

Country Development Cooperation Policy for the Republic of the Marshall Islands

April 2019

1. Purpose of Development Cooperation for the Republic of the Marshall Islands

The Republic of the Marshall Islands faces many challenges in promoting economic development, arising from geopolitical factors such as widely-scattered islands across the ocean, small-scale domestic market and uneasy access attributable to remoteness from major international markets.

No major industry exists other than fisheries and copra (dried coconuts) in the Marshall Islands. Accordingly, people have been heavily relying on import for their daily commodities, which has resulted in constant trade deficit. At present, financial support by the United States based on the agreement of the Compact of Free Association accounts for approximately forty percent of national annual revenue of the Republic of the Marshall Islands. This financial assistance, however, is scheduled to end in 2023 and therefore, it is critical to advance financial self-reliance. Sustainable management of the Compact Trust Fund established by the Compact, including securement of new contributors to the Fund is essential since it is expected to be a key national financial resource post-2023. In addition, structural reforms such as streamlining of national expenditures and reforming of tax system as well as fostering of industries are also important for future financial independence. Furthermore, management of public services will be a challenge for the government since those services including postal service currently operated by the support of U.S. government are supposed to be terminated upon end of financial assistance.

Under those circumstances, having formulated 'Agenda 2020' specifying the most critical issues and precedential reform matters toward end of 2019, the government of Republic of the Marshall Islands is grappling with improvement of living standard and economic situation as well as increase of administrative efficiency.

Although infrastructure in the Marshall Islands such as road, harbor facilities marine transportation has been developed by cooperation of foreign countries including Japan, basic infrastructure necessary for economic enhancement and for residents' living needs to be improved furthermore. Besides, rapid increase in quantity of solid waste caused by modernization of people's lifestyle has casted a negative influence on environment and on public hygiene due to inappropriate waste management. Therefore, it is essential for the Republic of the Marshall Islands to overcome those economic and environmental vulnerabilities toward its sustainable socio-economic development.

The Republic of the Marshall Islands has historically had close relations with Japan. Before the end of the Second World War, it was administered by Japan as mandate by the League of Nations. In addition, the Republic of the Marshall Islands and Japan have deep involvement in fisheries as the fisheries agreement has enabled Japanese vessels run fishery within the Exclusive Economic Zone (EEZ) of the Republic of the Marshall Islands. Moreover, support for Japan by the Republic of the Marshall Islands has been observed in various issues of the international arena, showing favorable relationship between the two countries. On the other hand, however, it has been pointed out recently that presence of Japan in the Marshall Islands has become relatively weaker because international organizations and some emerging foreign donors have become engaged more actively in development activities. Under such circumstances, continuous support for the Republic of the Marshall Islands, through the frameworks such as the Pacific Islands Leaders Meeting (PALM) and others, by backing up its sustainable and self-reliant development is important and necessary to further strengthen close partnership between Japan and the Republic of the Marshall Islands.

2. Basic Policy of Official Development Assistance : Sustainable Economic Growth and Improvement of Living Standard based on Environmental Considerations

Japan is to promote self-reliant and sustainable growth of the Marshall Islands, based on National Development Plan of the Government of the Republic of the Marshall Islands and based on policies of Japan toward Pacific Island Countries

adopted in the Pacific Islands Leaders Meeting (PALM), which has been held every three years since 1997. Japan supports in economic infrastructure development, capacity development in management of infrastructure as well as improvement of basic social services so that the Republic of the Marshall Islands will overcome its vulnerabilities. In addition, cooperation will be extended in the fields of environmental conservation and countermeasure against climate change.

3. Priority Areas

(1) Overcoming Vulnerabilities

Japan will continue to assist in development of basic infrastructure and strengthening of connectivity in order to build up platform of economic growth. Together with grant of necessary equipment, cooperation in management capacity enhancement and in institutional development, financial self-reliance will be strongly promoted. In addition, Japan provides assistance in capacity development and provision of equipment for health sector especially in the area of reduction of lifestyle-related diseases and in measures for non-communicable diseases (NCD). Furthermore, priority will be placed on improvement of basic education, and on revitalization of industries including fisheries. Moreover, Japan implements such assistance as contributing to free, open and sustainable seas, including enhancement of marine security capabilities, considering importance of seas for the society, economy and culture of Marshall Islands. As a matter of course, attention is paid to Sustainable Development Goals (SDG) 14, “Conserve and sustainably use the oceans, seas and marine resources for sustainable development.”

(2) Environment and Climate Change

Japan focuses on assistance in enhancing of countermeasures against climate change through efficient introduction of renewable energy and through optimization of diesel power generation. Additionally, Japan supports prevention of, and counter measures against disasters such as drought, damages caused by high wave and high tide from tropical storms. Moreover, assistance will be provided to improvement of sustainable waste management, which leads to reduction of marine plastic waste.

4. Points to be considered

- (1) Japan engages in efforts to implement effective and efficient aid coordination through exchanging views and information with donors to the Marshall Islands including the United States and Australia to avoid duplication of assistance and to produce a synergistic effect.
- (2) Financial self-reliance of the government of the Republic of the Marshall Islands after the end of financial assistance from the United States based on the Compact of Free Association needs to be noted.

Annex: Rolling Plan for the Republic of the Marshall Islands