



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

September 16, 2010

The Honorable John Silk  
Minister of Foreign Affairs  
Vice Chairman, JEMFAC  
Government of the RMI

William Gallo  
Alternate Member, JEMFAC  
United States Government  
Department of Health and Human Services  
Center for Disease Control

The Honorable Jack Ading  
Minister of Finance  
Member, JEMFAC  
Government of the RMI

Mark Bezner  
Member, JEMFAC  
United States Government  
Department of State

Dear JEMFAC members:

Please find attached, copies of five resolutions passed unanimously on September 1, 2010 at the JEMFAC meeting held in Honolulu, Hawaii.

Sincerely,

Nikolao Pula  
Chairman  
Joint Economic Management and Financial  
Accountability Committee

Attachment: JEMFAC Resolutions 2010 01-05

JOINT ECONOMIC MANAGEMENT AND FINANCIAL  
ACCOUNTABILITY COMMITTEE (JEMFAC)

Annual Meeting  
Honolulu, Hawaii  
September 1, 2010

Adopted Resolutions

In Resolution 2009-1, JEMFAC resolved as follows:

***Sustainability of Sector Grants***

*JEMFAC resolves that the RMI Government develop a plan for managing annual decreases in Compact direct assistance and/or general fund support, and shall use those plans as the basis for Fiscal Year 2012 budget decisions. The plan should include an evaluation of the ability of the health and education sectors to fulfill their strategic outcomes in fiscal years 2012-2014.*

*JEMFAC further resolves that the RMI submit its findings and plan through the Office of Insular Affairs to JEMFAC not later than August 1, 2010 and demonstrate that it has used the findings and plan as part of its internal budget development process for Fiscal Year 2012.*

**US JEMFAC members statement regarding non-compliance with Resolution 2009-1**

Notwithstanding Resolution 2009-1, the RMI has not submitted a plan for managing annual decreases in Compact direct assistance and/or general fund support and, there is now some question as to whether the RMI will be able to use such a plan as the basis for Fiscal Year 2012 budget decisions or evaluate the ability of the health and education sectors to fulfill their strategic outcomes in fiscal years 2012-2014.

In light of this and in fulfillment of their obligations under the Fiscal Procedures Agreement, the US JEMFAC members propose Resolution 2010-1 requiring a report in greater detail over the medium term through Fiscal Year 2014 for consideration.

**Resolution JEMFAC 2010-1 Long-Term Fiscal Planning**

**JEMFAC resolves** that the RMI Government shall develop a report that addresses the broad range of fiscal challenges facing the RMI, which was in part the subject of JEMFAC Resolution 2009-1. Since efforts to date have not led to the timely submission

of such a report prior to the August 1, 2010 deadline, JEMFAC hereby provides a list of issues to be addressed in such a report for the review of JEMFAC.

In no order of importance, these fiscal challenges include, but are not limited to:

- The possible need to make adjustments in outcomes or objectives to take into account the impact of the decrement in the medium term
- Unsustainable growth trends in health and education expenditures, including rapid growth of wages in these two sectors;
- Evidence of unmet needs in critical service areas of government, especially in health and education;
- Unsustainable growth in government wage bills, including both Compact-funded areas and all or most other areas;
- Limited progress on broad-based tax reforms and limited increases in other revenue categories
- Apparent political obstacles to achieving sustained, broad-based tax reform (as opposed to narrow, and potentially inefficient, tax increase measures);
- The decline of Compact funding in real terms, by design, due to the partial inflation adjustment;
- The further decline of Compact funding in real terms, again by design, due to the annual decrement;
- Stagnant or declining economic activity;

The report shall also address other factors of importance, which may either worsen or lessen the evident fiscal challenges. These shall include, but would not be limited to:

- Population trends;
- Demographic and service delivery requirement trends;
- Remittance levels and trends; to the extent such data is available;
- The current levels of assistance from other donors.

Finally, the RMI shall demonstrate that the process of developing this report shall be inclusive of policy makers at all levels of government, across sectors. The outcomes of the report relating to fiscal challenges should link to a specific course of action, including plans and necessary policy reform commitments.

**JEMFAC further resolves** that the RMI shall report on its progress at the mid-year JEMFAC meeting in February, 2011. The failure by the RMI to complete a plan as described above will result in appropriate remedies.

## Resolution JEMFAC 2010-2 **Special Grant Terms and Conditions**

**JEMFAC resolves** that the following special grant terms and conditions are to be added to the Fiscal Year 2011 Sector Grants:

### Health

The Ministry of Health shall initiate and complete, by September 30, 2011, an assessment of the reliability of all its health data management practices. The Ministry shall integrate a narrative progress summary in its regular quarterly performance reports submitted to the Office of Insular Affairs that shall include information on: (1) recruiting and hiring of the epidemiologist; (2) the status of UNFPA technical assistance; and (3) the identification of preliminary actions to strengthen, upgrade and harmonize existing information systems and databases.

### Education

Prior to the release of any Fiscal Year 2011 Compact Sector Grant funding and Supplemental Education Grant funding for the Ministry of Education (MOE) School Lunch Program for public school students on Majuro Atoll, the RMI shall provide to the Office of Insular Affairs (OIA) a detailed plan for funding school lunches on Majuro Atoll for written concurrence by OIA. This plan shall indicate what type of “lunch” will be provided to the students, by whom, how often, and at what cost. This plan shall also identify any supplemental funding appropriated or available to support the School Lunch Program for Majuro Atoll from other non-Compact funding sources.

The Government of the Republic of the Marshall Islands shall also identify a set of alternative resources for a School Lunch Program that will be fully funded through non-Compact funding sources for Fiscal Year 2012 and beyond.

After Fiscal Year 2011, no Compact Sector Grant funds or SEG funds shall be used for school lunch programs for public school students, grades 1-12, on Majuro Atoll.

### **Background to USG position on funding the RMI Ministry of Education School Lunch Program**

Even though the United States recognizes the importance of school nutrition programs, the U.S. JEMFAC members would like to make it very clear to the RMI the reasons why the JEMFAC cannot continue to support the use of Compact Sector Grant and Supplemental Education Grant (SEG) funds for school lunch programs in the RMI after Fiscal Year 2011 except for Ebeye Special Needs funds for the Ebeye School Lunch Program and Compact Sector Grant and SEG funds for outer island high school boarding students and the Ministry of Education (MOE) Kindergarten Program students. The reasons are as follows:

1. The annual decrease in Compact Sector Grant funds does not allow for this expenditure to be continued.
2. The expected annual increases in MOE personnel costs due to the certification of more teachers each year (AA degrees, BA/BS degrees, and Masters degrees) will deplete already inadequate Compact Sector Grant funds.
3. There will be a continuing annual need to fund the purchase of textbooks, school supplies, and other instructional materials and equipment to support teachers and students, to provide much-needed training for additional teachers, to pay for recurring operational costs such as utilities, fuel, communications, salaries, etc., and to expand vocational training.
4. The School Lunch Program will continue to increase in cost due to higher food prices and increased enrollments in the Majuro public schools.
5. The current School Lunch Program includes only public schools in Majuro and Ebeye. Outer island schools will expect to be included in the program in future years. This will increase the overall cost of the School Lunch Program and further decrease the funding necessary to support the education of the students throughout the Marshall Islands.
6. At the present time, the cost of providing a full year School Lunch Program for all Majuro public school students is estimated to be around \$1.6 million. Ebeye spends over \$400,000 per year from the Ebeye Special Needs funds for its School Lunch Program. Adding the outer island public schools would increase the cost even more. There would be the additional cost for the purchase of food plus the cost of shipping the food to the outer islands. The overall cost of a National School Lunch Program for all public schools in the Marshall Islands using Compact Sector Grant funds and SEG funds is not sustainable and would have a significant negative impact on the delivery of basic educational services to the public school students in the RMI.

In conclusion, the Education Sector under the Compact, as amended, has the responsibility to maintain and strengthen a basic education system with emphasis on quality instruction. While food and nutrition are certainly critical to student attendance and overall performance, the cost of school lunch programs was never factored into Compact education funding and therefore, with the annual decrease in Compact Sector Grant funding, the U.S. JEMFAC members can no longer support the continued use of Compact Sector Grant and SEG funds for school lunch programs at the expense of basic education.

### Resolution JEMFAC 2010-3 **Fiscal Year 2011 Grant Funding Allocations**

**JEMFAC resolves** that the following amounts are approved for use of Fiscal Year 2011 Compact of Free Association grant funding, subject to the terms and conditions of Resolution JEMFAC 2010-3:

\$11,839,151	Education
\$ 6,834,858	Health
\$10,296,314	Public Sector Infrastructure
\$ 300,000	Public Sector Capacity Building
\$ 3,486,781	Ebeye Special Needs (Section 211 b.1)
\$ 325,000	Environment Sector
\$ 224,954	Kwajalein Environmental Impact (211b.3)
\$ 224,954	Disaster Assistance Emergency Fund
<b>\$ 33,532,012</b>	

**JEMFAC further resolves** that the major cost center breakdowns for the Compact funded portions for the Ministries of Health and Education, attached herewith, will be included in the sector grant awards.

### Resolution JEMFAC 2010-4 **Mid Year Meeting**

**JEMFAC resolves** that a mid-year meeting of the JEMFAC shall be held no later than February 28, 2011. The purpose of the meeting will be to discuss policy issues affecting Compact implementation, the reports specified under JEMFAC Resolutions 2010-1 and other duties of the Committee.

### Resolution JEMFAC 2010-5 **Majuro Hospital Project**

JEMFAC resolves that it will consider a multi-year commitment of Compact Public Sector Infrastructure Sector funding to support the RMI's efforts to obtain financing necessary for the construction of the Majuro Hospital Redevelopment Project.

JEMFAC further resolves to extend the time frame provided in JEMFAC Resolution 2009-4 for the RMI to submit a full project description and proposed financing terms to the JEMFAC for its consideration no later than September 30, 2011.

Attachment A – Fiscal Year 2011 Education Sector and Ebeye Special Needs

<b>Personnel Expenses</b>	<b>Compact Grant</b>	<b>ESN</b>
<b>Personnel-related expensed</b>	<b>\$ 8,270,835</b>	<b>\$ 738,933</b>
Salaries & Wages-Expatriates	\$ 1,298,000	\$ 93,000
Salaries & Wages-Marshallese	\$ 5,620,517	\$ 487,485
Night Differential	\$ 13,023	\$ -
Personnel Benefits-Expat	\$ 136,290	\$ 9,765
Personnel Benefits Marshallese	\$ 590,154	\$ 51,186
Employee Insurance Expense	\$ 76,011	\$ -
Ebeye Differential	\$ 101,840	\$ 97,497
Leased Housing Expenses	\$ 405,000	\$ -
Recreation, Repatriation & home leave	\$ 30,000	\$ -
Overtime	\$ -	\$ -
<b>Operating Expenses</b>	<b>\$ 1,617,984</b>	<b>\$ 732,325</b>
Allowances	\$ 27,500	\$ -
Freight	\$ 38,500	\$ 3,000
Rentals	\$ 40,000	\$ 5,000
Office communications	\$ 106,155	\$ 30,000
Printing & Reproduction	\$ 4,000	\$ 4,000
Advertising	\$ 20,000	\$ -
Office & Computer Supplies	\$ 39,990	\$ 3,500
Other Supplies/Material	\$ 240,859	\$ 38,000
Office Equipment & Computer	\$ -	\$ 17,000
Ministerial Official Expense	\$ -	\$ -
Food Stuffs	\$ 101,750	\$ 5,000
Contractual Services	\$ 387,326	\$ 408,437
Domestic Travel	\$ 83,000	\$ 20,000
International Travel	\$ 34,600	\$ 10,000
Training	\$ 5,000	\$ 53,388
Representation expenses	\$ -	\$ -
Subscription and Dues	\$ -	\$ -
Utilities	\$ 477,804	\$ 135,000
Equipment & Tools Not Capitalized	\$ -	\$ -
Other Charges and Expenses	\$ 11,500	\$ -
Federal Taxes	\$ -	\$ -

Accreditation	\$ -	\$ -
Transportation	\$ -	\$ -
<b>Development and capital expenditures</b>	<b>\$ 178,407</b>	<b>\$ 107,000</b>
Books & other Instructional materials	\$ -	\$ -
Equipment	\$ 20,000	\$ 35,000
Office Furniture & fixtures	\$ 2,000	\$ -
Insurance	\$ 22,000	\$ 1,000
Petroleum, Oil and Lubricants	\$ 77,907	\$ 28,000
Repairs	\$ 56,500	\$ 20,000
Building Renovation & equip	\$ -	\$ -
Vehicle	\$ -	\$ 23,000
<b>Financing Outlay</b>	<b>\$ 1,771,925</b>	<b>\$ 200,000</b>
Transfer Out	\$ 1,471,925	\$ 100,000
Grants	\$ -	\$ -
Subsidies and contributions	\$ 300,000	\$ 100,000
Audit Expenses	\$ -	\$ -
<b>Total Fund</b>	<b>\$11,839,151</b>	<b>\$1,778,258</b>

Attachment B - Fiscal Year 2011 Health Sector and Ebeye Special Needs

	<b>Basic Compact</b>	<b>Ebeye Special Needs</b>
<b>Personnel-related expenses</b>	<b>\$ 5,325,381.00</b>	<b>\$ 458,955.00</b>
Salaries and wages - expatriates	\$ 1,708,060.00	\$ 385,155.00
Salaries and wages - Marshallese	\$ 2,150,805.00	\$ -
Employee benefits	\$ -	\$ -
Standby Differential	\$ 136,267.00	\$ 32,000.00
Night	\$ 44,000.00	\$ 1,500.00
Personnel Benefits - expatriates	\$ 90,396.00	\$ 13,000.00
Personnel Benefits - Marshallese	\$ 243,007.00	\$ -
Allowances	\$ -	\$ -
Ebeye differential	\$ 43,890.00	\$ -
Employee insurance	\$ 29,800.00	\$ -
Repatriation	\$ 30,000.00	\$ 27,300.00
Overtime	\$ -	\$ -
Extra	\$ 44,614.00	\$ -
Leased housing	\$ 804,542.00	\$ -



<b>Operating Expenses</b>	<b>\$ 1,290,238.00</b>	<b>\$ 1,141,068.00</b>
Audit	\$ -	\$ -
Utilities	\$ 970,891.00	\$ 420,000.00
Contractual	\$ -	\$ 125,505.00
Freight	\$ 10,127.00	\$ 3,500.00
Rentals	\$ 20,000.00	\$ 7,700.00
Office communications	\$ -	\$ 35,000.00
Printing and reproduction	\$ 3,000.00	\$ 3,500.00
Office and computer supplies	\$ -	\$ 24,500.00
Pharmaceutical supplies	\$ -	\$ 25,600.00
Referral	\$ -	\$ -
Medical Supplies	\$ -	\$ 32,400.00
Food stuff	\$ 194,469.00	\$ 100,000.00
Water	\$ 6,000.00	\$ 84,000.00
Other Supplies and materials	\$ -	\$ 97,863.00
Domestic travel	\$ -	\$ 12,500.00
International travel	\$ -	\$ 30,000.00
	<b>Basic Compact</b>	<b>Ebeye Special Needs</b>
Training	\$ 76,568.00	\$ 25,000.00
Subscription	\$ 1,000.00	\$ 5,000.00
Equipment and tool (not capitalized)	\$ -	\$ 45,000.00
Other charges and expenses	\$ 8,183.00	\$ 64,000.00
<b>Development and capital expenditures</b>	<b>\$ 219,239.00</b>	<b>\$ 108,500.00</b>
Equipment and tool (not capitalized)	\$ -	\$ 31,500.00
Petroleum, oil and lubricants	\$ 27,000.00	\$ 27,000.00
Insurance	\$ -	\$ -
Vehicle	\$ -	\$ -
Furniture and fixtures	\$ -	\$ 35,000.00
Training Repair	\$ 192,239.00	\$ 15,000.00
<b>GRAND TOTAL</b>	<b>\$ 6,834,858.00</b>	<b>\$ 1,708,523.00</b>