annual total employment, wage costs, and average wage/salary earnings by institutional sectors (private corporate, national government, etc.) and by industry (fishing, accommodations, public administration, etc.) in the annual Statistical Yearbook. These are also published within the Annual Economic Statistics Tables on the EconMAP program website[111].

108 There are two groups of "foreign businesses" with other requirements: non-resident domestic entities can submit evidence that the entity is "active" from the International Registries, Inc. or The Trust Company of the Marshall Islands with no additional information; while contractors on the military base at Kwajalein Atoll can submit the copy of an awarded contract and the FIBL is not required.

109 The first $10,000 in quarterly wages are subject to Social Security taxation, while the first $5,000 in wages per quarter are subject to Health Fund charges.

110 For purposes of tax computations, the owners are deemed to have earned twice the amount of earnings paid to the highest-paid worker reported by them within a quarter or the earnings they actually received, whichever is higher. If a business owner has no other worker, he or she shall be deemed to have earned within a quarter seventy-five percent (75%) of his or her gross revenue for the quarter.

111 See, *https://pitiviti.org/marshall-islands.*

ii. Using Administrative Data for SME Analysis

To demonstrate some of the analyses and presentations that can be supported with existing administrative data, EconMAP used social security data for employees and businesses to analyze the counts and wage bills of businesses by their levels of employment. Based on the number of employees of each business taxpayer, EconMAP sorted the size of the entity by the number of employees and created summary statistics for 2022.

Conducting this analysis requires that annual information be aggregated from quarterly MISSA data. For example, to report on the number of employees associated with the business taxpayer on an annual basis, the quarterly number of employees recorded on withholding submissions must be averaged across the calendar year. The analysis rounded the computed average number of employees to the nearest whole number and used this to group business taxpayers by their number of employees.

This analysis of 2022 tax data illustrates the ways this SME data can be presented.

Depending on policy analysis needs, business taxpayers can be analyzed based on their relative size. In some nations, size categories are set out in law or regulation for the implementation of economic or support programs. The RMI has not established a framework for SMEs or a definition of business size categories. A recent ADB review of Pacific SME focused on Fiji, Papua New Guinea, and Samoa found different strategies to label firms as “micro” vs. “small” vs. “medium” sized firms; Fiji used annual sales and assets; PNG used annual sales, number of employees, and assets; while Samoa’s thresholds use employment and income.[112]

For this presentation, data on employment is used as the basis for reporting counts of businesses, levels of employment, and wages paid by employment-size categories. The presentation is to illustrate how the business sector can be analyzed, and other size categories can be adopted. In 2022 (calendar year), there were 583 RMI businesses that paid social security taxes. Of that number, 21 businesses (4 percent) had no employees[113] while 6 businesses had 100 or more employees (see **Table 7**). The majority of RMI businesses were small, with 74 percent having between 1-4 employees.

For different sizes of firms (based on employment), shares of wages paid and total employment can be computed. For example, for the 430 firms with 1 to 4 employees, they made up 74 percent of businesses, 8 percent of wages paid, and 20 percent of private employment (see **Table 8**). The largest businesses with 100 or more employees made up 1 percent of business taxpayers, 37 percent of wages paid, and 30 percent of private employment.

Beyond analysis and reporting at the level of business by size, it is possible to conduct analyses based on economic sector.[114] In 2022, the largest business sectors based on employment are wholesale/retail trade at 42 percent and construction at 21 percent. (see **Table 9**). The limited role of tourism and visitors in the RMI economy is evident in

112 ADB, *Asia Small and Medium-Sized Enterprise Monitor 2023: How Small Firms Can Contribute to Resilient Growth in the Pacific Post COVID-19 Pandemic*, October 2023. https://www.adb.org/sites/default/files/publication/919641/asia-sme-monitor-2023.pdf

113 More precisely, these employers averaged less than 0.5 employees across the 12-month period. If an employer averaged 0.5 employees or more across the 12-month period, they would be in the 1-4 or 5 plus categories. All of the employee count intervals are subject to rounding.

114 Businesses are classified according to the International Standard Industry Classification codes.

the smaller sizes of transportation at 9.2 percent and accommodation/food services at 6.9 percent.

Further sector-level analysis can also be presented from the social security data. For example, large firms, with 50 or more employees, represented 79 percent of construction employment, 75 percent of financial and insurance employment, and 72 percent of manufacturing employment.

Table 7: Number of Businesses by Number of Employees, 2022

Number of Employees	Number of Businesses	Percentage
zero	21	4%
1 to 4	430	74%
5 to 9	67	11%
10 to 14	21	4%
15 to 20	12	2%
21 to 24	5	1%
25 to 29	8	1%
30 to 49	5	1%
50 to 99	8	1%
100+	6	1%
Total	583	100%

Source: EconMAP analysis of Marshall Islands Social Security Administration data.

Table 8: Number of Businesses, Wages Paid, and Employment by Number of Employees, 2022

	All Businesses						
		Number of Employees					
	Total	**0**	**1 to 4**	**5 to 9**	**10 to 49**	**50 to 99**	**100+**
Number of businesses	583	21	430	67	51	8	6
Total wages paid ($ millions)	$36.33	$0.06	$4.08	$2.77	$8.53	$7.30	$13.60
Number of employees	3,923	-	797	422	943	576	1,185
		Number of Employees					
	% of Total	**0**	**1 to 4**	**5 to 9**	**10 to 49**	**50 to 99**	**100+**
Number of businesses		4%	74%	11%	9%	1%	1%
Total wages paid ($ millions)		0%	11%	8%	23%	20%	37%
Number of employees		0%	20%	11%	24%	15%	30%

Source: EconMAP analysis of Marshall Islands Social Security Administration data.

Table 9: Number of Businesses, Wages Paid, and Employment by Number of Employees and Sector, 2022

	All businesses		
Sector description	**# of Businesses**	**Wages paid ($mil)**	**# of Employees**
Agriculture, forestry and fishing	10	$0.61	78
Manufacturing	16	$1.63	280
Construction	25	$9.12	842
Wholesale and retail trade; vehicle repair	340	$12.96	1,658
Transportation and storage	61	$2.96	364
Accommodation and food service activities	38	$1.85	271
Financial and insurance activities	8	$5.56	236
Real estate activities	24	$0.14	37
Other	61	$1.50	163
Total	**583**	**$36.33**	**3,928**

Source: EconMAP analysis of Marshall Islands Social Security Administration data.

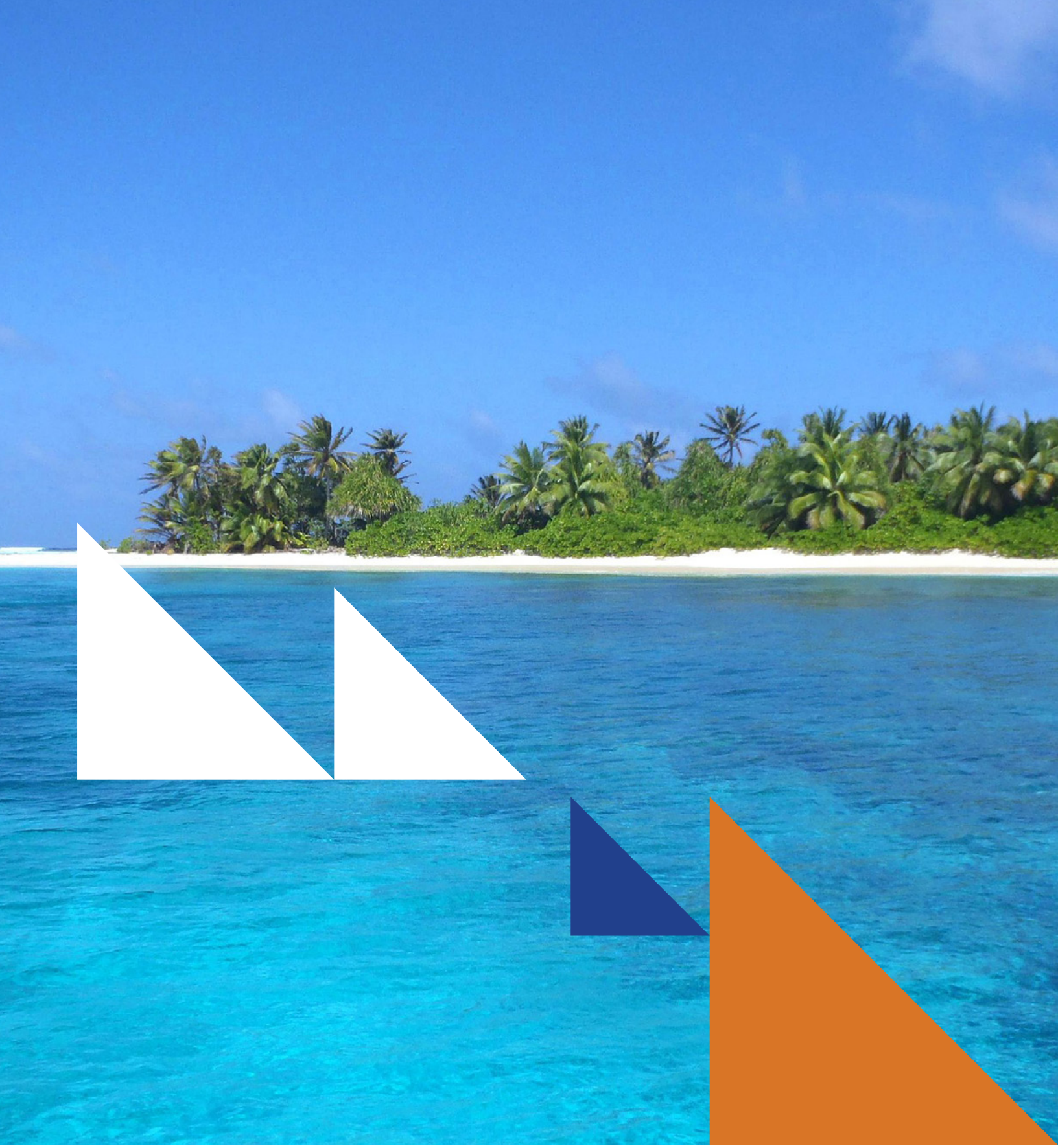
iii. Steps to Develop RMI SME Data

SME information can be developed for the RMI through the routine analysis of existing social security data. If routine analysis and publications about SME roles and activities is desired, consideration can be given to a publication strategy for information on SMEs. EPPSO is well positioned for this reporting, with its existing access to the information in the RMI's social security and tax system. Further, reporting on SME firm information could be incorporated with analysis and reporting about the role of FDI in the RMI. Further, with full linkage of social security and firm-level data, additional information on firm revenues for different-sized employers could be generated.

For additional reporting on other characteristics of the business sector, the RMI can conduct economic census or business surveys. This could collect information on investment patterns, use of capital, and deployment of technology. Further data collection could allow the construction of input-output tables that quantify the supply chain for all sectors of the private-sector economy. These could be informative for broader social and economic policies.

In addition, RMI censuses and surveys can be better utilized to reflect on the smallest family-level business enterprises. The 2021 RMI Census included questions about economic activities in the previous week and during the prior year. Responses could identify home production of agricultural products, fishing, and handicrafts. However, the Census questions were structured around the occurrence of the activity and whether it was for sale or home consumption. Market value and contribution to household income was not collected. To date, the only published 2021 Census information regarding

household economic activities has reported the number of households by atoll with any home production. While other census questions asked about worker occupations, the only reporting to date has grouped home-based handicraft producers under “Craft and Related Trades Workers.” This is an expansive category of employment that covers mining, construction, metal, machines, and printing, as well as handicraft and other trades. Given the social and gender importance of handicraft production in the RMI, censuses and surveys could better focus on tracking this activity over time. This is also true for the agricultural and fisheries sectors in the RMI.



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