

**STATEMENT OF VICE CHAIRMAN CASTEN NEMRA
RMI-U.S. JOINT ECONOMIC MANAGEMENT AND FINANCIAL
ACCOUNTABILITY COMMITTEE**

3 September, 2009
Honolulu, Hawaii

Mr. Nikalao Pula,; Ms. Alcy Frelick; Mr. Kulikowski; Ambassador Designate Martha Campbell;

On behalf of President Litokwa Tomeing, the Cabinet, and the Government and People of the Republic of the Marshall Islands, I would like to take to this opportunity to thank the Chairman of the RMI-U.S. Joint Economic Management and Financial Accountability Committee (JEMFAC), Mr. Nick Pula; U.S. JEMFAC members; and staff for hosting this annual meeting of the JEMFAC along side the annual meeting of the Trust Fund Committee here in Honolulu, Hawaii. As I stated in my opening statement to the Trust Fund Committee, while we all enjoy coming to Hawaii, we are hopeful that schedules will allow the Marshall Islands to host these meetings next year, noting that only once in the last 5 years has a JEMFAC meeting been actually held in the Marshall Islands. I know that some of the JEMFAC members who will be making crucial decisions regarding our nation today have never even visited the RMI. We look forward to hosting the next JEMFAC so that the RMI is not simply a series of reports and statistics being reviewed and opined upon thousands of miles away.

Mr. Chairman, we would like to take this opportunity to thank you for your leadership, understanding, and desire to work collaboratively with the RMI in our efforts to implement the Compact, and provide a better future for the Marshallese people.

Much has happened in the past year since the JEMFAC last met, and we look forward to the presentations and exchanges that will take place today regarding the RMI's efforts to implement the amended Compact; reports on the progress made in key sectors; and other issues of interest and concern.

During the past year the RMI economy remained generally stagnant. Real GDP contracted by approximately 2% due to the external forces. We will be presenting details concerning the state of the RMI economy in presentations to be made today.

When we concluded the amended Compact, the RMI and United States both agreed that education and health would be the priority sectors for annual grant assistance in the future. The RMI has successfully maintained a disciplined approach by continuing education and health as funding priorities for the past 5 years. This has allowed the RMI to focus on these two sectors of grant assistance along with related public infrastructure funding and develop our capacities within these sectors in the early years. Nonetheless, the cumulative effect of the decrements in annual grant assistance will have an adverse impact in our ability to maintain these high levels of investment education and health in the future as the general fund comes under more pressure.

Education has received the most funding of any Compact Sector. The RMI plans to invest almost \$39 million, including infrastructure in the upcoming fiscal year in education. We are proud that we have been able to institute a nationwide kindergarten

program by investing supplemental education funding in a manner that is reaching more of our nation's children than the federal programs that it replaces.

We have also been successful in increasing enrollments in elementary and secondary schools providing "access to success", and improved staff development with more qualified teachers. We are now able to accommodate ALL 8th graders transitioning to high school for the first time. Most secondary schools now have access to textbooks for all of their basic courses. As a result, we are beginning to see improved test results at all levels. High School graduation rates have also increased this past year.

The College of the Marshall Islands (CMI) has received a full accreditation for a 6 year term starting in 2009. We now have record levels of enrollment with a 50% increase over the past 3 years. Student retention is considerably higher than US mainland community colleges. Test scores of MOE high school graduates show considerable improvement over the previous year.

Nonetheless, there are still challenges. The unpredictable nature of the Supplemental Education Grant both in timing and amount does not help in attempting doing any long range planning. This is not a new issue but one which has become more important and urgent over time. The discretionary nature of the SEG is not helpful in terms of addressing increased enrollment needs such as kindergarten; vocational needs; supplementary education needs at secondary schools; and adult basic education.

The Ministry of Health has made progress during this past year. The RMI continues to maintain its high investments in health and will be budgeting \$21.5 million for FY 2010. We are continuing to implement the reorganization of the ministry focusing on preventative and primary health care, will commit 20% of our 2010 budget on primary and preventative health care.

The Majuro Hospital Redevelopment plan will improve capacity and quality of health care in the RMI. By improving health care in Majuro, we will be not only be able to provide better health care, we will also be able to provide better training to our health care professionals. For example, we will be training our outer island health care personnel to be qualified as medex, as opposed to the current health assistants. This will be implemented during FY 2010. We are also pleased that a Diabetes Wellness Center has been established at the Majuro Hospital during this past year to help combat diabetes problem. Nonetheless, we still need more resources to combat diabetes and cancer, the biggest life threatening health problems to the Marshallese people.

The RMI has also included a resolution on today's agenda seeking JEMFAC support for a commitment to multi-year Compact sector grant funding to finance the construction of a new hospital in Majuro. We look forward to receiving U.S. support for this project that is so important to the health of the Marshallese people.

In 2007, the JEMFAC approved a Resolution to provide public sector capacity building grant assistance to support our efforts to implement performance based budgeting throughout the RMI Government, including non-Compact sectors. The RMI has taken the view that improved performance is something that is needed throughout the government. Although we continue to have issues with getting reliable data, I am pleased to report that performance based budgeting is becoming an important tool for managers in many sectors of the government. Moreover, the Nitijela Committee on Public Accounts has issued a policy that will require all ministries to implement performance based budgeting in the future in order that performance and efficiency evaluations may take place.

We will also be discussing our public infrastructure funding for FY 2010. Much of the funding for this upcoming year's projects will be focused on outer island school construction, but we will continue to support the fiber optic project, spare parts for the power generators at MEC in order to avert a crisis situation, and the Majuro Atoll Waste Company.

Our Government is also submitting its update to the Medium Term Budget and Investment Framework for 2008 – 2012 as provided for in the Compact, and Fiscal Procedures Agreement. This document will provide JEMFAC members with a picture of the economic and planning issues confronting the RMI. The MTBIF has informed our budget formulation since 2003. The Framework has helped us to plan increased funding for the health, education, environment and infrastructure sectors since the beginning of

the amended Compact and helped us to set aside funds for the MIITF and the Compact Trust Fund. The Framework has made us recognize early on in 2004 that amended Compact sector grant funding would stagnate in the 2009-10 period and that increased domestic revenue generation was needed and expenditure more adequately controlled. In fact, it has helped us to increase domestic revenues, not grants, since 2004 of about 20 percent- this is a large increase for a short period of time for a country the size of the Marshall Islands. We look forward to discussing the MTBIF with you in greater detail during the course of this meeting.

Mr. Chairman, we look forward to participating in the five year review as provided in Section 104(h)(2) of the U.S. legislation approving the Compact, as amended. Rather than debating the procedures or scope of the review, we would ask that both of our governments work together to frame appropriate recommendations to Congress on ways to address issues of mutual concern. What we would ask at this meeting, however, is to provide us with a definitive timeframe and schedule for the U.S. to complete its review, the opportunity for the RMI to provide its comments, and hold consultations; and submission of the final review with RMI input to the U.S. Congress.

In closing, let me convey our desire to have a meaningful and fruitful meeting today. Although we may have differences on certain issues, I know that we have the ability to overcome our challenges and further advance the mutually agreed goals and objectives set forth in the Compact.

Kommol tata.