



REPUBLIC OF THE MARSHALL ISLANDS

May 6, 2021

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department
(In consultation with other departments)

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FUND RELATIONS

(As of March 31, 2021)

Membership Status: Joined May 21, 1992; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	3.50	100.00
Fund holdings of currency	3.50	100.00
Reserve tranche position	0.00	0.01

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	3.33	100.00
Holdings	3.36	101.10

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Overdue Obligations and Projected Payments to Fund¹

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Principal					
Charges/Interest		0.00	0.00	0.00	0.00
Total		0.00	0.00	0.00	0.00

Exchange Rate Arrangements.

The U.S. dollar is legal tender and the official currency. The Marshall Islands maintains an exchange system that is free of restrictions on the making of international payments and transfers for current and capital transactions.

Article IV Consultation:

The Marshall Islands is on a 24-month consultation cycle. The 2018 Article IV Consultation discussions were held during May 15-28, 2018. The Executive Board discussed the staff report and concluded the consultation on September 9, 2018.

Technical Assistance: Fund CD has been closely integrated with policy priorities. Recent Fund CD has included support in several areas, including macroeconomic programming and analysis, public financial management, revenue administration, financial sector surveillance, and macroeconomic statistics. CD support in many of these areas is expected to continue, with expected TA and training

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

focusing on the government financial statistics, including the automation of the GFS statement of operations into the new FMIS; regulatory reform in finance sector supervision, tax administration, and, etc. Technical assistance has been provided mainly through PFTAC.

Marshall Islands: Capacity Development Activities				
Year	TA Area	Activities	Advisors	
FY2021	Financial Sector	Review revised draft banking law and regulations and propose final amendments. Training on risk-based supervision	PFTAC	
	GFS	Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies		
	Real Sector	Review progress in independent compilation of GDP. Training of new staff on GDP compilation and national specifics of data sources		
	Macro Analysis	Support the use of the Marshall Islands Fiscal Model (MI-FM) and Medium-Term Budget and Investment Framework (MTBIF) in budget preparations and policy analysis.		
	PFM	Assist with the compilation of a manual for the Marshall Islands Fiscal Model (MI-FM) and Medium-Term Budget and Investment Framework (MTBIF).		
	Revenue	Compliance Improvement Strategy Improving tax arrears and returns management Strengthen tax audit function (challenges posed by cash economy) Improving taxpayer services		
FY2020	Financial Sector	Diagnostic of Marshall Islands Development Bank	PFTAC	
	GFS	Compile, review and disseminate data to the IMF Statistics Department.		
	Real Sector	Further train local staff to produce independent estimates of GDP Improvements to web dissemination practices Build independent compilation capacity Assist with benchmarking and rebasing Provide supplementation to produce latest GDP estimates		
	Macro Analysis	Support empirical analysis of tax reform. Support the use of the Marshall Islands Fiscal Model (MI-FM) in budget preparations and policy analysis and document the model.		
	Revenue		Workshop with the Pacific Island Tax Administrators	FAD
			Review compliance improvement strategy Review reform progress and status of PFTAC Recommendations Review current registration processes Review and further enhance taxpayer service function	PFTAC
			Review progress and facilitate further improvements on time filing and management of outstanding tax returns Review progress and facilitate further improvements on time payment and management of tax arrears	
			Review reform progress and status of PFTAC Recommendations	

Marshall Islands: Capacity Development Activities (concluded)			
FY2019	Financial Sector	Follow-up mission from the Regional Workshop on Banking Legislation and Prudential Standards	PFTAC
		Legal reform of banking and supervision.	LEG
	GFS	Compile, review and disseminate data to the IMF Statistics Department.	PFTAC
	Real Sector	Improve BOP coverage and methodology Further train local staff to produce independent estimates of GDP Improvements to web dissemination practices	
Revenue		Review overall reform progress and governance framework. Strengthen strategies to improve on-time filing. Strengthen strategies to improve on-time payment. Strengthen the taxpayer services functions to further improve voluntary compliance levels.	

Resident Representative: Ms. Leni Hunter has been the Resident Representative for Pacific Island Countries in since March 2018. She is based in Suva, Fiji.

RELATIONS WITH OTHER IFIS

Relations with other IFIS:

- World Bank Group:
http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=MH
- Asian Development Bank: <https://www.adb.org/countries/marshall-islands/main>
- Pacific Financial Technical Assistance Center:
https://www.pftac.org/content/PFTAC/en1/reports11.html#tab_5

STATISTICAL ISSUES

(As of April 2021)

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision is broadly adequate for surveillance and the authorities willingly share available data, though some shortcomings tend to constrain policy analysis, including limited coverage and timeliness of data releases. The Economic Policy, Planning and Statistics Office (EPPSO) was established in February 2003 and took efforts in building local capacity to collect and disseminate economic and social statistics. Through the close collaboration of EPPSO and various ministries, an external consultant team in the Pacific Islands Training Initiative (www.pitiviti.org), funded by the U.S. Department of Interior, prepares a comprehensive set of annual statistics covering key areas beginning FY2008. Pacific Financial Technical Assistance Center (PFTAC) also assists in preparation of the national account statistics.</p>
<p>National Accounts: National income accounts (the latest data through FY2020) have been prepared by the external consultants dating back to FY1997, though the official website lags far behind in presenting what is available. PFTAC is assisting EPPSO in developing a framework for compiling GDP by production. The results of the new Household Income and Expenditure Survey (HIES) 2019/2020 will be used to update the 2004 base year for GDP.</p>
<p>Employment: Data on employment and wages are available and classified by sectors based on the filings to Social Security Administration. However, no unemployment data are available.</p>
<p>Price Statistics: A quarterly consumer price index (CPI) based on expenditure weights from the Household Income and Expenditure Survey (HIES) 2002 is available. CPIs are published for nine expenditure categories in the capital city Majuro and in the island of Ebeye.</p>
<p>Government Finance: Fiscal data are regularly compiled for budget control, and with the help of external consultants they are consolidated into a format suitable for analysis. Annual financial audits on the central government and component units are regularly published which serves as the source for GFS compilation and dissemination. The RMI presents fiscal data using the Government Finance Statistics Manual 2014 (GFSM 2014). Data have been submitted to the annual Government Finance Statistics database for 2008–19. Recent TA work expanded coverage to the rest of the public sector and paved the way for GFS public sector consolidation.</p>
<p>Monetary and Financial Statistics: A reporting system was established for domestic banking institutions based on monthly reporting forms and guidelines developed by a STA mission in 1993. Though data are reported by banks to the Banking Commissioner, they are not published or reported to the Fund.</p> <p>The Financial Soundness Indicators (FSIs) are also not compiled or reported to the STA.</p> <p>For the Financial Access Survey (FAS), data is reported for some key series and indicators including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).</p>
<p>External Sector Statistics: The EPPSO has made important progress in the improvement of Marshall Islands' ESS during the JSA ESS Project ended in 2016. The sixth edition of the Balance of Payments Manual (BPM6) was adopted for the compilation of balance of payments and international investment position (IIP) statistics. Data weaknesses include proper data collection by EPPSO on remittances, external debt statistics (EDS), foreign direct investment (FDI) statistics, and proper data on banks' external assets and liabilities and trade statistics.</p>
II. Data Standards and Quality
<p>Marshall Islands began participating in the IMF's General Data Dissemination System (now the enhanced GDDS) in 2014 providing only metadata. However, it has not implemented the e-GDDS as yet, which would imply dissemination of its data on a National Summary Data Page. No data ROSC is available.</p>
III. Reporting to STA (Optional)
<p>BOP data is reported to STA by EPPSO.</p>

Marshall Islands: Table of Common Indicators Required for Surveillance
(As of April 2021)

	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷
Exchange Rates	April 2021	April 2021	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	FY2020	Mar 2021	A	A	A
Reserve/Base Money	NA	NA	NA	NA	NA
Broad Money	NA	NA	NA	NA	NA
Central Bank Balance Sheet	NA	NA	NA	NA	NA
Consolidated Balance Sheet of the Banking System	FY2020	Mar 2021	A	A	A
Interest Rates ²	FY2020	Mar 2021	A	A	A
Consumer Price Index	FY2020	Mar 2021	Q	Q	Q
Revenue, Expenditure, Balance/Composition of Financing ³ General Government ⁴ and Central Government	FY2020	Mar 2021	A	A	A
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	FY2020	Mar 2021	A	A	A
External Current Account Balance	FY2020	Mar 2021	A	A	A
Exports and Imports of Goods and Services	FY2020	Mar 2021	A	A	A
GDP/GNP	FY2020	Mar 2021	A	A	A
Gross External Debt	FY2019	Mar 2021	A	A	A
International Investment Position ⁶	FY2019	Mar 2021	A	A	A

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).