

## Chapter 6 – Government Finance

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### Overview

The Republic of the Marshall Islands (RMI) government has attempted to achieve economic stability in the medium term. The basic components of this approach has been and continues to be streamlining government and making public services more efficient and effective; creating the environment for private sector led economic growth and much needed employment generation; and improving the living standards for all Marshall Island citizens. The RMI has been addressing parts of these components since 2001 and has achieved some economic stability especially when compared to the inconsistent and declining economic performance experienced in the 1990s to about 2001.

While some economic and fiscal stability has been achieved, there remain weak points and the negative repercussions of external market and other forces that have and can continue to disturb any economic growth prospect and endanger living standards. The most stable components of economic activity have been public sector-oriented activity and the resulting finance and economic benefits of the presence of the U.S. Ronald Reagan Missile Test Site on Kwajalein Atoll. The third leg of the economy, the private sector, has expanded over the years since the original Compact of Free Association in 1987 but has not grown at a rapid enough pace to absorb the growing number of labor force participants. Thus, government revenue and private sector growth are more sensitive to external market forces than internal public sector management issues. For instance, the economy was significantly impacted by such external events such as the decrease of tourism brought about 9/11 and the Asian bird flu crisis in the 2001-2004 period; the migratory nature of the RMI's fisheries for which decreases of fishing and associated revenue were experience in 2003 and 2004; and the most recent increases in fuel prices in 2004 and 2005 which have reverberated throughout the entire economy.

From a public policy standpoint, certain activities have occurred that have improved public management in terms of performance, accountability and targeting resources and attention to key issues. The intent is to aim these reforms toward making the public service more efficient and effective, create an enabling environment for more rapid and substantive private sector growth, and address certain living standard issues that impact as many Marshallese citizens as possible. This reform orientation has been ongoing since 2002. Some of these highlights include:

➤ **Trust Fund Set-Aside (MIITF)**

In 2002 and 2003 a significant portion of Compact of Free Association grant funds were set-aside for the Marshall Islands Intergenerational Trust Fund. Since the RMI received a “bump-up” of these funds during this period, adding to government expenditure would have been short term and may have had inflationary repercussions or at least ballooned public sector spending for the period. Instead, the funds that were set aside were mainly used for the RMI contribution to the Trust Fund established under the Compact of Free Association, as amended, which was initiated in May 2004.

➤ **Priority Sector Investments**

The government has concentrated general fund and Compact Sector Grant Funds, as of FY04, to its priority sectors: education, health, environment and infrastructure development and maintenance. The apportionment of these funds have resulted in significant increases in these sector areas along with a new performance management orientation briefly described below and in more detail in Section II.

➤ **Public Sector Medium Term Performance and Results Orientation**

The government, with technical assistance of the U.S. Department of Interior and the Asian Development Bank, has reoriented its budget and public sector management so that there is more attention to the medium term rather than short term and more emphasis on sector performance and results. The system developed includes a Medium Term Budget and Investment Framework (MTBIF) that provides fiscal review and planning over a 5-year period, an annual Policy Framework Paper which highlights economic and fiscal trends as well as identifies finance and economic issues that must be confronted, Sector Portfolios that provide a performance-based approach to ministry/agency budgets and associated activities, and quarterly/annual performance reports for ministries/agencies.<sup>1</sup>

The challenges that are confronted at this time and will need to be addressed in the medium-term are the following:

**1. Public Sector Streamlining, Efficiency, Effectiveness and Performance**

The public sector is the main economic actor in the RMI. Through the budget it is the largest contributor to Gross Domestic Product and the largest employer with 3,716 employed in the public sector to include the national government (1,926) local governments (668), U.S. Federally-funded programs (427), and other government entities including state-owned commercial entities (695).

A wage and hiring freeze was put into effect at the national government level in 1997 (?) when under the former term of the Compact, grant assistance was reduced for the last 5 years of that term (1997-2001). While the freeze remains in effect, hiring and wage increases have taken place. While certain efficiencies are being obtained with more of a performance orientation and fiscal prudence being practiced (non-priority sectors budgets are declining in real terms given that any annual increases are at or below inflation) the growth of the payroll costs have crowded out other operational costs and investments.

In addition, the government has a stake in several commercial enterprises. While subsidies have been reduced to these entities over the years, they still occur from time-to-time and government still remains at least a majority owner.

While the measures taken to date to address the issue have had a positive impact, more attention is needed to make more substantive public administration reform to have a more streamlined, efficient and effective public service that is based on performance. The Asian Development Bank (ADB) is currently designing a technical assistance program to assist the government in this effort. Implementation is expected to begin in 2006.

## **2. Public Finance Stability**

The national government's public finances have stabilized as of 2004 given the reduction of Compact funding in the 1997-2001 period, the set-aside of a portion of Compact funds in FY02 and FY03 to the Marshall Islands Intergenerational Trust Fund, and the coming on-line of amended Compact funding in FY04. While the medium term fiscal picture looks stable and has allowed increased investments in the priority sectors of education, health, environment and infrastructure, there will be difficult challenges ahead. The challenges confronted will be: 1) potential economic downturns caused by external factors such as continually increasing fuel prices (or prices remaining at high levels); 2) revenues from fishing licensing and catches based on the attractiveness of the RMI as a base port as well as the migration of fish in/out of RMI waters; 3) the ability to increase domestic revenue collections based on improved tax administration and collections, possibly a more effective tax regime, and increases in economic activity that may result in additional tax revenue generation; and 4) the ability to attract other foreign grant sources.

The reason for these challenges is that the Compact Sector grant funding (Section 211(a)) will decrease by \$.5 million annually and the remaining funds will only be adjusted with a partial inflation adjustment. Thus, the RMI will have a challenge, with this challenge becoming more pronounced around 2010 to fill this increasing gap with either increased domestic revenue, reduction of expenditures or finding other external grant sources. Currently as noted above and illustrated throughout this report, the government is currently concentrating on domestic revenue generation through improved collections and increased private sector activity, and streamlining the public sector to reduce expenditure.

## **3. Private Sector Growth**

Since the initial term of the Compact was initiated in 1987, the private sector has grown overall as a component of the economy as well as in terms of the number of businesses operating (248) and the number employed (5,181) although growth has gone through ups and downs during the 1987-2004 period.<sup>2</sup> The challenge to the government and private sector is to increase employment. In 1999/2000, unemployment was estimated at about 30 percent of the workforce population with little change in this statistic since. The main issue is the growing number of school-leavers with limited prospects for unemployment. Given population trends, the workforce is expected to grow by 2,914 in the period 2004-09, 3,368 in 2009-14 and 5,177 in 2014-19.

The current policy stance is to concentrate increased investments in education so that the workforce is better educated to address current and future workforce needs; health so that youth preparing for the workforce and adults have better chances of actively participating in economic activity and have access to preventive measures and curative care; and infrastructure development and maintenance to insure that the private has a working infrastructure with which to conduct commercial activity. While these current measures are necessary they are not sufficient to stimulate private sector growth. As mentioned previously, external market forces are more a causative factor for economic activity than

public policy. For instance, there is an emphasis on productive sector development, such as in tourism and fisheries, but in reality external circumstances will more than likely influence the development of these sectors. The previously mentioned tourism and fisheries impacts are examples. Another example is the tuna loining plant that operated in Majuro until mid-2004. The plant was an economic plus for the RMI given that it employed 300 to 500 workers and substantially added to the RMI's exports. However, the plant closed due to external commercial and market circumstances.

#### **4. Living Standard Improvements**

The RMI is currently reorienting its emphasis on living standard improvements from more physical infrastructure to more investments in human security. During the initial term of the Compact (1987-2003), major investments were made in physical infrastructure such as roads, power generation, telecommunications, water and sewer, etc. Since 2004, there is more of an orientation of public funds going towards more human development investments such as education and health in terms of program development and performance as well as physical infrastructure for these two key sectors. This orientation is considered a positive and conscious trend. Given the investments made in the past, most entities (such as those involved in water/sewer, telecommunications and electricity) have been able to support some of their own capital investments with limited government backing. However, the maintenance and development of such infrastructure still needs to be monitored and advanced to insure that what is being done is contributing to living standard improvement and private sector development.

The government is currently reviewing capital expenditure in the medium term (FY2006-08) to determine if more emphasis needs to be placed on maintenance rather than new construction.

#### **1. Ebeye and the U.S. Ronald Reagan Missile Test Site at Kwajalein Atoll**

Ebeye and the U.S. Ronald Reagan Missile Test Site at Kwajalein Atoll are key components in the RMI economy and are estimated to provide about one-third of economic activity.

Ebeye is the second largest population center after Majuro and is the home of Kwajalein landowners (those displaced from the U.S. presence on Kwajalein Atoll) and Marshall Island residents who are employed at the Test Site.<sup>3</sup> It is estimated that about 1,200 – 1,300 Marshallese are employed at the test site plus several local businesses provide services or conduct business associated with the Test Site.

In addition to employing Marshallese and contracting-out and service opportunities for Marshallese businesses, the U.S. Ronald Reagan Missile Test Site expatriate employees pay a tax of 3 percent income tax.

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<sup>3</sup> As of the 1999 population census, the total RMI population was 50,840. Majuro had a population of 23,676 with a population density of 6,314 per square mile and the Kwajalein Atoll area (not including the U.S. Ronald Reagan Missile Test Site and U.S. residents) had a population of 10,902 with a population density of 1,722. These population figures are estimated to be much higher as of 2004 given the annual population growth rate at 3.7 percent. This growth rate is more than twice the rate of natural increase (1.5 percent).

Given the U.S. presence at Kwajalein, the large population center and the amounts of funds targeted to Ebeye and surrounding atoll communities, there is potential to further the economic development and living standard improvements for this region. In the past few years, major investments have been made and will continue to be made in infrastructure that have resulted in the more stable supply of electricity and water. However, further investments are needed to have a significant and sustainable impact.

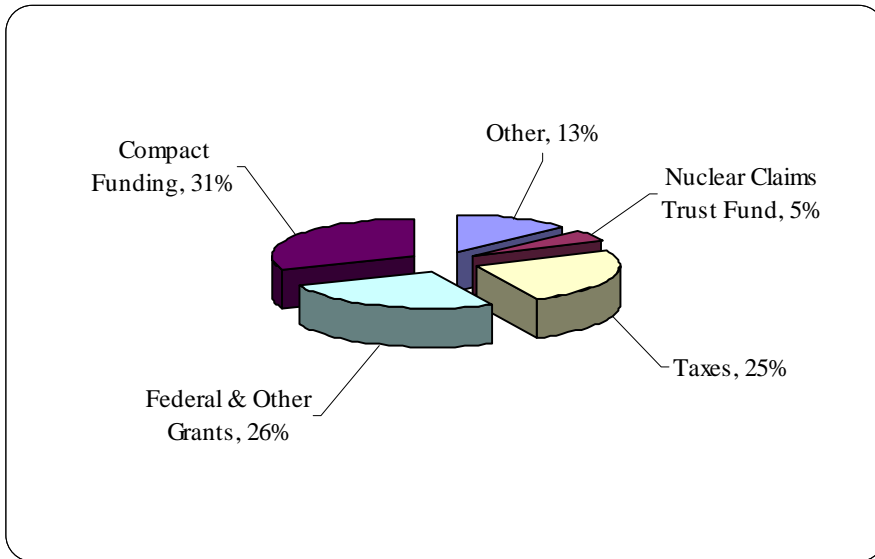
**Table 5. Ebeye and Surrounding Atoll Community Investment Potential Sources**

Years	Private Funds	Statutory Funds		Public Funds	Total
	Landowner Compensation	Kwajalein Impact	Kwaj. Envir. Impact (to EPA)	Ebeye Special Needs	
<b>FY04</b>	\$15,000,000.00	\$1,900,000.00	\$200,000.00	\$3,100,000.00	<b>\$20,200,000.00</b>
<b>FY05</b>	\$15,177,000.00	\$1,922,420.00	\$202,360.00	\$3,363,123.00	<b>\$20,664,903.00</b>
<b>FY06</b>	\$15,480,540.00	\$1,960,868.00	\$206,407.00	\$3,430,385.00	<b>\$21,078,200.00</b>
<b>FY07</b>	\$15,790,151.00	\$2,000,086.00	\$210,535.00	\$3,498,993.00	<b>\$21,499,765.00</b>
<b>FY08</b>	\$16,105,954.00	\$2,040,087.00	\$214,746.00	\$3,568,973.00	<b>\$21,929,760.00</b>
<b>5-Year Total</b>	<b>\$77,553,645.00</b>	<b>\$9,823,461.00</b>	<b>\$1,034,048.00</b>	<b>\$16,961,474.00</b>	<b>\$105,372,628.00</b>

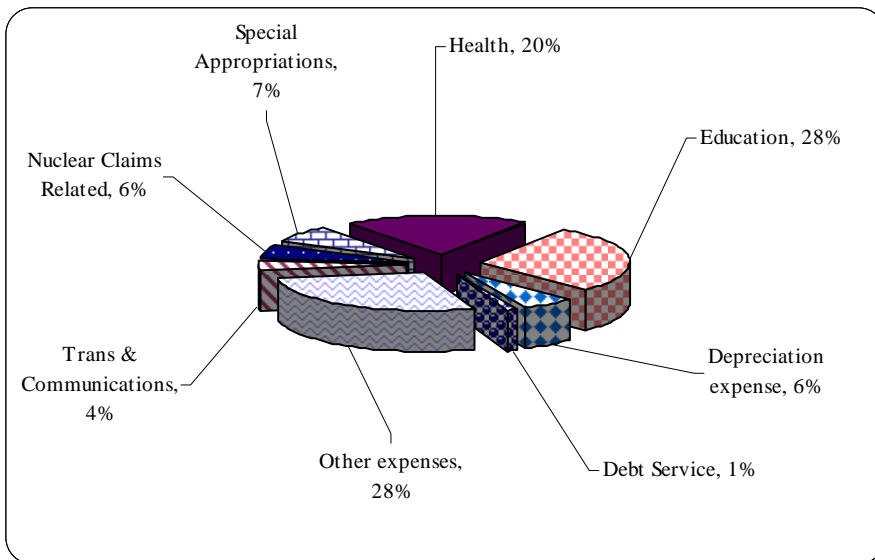
Advances have been made in terms of identifying infrastructure and maintenance projects through the RMI's Infrastructure Development and Maintenance Program with a series of projects currently implemented and others planned. The Ebeye Special Needs funds (\$3.1 million as of FY04) are being allocated mainly to health and education sector needs. Objectives, programs and expected results were fully described in the FY04 sector portfolios (as described below in Section II) and will be further developed, and associated funds and activities segregated, in the FY05 portfolios.

Even with these efforts, there is potential for other advances. These advances can be in the areas of 1) increasing Marshallese employment and business opportunities with the U.S. Ronald Reagan Missile Test Site; 2) fully implementing the Kwajalein Impact funding in a well managed and accountable manner to address such priority issues as housing and education and health services for Kwajalein landowners; and 3) acceptance of the Land Use Agreement between the government and landowners so that additional funds are available to circulate through the local economy; and 4) attention to the development of private and public/private commercial opportunities to improve opportunity and living standards in the region.

**FY 04 Revenue Sources**



**FY 04 Cost of Governmental and Business – Type - Activities**



### **RMI National Accounts 1997 - 2004**

GDP (Gross Domestic Product) is a measure of the economic production in a country. GDP and related economic statistics are collectively termed the National Accounts and are guided by the international standard System of National Accounts (SNA93).

GDP estimates for the RMI have been newly compiled with assistance provided under ADB TA RMI-4199 "*Strengthening the Economic Planning Policy and Statistics Office*". These are the first GDP estimates for the RMI that have been available for some years.

These first estimates have been compiled **by institutional sector** using the **income approach** with some sectors being estimated via the production approach. This approach was chosen because it best suited the data sources that were most readily available (mainly administrative records). SNA 93 standards have been followed as closely as possible.

The estimates published in this Statistical Abstract are **preliminary** only. Further work is planned to improve and expand the estimates.

### **Results**

The RMI has shown significant GDP growth since 2000. Nominal GDP was estimated to have increased by 6.6 percent in 2002, 3.8 percent in 2003 and 6.3 percent in 2004.

This translates to real GDP growth of 4.9 percent, 5.8 percent and 5.3 percent in 2002, 2003 and 2004 (consumer prices dropped in RMI between 2002 and 2003).

While this recent GDP growth is good news several cautionary facts should be considered:

- a) The sources of growth over 2002-2004 are largely linked to changes in compact arrangements and consequent increases in total compensation of employees in the Government sectors. This included substantial increases in pay levels in some areas, particularly teachers.
- b) Indirect taxes less subsidies also increased over this period, largely reflecting increased indirect tax collections plus some reduction in subsidies.
- c) Private enterprise growth was slow during 2002-2004, lower than during 1997-2001.
- d) This period of strong GDP growth followed a period of very slow or negative growth over 1997 to 1999.

Consideration of the above suggests that the high growth trend during 2001-2004 is unlikely to continue.

Real GDP per capita increased from \$2,016 per person in 2001 to \$2,237 in 2004 (1997 dollars), a 10.9 percent rise over 3 years. This contrasts with a fall in real GDP per capita over 1997-1999. Note, however that the annual population growth rates used to calculate Real GDP are assumed not measured.

### **Definitions and classifications**

**Economic Residence:** The GDP of the Marshall Islands includes all economic units resident in the RMI economy. A unit is considered resident in the RMI if it operates as part of the RMI economy. This ties in closely with Balance of Payments concepts. Some key points to note:

1. Foreign Embassies and Military bases (e.g. Kwajalein) are considered to be part of foreign economies, so the economic activity in these locations is not part of RMI GDP. The wages and salaries earned in these locations by Marshallese residents are not part of the RMI GDP. This income is shown as a memo item outside of GDP.
2. Shipping/Corporations Register. Companies that pay for RMI registration but do not otherwise participate in the RMI economy are not included in the GDP of the RMI.
3. Foreign individuals and companies that are active in the RMI are included in the GDP of the RMI if they pay RMI Business Gross Revenue Taxes or Social Security. For example, foreign fishing boats that pay licence fees/ port fees etc but are not subject to RMI Business Gross Revenue taxes or RMI Social Security contributions, are not included in RMI GDP.

**Institutional Sector:** Economic units are classified by Institutional Sector, a concept relating to the ownership and economic purpose of the unit as follows:

Code	Sector	Explanation
1.1	Private Enterprise	Private for profit business. For practical purposes this includes all businesses that pay Business Gross Revenue tax and/or Social Security.
1.2	Public Enterprise	Government owned for profit business. E.g. AMI, MEC, NTA, Port /Airport Authority, Marshall Island Resort etc.
2	Finance (Banks)	Includes Commercial Banks and Development Bank
3	Government	
3.1	RMI Government	National government (REPMAR). For practical purposes this is defined as all units on the REPMAR payroll.
3.2	Government Agencies	Agencies of government not on the REPMAR or local government payrolls. Includes Head Start, CMI, Nuclear Claims Tribunal, Social Security, MIMRA, EPA etc
3.3	Local Government	Local governments
4	NGOs	Private non profit organisations
5	Households	Economic activity by households outside of Private Enterprise.
6	Foreign	
6.1	Foreign Embassies	Not considered to be part of the RMI economy
6.2	Kwajalein Base	Not considered to be part of the RMI economy



**Income Components:** Income is classified as follows

Component	Explanation
<b>Monetary</b>	
Compensation of employees	Wages, salaries and benefits received by employees. This includes all income in cash or kind. Income Tax and Social Security and Health Fund payments made by employees and employers are included.
Operating surplus (Gross before depreciation)	This is close to business operating profit before depreciation. Ideally this would be separated into <i>Consumption of Fixed Capital</i> , and <i>Operating surplus (Net)</i> , but this is not possible without reliable fixed capital consumption estimates for the private sector.
Household mixed income	Equivalent to <i>Operating surplus</i> for household enterprises that are outside the Social Security/Business Gross Revenue tax net. Includes copra, handicrafts, small scale fishing for sale etc.
Indirect taxes less Subsidies	<i>Indirect taxes</i> are taxes on production and consumption including Business Gross Revenue Tax, Import taxes, Sales taxes, Hotel taxes and some fees. Indirect taxes received by both National and Local Governments are included. <i>Subsidies</i> are payments made by governments to businesses (mainly to Public Enterprises in the RMI). Only operating subsidies are included.
<b>Non-Monetary</b>	
Subsistence	Estimated value of household production for own consumption. Includes fishing, agriculture, construction etc.
Owner occupied housing	Estimated equivalent rental value of housing occupied by owners.

**Nominal GDP:** GDP measured in actual dollar value terms, before adjustment for inflation. Also called current price GDP.

**Real GDP:** Nominal GDP adjusted for inflation. Also called constant price GDP. The RMI Consumer Price Index (CPI) is used as the deflator (measure of inflation for the RMI economy). Real GDP is expressed in 1997 equivalent dollars.

**Per Capita GDP:** GDP divided by the population. Per Capita GDP is often used for comparisons between countries. However it does not allow for purchasing power differences between countries. Purchasing power in the RMI is low compared to many other countries, for reasons including the high cost of imported goods and

the use of the US dollar, so direct comparisons of RMI's GDP per Capita against other countries should be made with caution.

**GDP and Welfare:** GDP is a measure of economic activity and should not be used as a measure of welfare or wellbeing.

### **Data sources and estimation methods**

The data sources and estimation methods used can be summarised as follows:

**Direct:** Based on audits, financial statements, or information provided directly by economic units. This is the most accurate approach possible. However the latest year includes some estimates where financial statements or audits were not yet available.

**Social Security:** Social Security data (gross wages and salaries + employer contributions) is used to estimate compensation of employees. The Social Security administration has achieved good coverage of employers in the RMI, and EPPSO has developed estimates for missed and late reports. Any employee benefits above gross income for Social Security purposes (e.g. free housing) are missed, but overall this method is considered to give results of good quality.

**Tax Collection:** Private sector operating surplus has been estimated as 15 percent of Business Gross Revenue. Business Gross Revenue is estimated from the tax received by the national government and tax rates as follows:

Business Gross Revenue Tax (BGRT) collected / 0.03 + 8 percent under-reporting allowance + 6 percent allowance for revenue exempt from BGRT  
 + Hotel Tax Collected / 0.08  
 + Non Resident Gross Income Tax collected / 0.10

A lag factor of 4 months is used to allow for timing differences between business activity and receipt of taxes.

This is a key weakness in the GDP estimates. Specifically:

- The 15 percent operating surplus to gross revenue survey ratio is based on a business survey from the FSM in 2001 and the equivalent ratio for the RMI may differ.
- The method is subject to fluctuations in the effectiveness of tax collection and uncertainties about underreporting and exemption levels.

Naturally improved methods for estimating private sector operating surplus will be given high priority for further work.

**Estimates + rate forward:** Most household income components were based on estimated levels during the late 1990s or the 2001 Household Income and Expenditure Survey, rated forward by population growth and the Consumer Price Index. This methodology is also weak, but is a lower priority for improvement. Note that the population/CPI based rate forward ensures no contribution to annual change in Real GDP per Capita for these components.

### Quality assessment

The estimates for 73 percent of **nominal GDP** value were rated as excellent or good quality, and only 27 percent as weak. The table below summarises the methods and data used and the quality of each nominal GDP component.

	Sector and Component	Data Sources	Quality
1.1	Private Enterprise		
	Compensation of employees	Social Security	Good
	Operating surplus (gross)	Tax Collection	Weak
1.2	Public Enterprise		
	Compensation of employees	Direct (Audits / Financial Statements)	Excellent
	Operating surplus (gross)	Direct (Audits / Financial Statements)	Excellent
2	Finance (Banks)		
	Compensation of employees	Direct (Banking Commission and MIDB Financial Statements)	Good (i)
	Operating surplus (gross)	Direct (Banking Commission and MIDB Financial Statements)	Good (i)
3	Government (compensation of employees)		
3.1	RMI Government	Direct ( REPMAR Audits)	Excellent
3.2	Government Agencies	Social Security + some Direct	Good
3.3	Local Government	Social Security + some Direct	Good
4	NGOs (compensation of employees)	Social Security	Good
5	Households		
	Mixed Income		
	Copra production	Direct (Tobolar)	Excellent
	Fishing	2001 HIES + rate forward	Weak
	Handicrafts	2001 HIES + rate forward	Weak
	Other	Estimates + rate forward	Weak
	Subsistence	Estimates + rate forward	Weak
	Home Ownership	Estimates + rate forward	Weak
	Indirect taxes less Subsidies		
	Import and fuel taxes (REPMAR)	Direct ( REPMAR Audits)	Excellent
	Other Indirect taxes (REPMAR)	Direct ( REPMAR Audits)	Excellent
	Indirect taxes (Local Government)	Direct (from KALGOV and MALGOV)	Excellent
	Less Subsidies	Direct from Public Enterprise audits	Good

(i) Some data issues are still to be resolved so these components are rated 'good'.

The estimates for **Real GDP** and **GDP per capita** are less reliable. Real GDP is estimated using the Consumer Price Index for deflation, not specific GDP deflators. GDP

per capita depends on population estimates which assume net population growth rates of 1.75 percent per annum since the 1999 Census.

Table 6.1 Government Fund Types

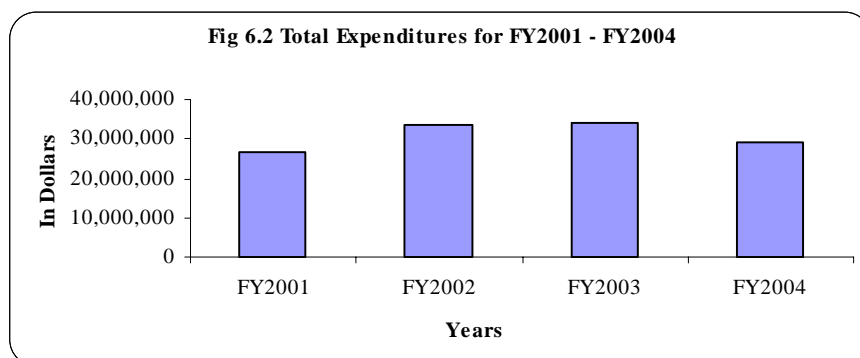
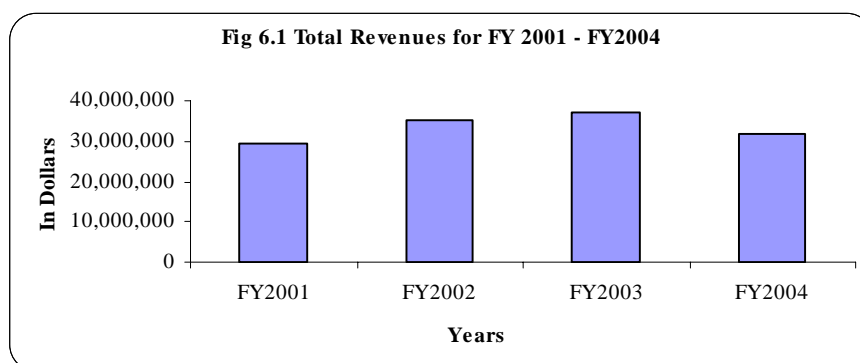
Revenues	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Fund Types		Total Primary Government	Permanent Intergenerational Trust	Component Units	Other Government Funds	Totals Reporting Entry		
					Expendable Trust	Trust					FY 2004	FY 2003	FY 2002
Compact Funding		16,734,674		2,451,347			19,186,021			8,357,850	27,543,871	32,710,000	48,328,186
Taxes	21,916,309						21,916,309				21,916,309	23,060,153	20,094,489
Contributions	360,606						360,606				360,606	934,763	14,400,263
Federal Grants & Other grants	6,280,669	7,317,503					13,598,172			8,475,966	22,074,138	21,902,163	8,490,645
Fishing Rights	939,394						939,394				939,394	1,735,669	3,312,665
Interest/Dividends	115,725						115,725	790,383			906,108	1,083,388	2,132,249
Ship Registry	1,000,000						1,000,000				1,000,000	1,000,000	
Fees/Charges	470,377						470,377			7,288,844	7,759,221	832,299	1,618,195
Sales	521,810						521,810			255,809	777,619	182,595	266,089
Other Local							0				0	0	20,920
Net decrease in the Fair value of investments							0	(230,444)			(230,444)	233,829	-3,615,065
Other							0			579,502	579,502	727,025	12,948,904
<b>Total Revenues</b>	<b>31,604,890</b>	<b>24,052,177</b>	<b>0</b>	<b>2,451,347</b>	<b>0</b>	<b>58,108,414</b>	<b>559,939</b>	<b>0</b>	<b>24,957,971</b>	<b>83,626,324</b>	<b>84,401,884</b>	<b>107,997,540</b>	

Source: Deloitte & Touche August 2005 RepMar Auditor's Report

**Table 6.2 Revenues & Expenditures: FY2001 - FY2004**

<b>Revenues</b>	<b>FY2004</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>FY 2001</b>
Taxes	21,916,309	23,060,153	20,094,489	18,351,831
Fishing Rights	939,394	1,735,669	3,312,665	1,848,612
Compact Funding	0	6,360,000	6,714,000	1,430,100
Fees and Charges	470,377	398,286	454,752	482,590
Interest and Dividends	115,725	189,314	397,344	414,796
Other Local	521,810	261,739	20,920	84,156
Other	7,641,275	4,934,763	4,367,997	6,665,045
<b>Total Revenues</b>	<b>31,604,890</b>	<b>36,939,924</b>	<b>35,362,167</b>	<b>29,277,130</b>
<b>Expenditures</b>	<b>FY2004</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>FY 2001</b>
Ministries	17,208,184	21,328,909	20,959,907	16,205,302
Special Appropriations	6,556,321	7,514,635	5,950,511	6,470,654
Nitijela	1,544,017	1,578,305	1,400,525	1,250,292
President & Cabinet	1,644,890	1,520,144	1,476,817	1,216,457
Commissions & Authorities	1,845,078	1,770,077	791,455	749,775
Council of Iroij	417,408	365,484	376,992	348,304
Other	18,091	2,358,366	2,848,324	273,643
<b>Total Expenditures</b>	<b>29,233,989</b>	<b>36,435,920</b>	<b>33,804,531</b>	<b>26,514,427</b>
<b>Excess Revenues over Expenditures</b>	<b>2,370,901</b>	<b>504,004</b>	<b>1,557,636</b>	<b>2,762,703</b>
<b>Other Financing Sources</b>	<b>FY2004</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>FY 2001</b>
ADB Loan Proceeds	0	2,685,666	5,400,000	4,303,300
Operating Transfers in	0	454,361	1,187,947	1,081,089
Operating Transfers out	-1,658,018	-3,646,600	-11,317,206	-8,549,089
<b>Total Other Financing</b>	<b>-1,658,018</b>	<b>-506,573</b>	<b>-4,729,259</b>	<b>-3,164,700</b>

Source: Ministry of Finance



For the year ended September 30, 2004, net assets of primary government increased by \$6.1 million, an increase of 159% from the prior year's \$3.8 million. This result indicates that RepMar's financial condition, as a whole, improved from the prior year. For the year ended September 30, 2004, net assets of the primary government changed as follows, with comparable amounts for fiscal year 2003:

**Table 6.3 Changes in Net Assets**

<b>Revenues</b>	<b>2004</b>	<b>2003</b>
Program revenues:		
Charges for services	\$ 7,955,270	\$ 8,691,172
Operating grants and contributions	45,331,615	55,564,130
Capital grants and contributions	2,754,645	4,239,333
General revenues:		
Taxes	21,973,266	23,060,153
Compact funding	-	6,360,000
Grants and contributions not restricted	6,301,474	3,000,000
Fishing rights	939,394	1,735,669
Ship registry	1,000,000	1,000,000
Contributions from component units	360,606	934,763
Unrestricted investment earnings	115,725	189,314
Other	1,161,072	2,489,610
<b>Total revenues</b>	<b>87,893,067</b>	<b>107,264,144</b>
<b>Expenses:</b>	<b>2004</b>	<b>2003</b>
President and Cabinet	1,670,929	1,499,215
Office of the Chief Secretary	1,050,565	1,420,255
Special appropriations	5,475,135	10,553,041
Council of Iroij	396,417	364,969
Office of the Auditor-General	604,130	921,320
Public Service Commission	476,361	397,267
Office of the Attorney General	642,374	700,770
Health and Environment	16,375,707	15,842,044
Education	22,907,203	20,993,409
Transportation and Communication	3,659,671	2,097,311
Resources and Development	1,062,888	1,071,339
Internal Affairs	3,212,702	2,723,603
Justice	3,071,636	2,645,429
Finance	3,026,431	3,249,378
Foreign Affairs and Trade	2,894,830	3,283,887
Public Works	1,927,151	2,428,470
Nitijela	1,491,693	1,507,958
Judiciary	763,139	710,764
Nuclear claims related	4,564,199	9,869,612
Interest on long-term debt	856,252	865,383
Depreciation	5,101,599	4,534,924
Other	550,688	1,497,684
<b>Total expenses</b>	<b>81,781,700</b>	<b>89,178,032</b>
<b>Changes in net assets</b>	<b>6,111,367</b>	<b>18,086,112</b>
<b>Net assets at the beginning of the year</b>	<b>3,839,159</b>	<b>-14246953</b>
<b>Net assets at the end of the year</b>	<b>\$ 9,950,526</b>	<b>\$ 3,839,159</b>

Source: Ministry of Finance

**Table 6.4 Statement of Revenues Expenditures by Function, and changes in Deficit General Fund**

<b>Revenues:</b>	2004	2003
Taxes:		
Income	\$10,556,412	\$12,019,280
Import	\$6,215,588	\$6,589,490
Gross revenue	\$4,014,555	\$3,407,105
Fuel	\$464,932	\$450,062
Penalties and interest	\$117,968	\$120,987
Other	\$546,854	\$473,229
	<b>\$21,916,309</b>	<b>\$23,060,153</b>
Compact funding	-	\$6,360,000
Fishing rights	\$939,394	\$1,735,669
Fees and charges	\$470,377	\$398,286
Interest and dividends	\$115,725	\$189,314
Other:		
Taiwan grant	\$6,280,669	\$3,000,000
Ship registry	\$1,000,000	\$1,000,000
Contributions from component units	\$360,606	\$934,763
Other	\$521,810	\$261,739
	<b>\$8,163,085</b>	<b>\$5,196,502</b>
<b>Total revenues</b>	<b>\$31,604,890</b>	<b>\$36,939,924</b>
<b>Expenditures:</b>		
Current:		
<b>General government:</b>	<b>\$30,326,505</b>	<b>\$35,068,483</b>
<b>President and Cabinet:</b>	<b>\$1,644,890</b>	<b>\$1,520,144</b>
Office of the President	\$328,189	\$129,778
President and Ministers	\$578,776	\$566,160
Cabinet Operations	\$396,390	\$484,299
Customary Law Commission	\$118,649	\$117,021
RMI/USP Joint Secondary Education Project	\$222,886	\$222,886
<b>Office of the Chief Secretary:</b>	<b>\$525,382</b>	<b>\$357,522</b>
Administration	\$188,437	\$169,281
Deputy Chief Secretary- Ebeye	\$86,547	-
EPPSO	\$141,672	\$137,641
OEPPC	\$54,817	\$11,775
Disaster Office	\$53,909	\$38,825
<b>Special appropriation:</b>	<b>\$7,666,928</b>	<b>\$8,505,564</b>
Government electricity bills - Majuro	\$883,750	\$1,192,899
Government electricity bills - Ebeye	\$15,279	\$416,540
KAJUR subsidy - Ebeye	\$300,000	\$199,005
ASPA management	-	\$615,000
Land leases	\$954,720	\$798,125
Leased housing	\$89,282	\$590,004
Marshall Islands Visitors Authority	\$199,000	\$199,000
MWSC subsidy/water bills	\$98,676	\$100,000
International subscriptions/membership fees	\$411,424	\$262,312
Disaster matching	-	\$37,703
Prior year liabilities	\$507,219	\$273,910
Public works - Ebeye	\$350,000	\$348,259
Copra price stabilization subsidy	\$900,000	\$646,750
Local government representation	\$28,000	-
ADB loan repayment	\$1,568,974	\$1,670,662
Silver Anniversary Constitution Day	\$149,997	-
Legal services	\$100,000	\$99,502
Contingencies fund	-	\$64,964
<b>Council of Iroij:</b>	<b>\$417,408</b>	<b>\$365,484</b>
Administration	\$90,680	\$72,520
Members	\$326,728	\$292,964
<b>Office of the Auditor-General</b>	<b>\$273,787</b>	<b>\$257,958</b>



**Table 6.4 Statement of Revenues Expenditures by Function, and changes in Deficit General Fund (con't)**

	2004	2003
<b>Public Service Commission</b>	<b>\$406,853</b>	<b>\$426,201</b>
Members	\$95,124	\$94,546
Administration	\$311,729	\$331,655
<b>Office of the Attorney General</b>	<b>\$639,056</b>	<b>\$728,396</b>
<b>Ministries:</b>	<b>\$17,208,184</b>	<b>\$21,328,909</b>
Ministry of Education	\$2,337,268	\$5,450,836
Ministry of health and Environment	\$1,610,049	\$4,940,028
Ministry of Transportation and Communications	\$2,342,998	\$1,320,886
Ministry of Resources and Development	\$681,675	\$631,950
Ministry of Internal Affairs	\$2,210,422	\$1,640,389
Ministry of Justice	\$2,406,106	\$1,964,897
Ministry of Finance	\$1,567,781	\$1,457,210
Ministry of Foreign Affairs and Trade	\$2,874,579	\$2,709,206
Ministry of Public Works	\$1,177,306	\$1,213,507
<b>Nitijela</b>	<b>\$1,544,017</b>	<b>\$1,578,305</b>
Operations	\$391,682	\$334,854
General Memberships	\$972,996	\$978,373
Speaker's contingency	\$71,393	\$117,468
Committee	\$58,894	\$104,587
Legislative Council	\$49,052	\$43,023
<b>Other:</b>	<b>\$18,091</b>	<b>\$2,358,366</b>
College of the Marshall Islands	-	\$1,941,995
Other	\$18,091	\$416,371
<b>Total Expenditures</b>	<b>\$30,344,596</b>	<b>\$37,426,849</b>
<b>Excess of Revenues over Expenditures</b>	<b>\$1,260,294</b>	<b>(\$486,925)</b>
<b>Other financing sources (uses):</b>		
Loan proceeds:		
Asian Development Bank	-	\$2,685,666
<b>Operating transfers in:</b>	<b>\$0</b>	<b>\$454,361</b>
Special Revenue Fund	-	\$29,487
RMI Investment Development Fund	-	\$58,414
Off-Shore Banking Trust Fund	-	\$60,088
Eminent Domain Trust Fund	-	\$94,992
ADB Development Projects Fund	-	\$211,380
<b>Operating transfers out:</b>	<b>\$1,658,018</b>	<b>\$3,646,600</b>
Infrastructure maintenance (Compact Matching)	\$700,000	-
Section 216(a)(2) Health and Medical Fund	-	\$93,146
Judiciary Fund	\$901,450	\$888,396
National Environmental Protection Authority	\$32,368	\$223,550
Resident Workers Training Account	-	\$64,677
Ministry of Transportation and Communications Fund	-	\$196,370
Postal Services Fund	\$24,200	-
Local Government Fund	-	\$394,647
Marshall islands Scholarship, Grant and Loan Board	-	\$150,000
MIDA Fund	-	\$480,321
Intergenerational Trust Fund	-	\$1,000,000
Health Care Revenue Fund	-	\$155,493
<b>Total other financing sources (uses), net</b>	<b>(\$1,658,018)</b>	<b>(\$506,573)</b>
<b>Net change in deficit</b>	<b>\$712,883</b>	<b>(\$2,569)</b>
<b>Deficit at the beginning of the year</b>	<b>(\$1,672,052)</b>	<b>(\$1,669,483)</b>
<b>Deficit at the end of the year</b>	<b>(\$959,169)</b>	<b>(\$1,672,052)</b>

Source: RepMar Independent Auditor's Report

Table 6.5 Schedule of Expenditures by Account (Governmental Funds) Year Ended September 30, 2004

	Special Revenue							Capital		Total
	General	U.S. Federal Grants	Section		Projects	Permanent		Other Governmental Funds		
			211(a)	211(b)	Section	Inter- generational Trust				
			Education Sector	Health Sector	211(d) Public Infrastructure					
Expenditures:										
Salaries and wages	\$ 13,256,256	\$ 1,735,514	\$ 6,113,420	\$ 4,820,108	-	-	\$ 4,735,892	\$ 30,661,190		
Grants and subsidies	\$ 4,458,911	\$ 1,715,135	\$ 1,420,000	-	\$ 396,702	-	\$ 6,922,615	\$ 14,913,363		
Contractual services	\$ 622,022	\$ 1,414,765	\$ 35,400	\$ 59,009	-	-	\$ 5,452,619	\$ 7,583,815		
Capital outlay	\$ 1,253,665	\$ 289,629	\$ 37,659	\$ 106,041	\$ 1,887,416	-	\$ 2,408,149	\$ 5,982,559		
Medical supplies	\$ 118,061	\$ 40,750	-	\$ 69,488	-	-	\$ 4,277,155	\$ 4,505,454		
Travel	\$ 1,417,384	\$ 1,067,321	\$ 64,296	\$ 255,449	-	-	\$ 769,523	\$ 3,573,973		
Utilities	\$ 1,070,146	\$ 3,527	\$ 535,392	\$ 471,677	-	-	\$ 96,433	\$ 2,177,175		
Rentals	\$ 1,355,435	\$ 11,864	\$ 485	\$ 46,400	-	-	\$ 213,858	\$ 1,628,042		
Supplies and materials	\$ 523,254	\$ 299,291	\$ 145,887	\$ 147,472	-	-	\$ 339,447	\$ 1,455,351		
Leased housing	\$ 358,032	\$ 8,250	\$ 194,481	\$ 497,856	-	-	\$ 73,839	\$ 1,132,458		
Food stuffs	\$ 479,696	\$ 7,113	\$ 93,987	\$ 111,343	-	-	\$ 390,438	\$ 1,082,577		
Interest	\$ 834,593	-	-	-	-	-	-	\$ 834,593		
POL	\$ 441,313	\$ 33,120	\$ 20,856	\$ 18,438	-	-	\$ 248,574	\$ 762,301		
Professional services	\$ 480,768	\$ 14,072	-	-	-	\$ 61,544	\$ 171,056	\$ 727,440		
Allowances	\$ 678,921	-	-	-	-	-	-	\$ 678,921		
Communication	\$ 392,909	\$ 8,944	\$ 9,282	\$ 34,828	-	-	\$ 103,073	\$ 549,036		
Insurance	\$ 173,055	-	-	160	-	-	\$ 97,630	\$ 270,845		
Principal repayment	\$ 175,361	-	-	-	-	-	-	\$ 175,361		
Freight	\$ 64,644	16831	5349	22528	-	-	\$ 52,112	\$ 161,464		
Construction	\$ 62,742	-	-	-	-	-	-	\$ 62,742		
Printing and reproduction	\$ 44,574	2047	-	236	-	-	\$ 14,433	\$ 61,290		
Other	\$ 972,247	\$ 649,330	\$ 451,224	\$ 88,985	\$ 167,229	\$ 2,640	\$ 943,832	\$ 3,275,487		
	\$ 29,233,989	\$ 7,317,503	\$ 9,127,718	\$ 6,750,018	\$ 2,451,347	\$ 64,184	\$ 27,310,678	\$ 82,255,437		

Source: RepMar Independent Auditor's Report

**Table 6.6 Statement of Activities Year Ended September 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
<b>Primary government:</b>						
<b>Governmental activities:</b>						
President and Cabinet	\$1,670,929	-	\$239,832	-	(\$1,431,097)	-
Office of the Chief Secretary	\$1,050,565	-	\$454,210	-	(\$596,355)	-
Special appropriations	\$5,475,135	-	\$396,702	-	(\$5,078,433)	-
Council of Iroij	\$396,417	-	-	-	(\$396,417)	-
Office of the Auditor-General	\$604,130	-	\$381,918	-	(\$222,212)	-
Public Service Commission	\$476,361	-	\$94,476	-	(\$381,885)	-
Office of the Attorney General	\$642,374	\$410,617	\$54,210	-	(\$177,547)	-
Education	\$22,907,203	\$94,997	\$17,548,621	-	(\$5,263,585)	-
Health and Environment	\$16,375,707	\$6,685,615	\$8,556,178	-	(\$1,133,914)	-
Transportation and Communication	\$3,659,671	\$205,487	\$1,274,274	-	(\$2,179,910)	-
Resources and Development	\$1,062,888	\$18,232	\$418,414	-	(\$626,242)	-
Internal Affairs	\$3,212,702	\$52,096	\$908,620	-	(\$2,251,986)	-
Justice	\$3,071,636	\$156,596	\$757,599	-	(\$2,157,441)	-
Finance	\$3,026,431	\$327,169	\$1,087,543	-	(\$1,611,719)	-
Foreign Affairs and Trade	\$2,894,830	-	\$31,763	-	(\$2,863,067)	-
Public Works	\$1,927,151	\$2,275	\$1,017,525	-	(\$907,351)	-
Nitijela	\$1,491,693	-	-	-	(\$1,491,693)	-
Judiciary	\$763,139	\$2,186	\$41,419	-	(\$719,534)	-
Environmental Protection Authority	\$356,007	-	\$336,465	-	(\$19,542)	-
Nuclear claims related	\$4,564,199	-	\$4,171,907	-	(\$392,292)	-
Future operations	\$64,184	-	\$7,559,939	-	\$7,495,755	-
Capital projects	\$130,497	-	-	\$2,754,645	\$2,624,148	-
Unallocated interest - long-term debt	\$856,252	-	-	-	(\$856,252)	-
Unallocated depreciation	\$5,101,599	-	-	-	(\$5,101,599)	-
<b>Total primary government</b>	<b>\$81,781,700</b>	<b>\$7,955,270</b>	<b>\$45,331,615</b>	<b>\$2,754,645</b>	<b>(\$25,740,170)</b>	<b>\$0</b>
<b>Component units:</b>						
Kwajalein Atoll Joint Utilities Resources, Inc.	\$4,696,855	\$3,201,456	-	\$534,614	-	(\$960,785)
Marshalls Energy Company, Inc.	\$22,140,931	\$20,094,041	-	-	-	(\$2,046,890)
Marshall Islands Development Bank	\$1,717,641	-	-	-	-	(\$1,717,641)
National Telecom. Authority	\$6,572,249	\$5,594,266	-	-	-	(\$977,983)
RMI Ports Authority	\$2,567,914	\$2,442,098	-	\$162,549	-	\$36,733
Other nonmajor component units	\$23,326,946	\$13,711,011	-	\$324,635	-	(\$9,291,300)
<b>Total component units</b>	<b>\$61,022,536</b>	<b>\$45,042,872</b>	<b>\$0</b>	<b>\$1,021,798</b>	<b>\$0</b>	<b>(\$14,957,866)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Income taxes				\$10,613,369	-	
Import taxes				\$6,215,588	-	
Gross revenue taxes				\$4,014,555	-	
Fuel taxes				\$464,932	-	
Penalties and interest				\$117,968	-	
Other				\$546,854	-	
Grants and contributions not restricted to specific programs				\$6,301,474	-	
Fishing rights				\$939,394	-	
Ship registry				\$1,000,000	-	
Contributions from component units				\$360,606	-	
Unrestricted investment earnings				\$115,725	\$358,498	
Contributions from primary government				-	\$4,799,071	
Other				\$1,161,072	-	
Total general revenues and transfers				\$31,851,537	\$5,157,569	
Change in net assets				\$6,111,367	(\$9,800,297)	
Net assets at the beginning of the year				\$3,839,159	\$62,134,788	
Net assets at the end of the year				\$9,950,526	\$52,334,491	

Source: RepMar's Independent Auditor's Report

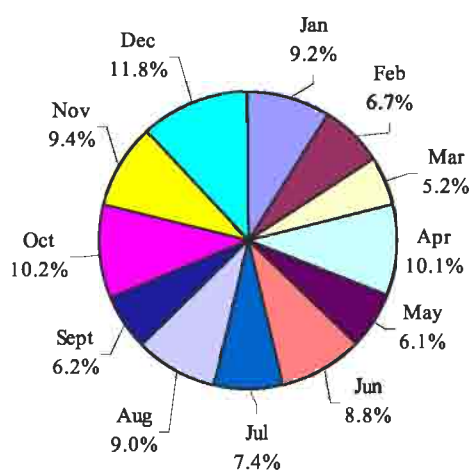
**Table 6.7 Import by month (C.I.F Value in thousands) in RMI: 2002 - 2004**

	2002		2003		2004*	
	Value	%	Value	%	Value	%
Jan	6,240	9.2	6,327	8.4	-	-
Feb	4,539	6.7	5,128	6.8	-	-
Mar	3,494	5.2	4,623	6.1	-	-
Apr	6,809	10.1	7,661	10.2	-	-
May	4,111	6.1	8,853	11.8	-	-
Jun	5,956	8.8	5,417	7.2	-	-
Jul	4,996	7.4	5,324	7.1	-	-
Aug	6,064	9.0	6,271	8.3	-	-
Sept	4,153	6.2	5,729	7.6	-	-
Oct	6,868	10.2	6,782	9.0	-	-
Nov	6,314	9.4	5,895	7.8	-	-
Dec	7,976	11.8	7,225	9.6	-	-
<b>Total</b>	<b>67,520</b>	<b>100.00</b>	<b>75,235</b>	<b>100.0</b>	<b>83,832*</b>	<b>100.0</b>

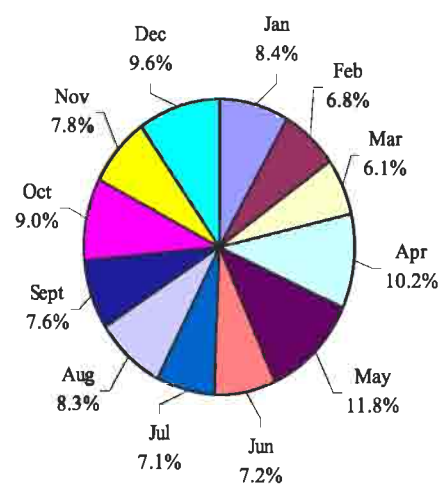
\*Breakdown not available. 2004 total is an estimate.

Source: Customs, Revenue and Taxation, Ministry of Finance

**Fig 6.3 Import by month (C.I.F Value in thousands) in RMI: 2002**



**Fig 6.4 Import by month (C.I.F Value in thousands) in RMI: 2003**

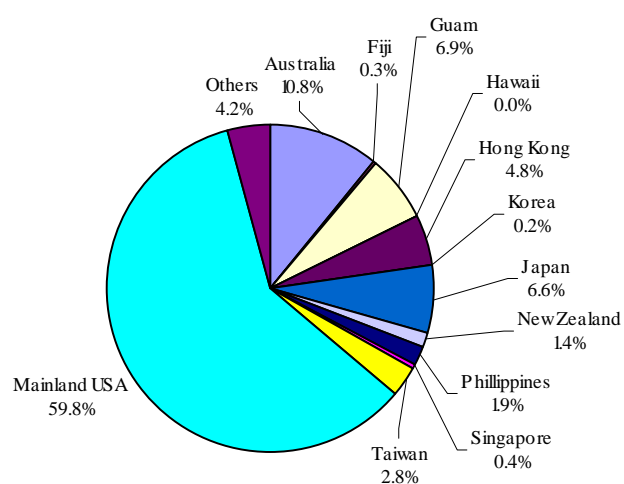
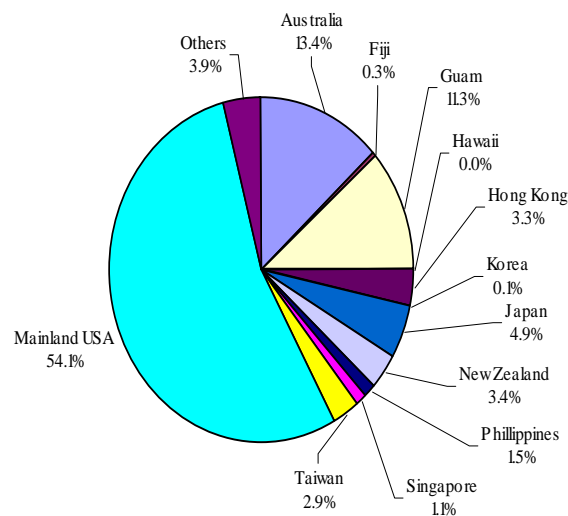


**Table 6.8 Import by Trading Partner (C.I.F Value in thousands) in RMI: 2002 - 2003**

Country	2002		2003		2004*	
	Value	%	Value	%	Value	%
Australia	7,282	10.78	10,079	13.4	-	-
Fiji	170	0.25	199	0.3	-	-
Guam	4,632	6.86	8,519	11.3	-	-
Hawaii	0	0.00	5	0.0	-	-
Hong Kong	3,261	4.83	2,465	3.3	-	-
Korea	120	0.18	55	0.1	-	-
Japan	4,428	6.56	3,660	4.9	-	-
New Zealand	938	1.39	2,538	3.4	-	-
Phillippines	1,309	1.94	1,102	1.5	-	-
Singapore	268	0.40	847	1.1	-	-
Taiwan	1,907	2.83	2,145	2.9	-	-
Mainland USA	40,353	59.76	40,691	54.1	-	-
Others	2,851	4.22	2,930	3.9	-	-
<b>Total</b>	<b>67,520</b>	<b>100.00</b>	<b>75,235</b>	<b>100.0</b>	<b>83,832*</b>	<b>100.0</b>

\*Breakdown not available. 2004 total is an estimate.

Source: Customs, Revenue and Taxation, Ministry of Finance

**Fig 6.5 Import by Trading Partner (C.I.F Value in thousands) in RMI: 2002****Fig 6.6 Import by Trading Partner (C.I.F Value in thousands) in RMI: 2003**

**Table 6.9 RMI Selected Annual Data for the Banking Industry (in thousand \$): 1997 - 2004**

	1997	1998	1999	2000	2001	2002	2003	2004
<i>Total Asset</i>	\$59,583	\$59,835	\$68,952	\$69,796	\$87,244	\$89,252	\$94,819	\$95,922
Total Loan	\$33,153	\$31,082	\$35,182	\$36,510	\$37,763	\$36,289	\$39,761	\$45,127
Total Deposit	\$55,254	\$55,033	\$63,086	\$61,948	\$77,352	\$77,139	\$80,515	\$79,721
Total Interest Income	\$6,339	\$6,692	\$6,865	\$8,426	\$8,319	\$7,353	\$7,767	\$7,704
Other Operating Income	\$830	\$830	\$1,141	\$1,375	\$1,443	\$1,317	\$1,407	\$1,911
Total Income	\$7,144	\$7,522	\$8,006	\$9,801	\$9,762	\$8,724	\$9,174	\$9,815
Net Income	\$1,713	\$1,705	\$2,448	\$3,073	\$1,144	\$2,514	\$2,727	\$3,537
Operating Expense	\$2,955	\$3,224	\$3,338	\$4,041	\$3,946	\$3,824	\$3,939	\$3,711
Personnel Cost	\$1,208	\$4,320	\$1,426	\$1,510	\$2,327	\$1,992	\$1,634	\$1,873
Provision for Loan Loss	\$1,756	\$2,427	\$2,867	\$3,142	\$4,473	\$3,489	\$3,362	\$3,780
%Loan/Deposit Ratio	60.00%	56.48%	55.77%	58.94%	48.82%	47.04%	49.38%	58.61%
<b>Profitability Indicators:</b>								
Total Income (%age of Total Asset)	11.99%	12.57%	11.61%	14.04%	11.19%	9.77%	9.68%	10.02%
Net Interest Income (%age of Total Asset)	10.64%	11.18%	9.96%	12.07%	9.54%	8.24%	8.19%	8.03%
ROI (%age of Net Income to T. Asset)	2.87%	2.85%	3.55%	4.40%	1.31%	2.82%	2.88%	3.69%
<b>Efficiency Indicators:</b>								
Operating Expenses (%age of Total Asset)	4.96%	5.39%	4.84%	5.79%	4.52%	4.28%	4.15%	3.87%
Of which Personnel Cost (%age of T.Asset)	2.03%	2.21%	2.07%	2.16%	2.67%	2.23%	1.72%	1.95%
Provision for Loan Losses (%age of Total Loan)	5.30%	7.81%	8.15%	8.61%	11.84%	9.61%	8.46%	8.38%

Source: Banking Commission

**6.10 Marshall Islands Commercial Banks: Statement of Assets and Liabilities, September 2000 - 2004**

(In thousands of U.S. dollars)

Year and Quarter	2000	2001	2002	2003	2004
<b>ASSETS</b>					
Currency and equivalent	3,231	2,711	2,676	2,529	3,917
Deposits with banks	25,658	26,756	36,669	39,105	37,290
Investments in foreign securities	4,212	2,487	3,423	4,698	9,314
Loans and advances-( <i>Valuation Reserve</i> ):	40,159	41,365	39,707	41,340	44,244
- to the government sector	2,856	3,037	1,482	1,240	1,480
- to the private sector:	39,363	40,709	41,197	43,108	45,497
- businesses	10,638	7,653	4,398	3,619	5,531
- individuals	28,724	33,056	36,799	39,489	39,966
Fixed assets (net of depreciation)	352	574	402	308	210
Other assets	586	919	1,403	2,279	1,141
<b>TOTAL ASSETS</b>	<b>74,199</b>	<b>74,812</b>	<b>84,281</b>	<b>90,259</b>	<b>96,116</b>
Of which:					
- Non-resident assets	29,691	31,770	42,580	46,144	50,327
- Resident assets	44,508	43,042	41,701	44,115	45,789
<b>LIABILITIES (including Capital)</b>					
Deposits:					
- by banks	65,147	65,691	71,147	75,834	79,443
- by non-residents	0	0	0	0	0
- by central government	2,930	2,741	2,847	3,407	4,361
- other demand deposits	7,141	4,625	9,013	10,048	7,815
- time deposits	21,981	20,264	21,669	24,270	26,992
- savings deposits	18,812	23,047	20,169	20,075	20,247
Borrowings	14,284	15,013	17,449	18,035	20,029
Other liabilities	0	0	0	0	0
Capital and reserves	1,321	1,380	295	657	584
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>74,199</b>	<b>74,812</b>	<b>84,281</b>	<b>90,259</b>	<b>96,116</b>
Of which:					
Non-resident liabilities	2,930	2,741	2,847	3,407	4,361
Resident liabilities	62,218	62,949	68,300	72,427	75,082

**Note: In row 8, valuation reserve is included to reflect the approximate calculation of assets**

<a href="#">M1 [1]</a>	21,216	20,214	20,967	20,648	21,450
<a href="#">M3 [2]</a>	48,206	53,017	53,441	53,813	58,558
<a href="#">Domestic credit [3]</a>	39,363	40,709	41,197	43,108	45,497
Net foreign assets	29,691	31,770	42,580	46,144	50,327

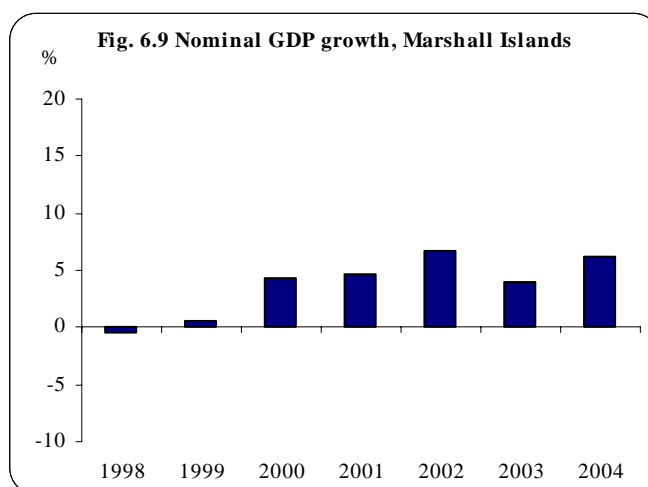
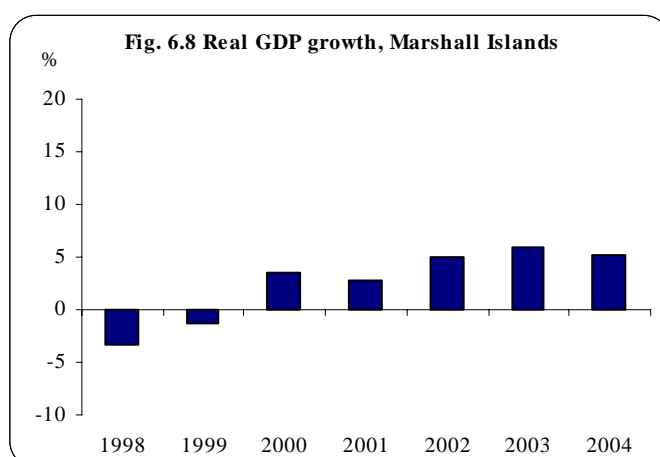
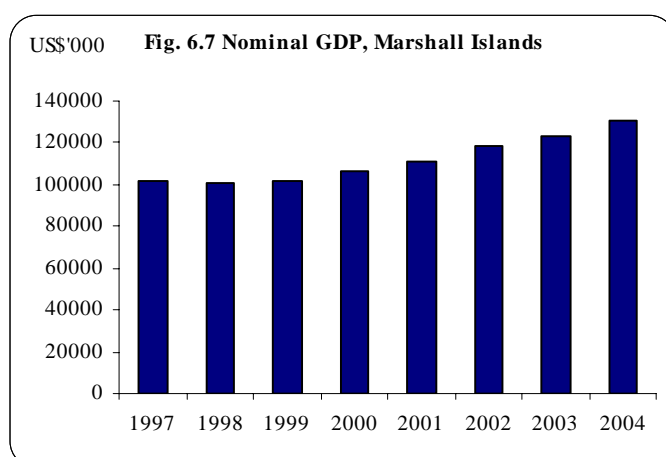
[\[1\] M1 = cash plus demand deposits placed by non-bank, non-government residents](#)[\[2\] M3 = M1 plus time and savings deposits from the same sectors](#)[\[3\] Domestic credit = lending to non-bank, non-government, residents.](#)

Source: Banking Commission

**Table 6.11 GDP Aggregates over Financial Years**

	1997	1998	1999	2000	2001	2002	2003	2004
Nominal GDP (Gross)	101,687	101,218	101,809	106,264	111,186	118,588	123,262	130,941
Annual change		-0.5%	0.6%	4.4%	4.6%	6.7%	3.9%	6.2%
Population	49,348	50,089	50,840	51,730	52,635	53,556	54,493	55,447
GDP per Capita (US\$)	2,061	2,021	2,003	2,054	2,112	2,214	2,262	2,362
Annual change		-1.9%	-0.9%	2.6%	2.8%	4.8%	2.2%	4.4%
Consumer Price Index (March 2003=100)	94.5	97.3	99.1	100	101.9	103.5	101.6	102.5
Real GDP (1997 dollars)	101,687	98,356	97,113	100,441	103,197	108,275	114,708	120,730
Annual change		-3.3%	-1.3%	3.4%	2.7%	4.9%	5.9%	5.2%
Real GDP per Capita (US\$)	2,061	1,964	1,910	1,942	1,961	2,022	2,105	2,177
Annual change		-4.7%	-2.7%	1.6%	1.0%	3.1%	4.1%	3.4%
<i>Memo Item: Labour Income from Kwajalein base and foreign embassies</i>								
	13,159	13,713	15,634	17,616	18,691	17,493	18,885	17,805

Source: EPPSO

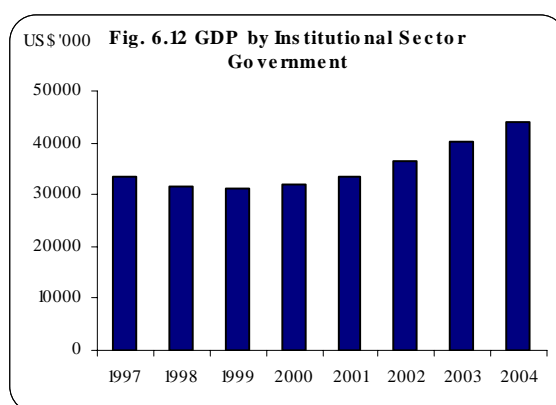
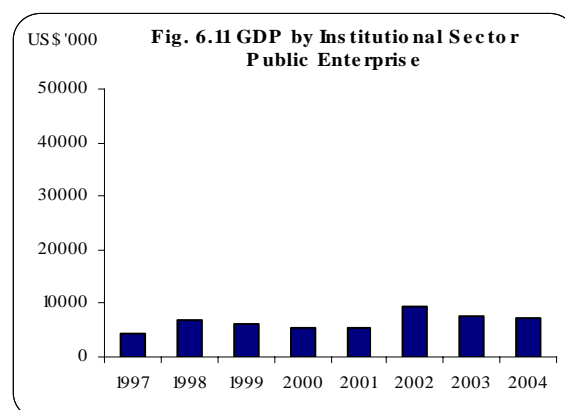
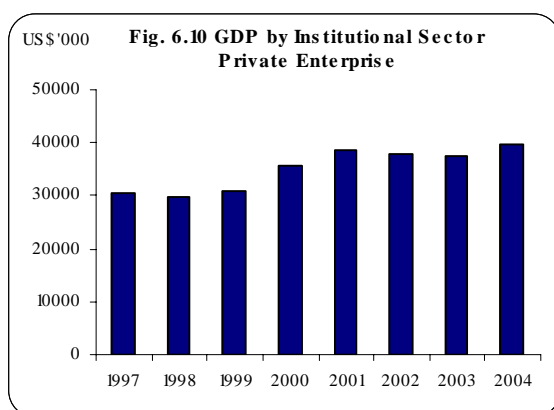




**Table 6.12 RMI GDP by Institutional Sector ('000) over Financial Years**

Sector	1997	1998	1999	2000	2001	2002	2003	2004
Private Enterprise	30,472	29,865	31,029	35,497	38,716	37,776	37,546	39,528
Public Enterprise	4,413	6,819	6,062	5,582	5,319	9,375	7,737	7,374
Finance (Banks)	3,542	3,893	4,375	5,175	5,612	5,919	6,315	6,797
Government	33,286	31,724	31,353	32,016	33,426	36,404	40,292	44,012
NGOs	1,753	1,801	1,815	1,844	1,971	2,037	2,005	1,960
Households	17,211	15,738	16,408	16,578	16,979	16,984	17,437	18,111
<b>GDP at Factor Cost (Gross)</b>	<b>90,678</b>	<b>89,840</b>	<b>91,042</b>	<b>96,691</b>	<b>102,022</b>	<b>108,495</b>	<b>111,331</b>	<b>117,781</b>
Indirect taxes less Subsidies	11,009	11,378	10,767	9,573	9,164	10,092	11,931	13,159
<b>Nominal GDP at Market Prices (Gross)</b>	<b>101,687</b>	<b>101,218</b>	<b>101,809</b>	<b>106,264</b>	<b>111,186</b>	<b>118,588</b>	<b>123,262</b>	<b>130,941</b>

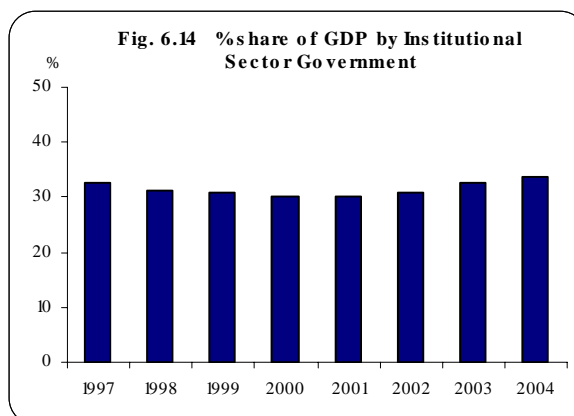
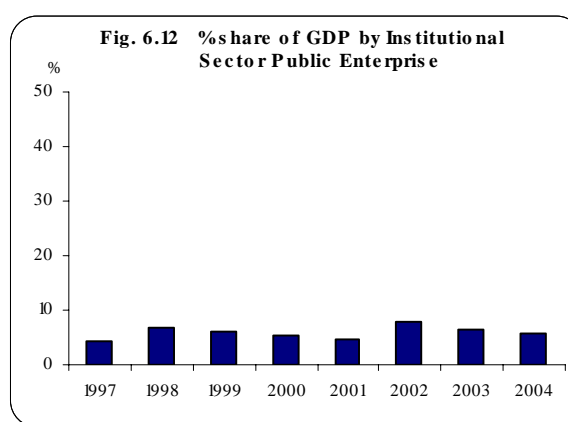
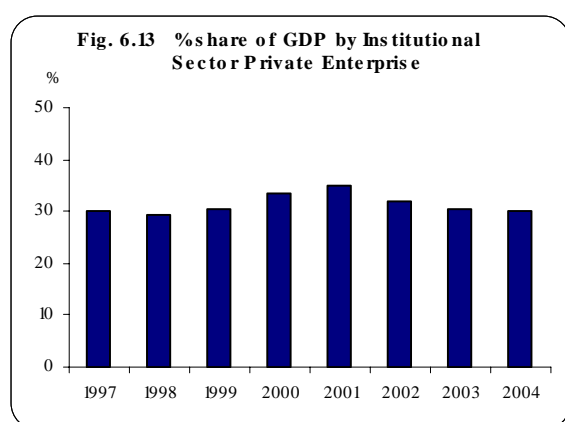
Source: EPPSO



**Table 6.12a RMI GDP by Institutional Sector (% Share of Nominal GDP) over Financial Years**

% share of Nominal GDP	1997	1998	1999	2000	2001	2002	2003	2004
Private Enterprise	30.0	29.5	30.5	33.4	34.8	31.9	30.5	30.2
Public Enterprise	4.3	6.7	6.0	5.3	4.8	7.9	6.3	5.6
Finance (Banks)	3.5	3.8	4.3	4.9	5.0	5.0	5.1	5.2
Government	32.7	31.3	30.8	30.1	30.1	30.7	32.7	33.6
NGOs	1.7	1.8	1.8	1.7	1.8	1.7	1.6	1.5
Households	16.9	15.5	16.1	15.6	15.3	14.3	14.1	13.8
GDP at Factor Cost (Gross)	89.2	88.8	89.4	91.0	91.8	91.5	90.3	90.0
Indirect taxes less Subsidies	10.8	11.2	10.6	9.0	8.2	8.5	9.7	10.0
<b>Nominal GDP at Market Prices (Gross)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

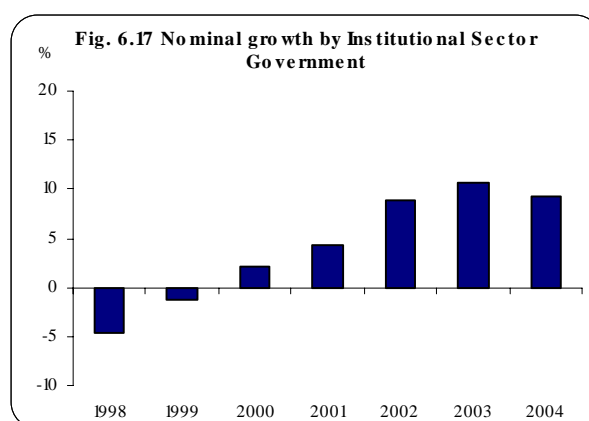
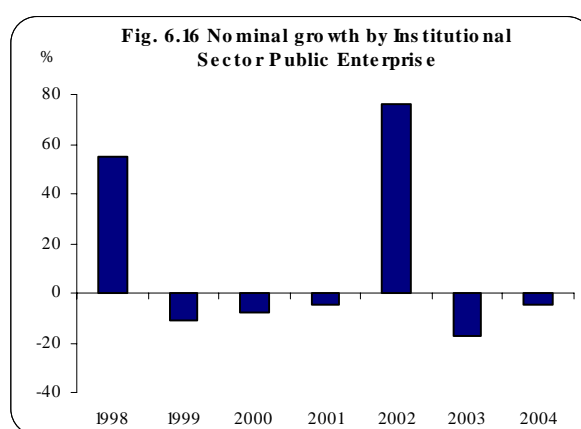
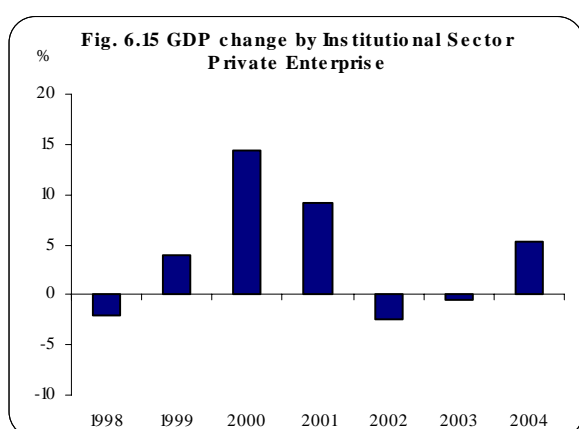
Source: EPPSO



**Table 6.12b RMI GDP by Institutional Sector (Annual Growth %) over Financial Years**

Annual Growth (%)	1998	1999	2000	2001	2002	2003	2004
Private Enterprise	-2.0	3.9	14.4	9.1	-2.4	-0.6	5.3
Public Enterprise	54.5	-11.1	-7.9	-4.7	76.2	-17.5	-4.7
Finance (Banks)	9.9	12.4	18.3	8.4	5.5	6.7	7.6
Government	-4.7	-1.2	2.1	4.4	8.9	10.7	9.2
NGOs	2.7	0.8	1.6	6.9	3.3	-1.6	-2.3
Households	-8.6	4.3	1.0	2.4	0.0	2.7	3.9
GDP at Factor Cost (Gross)	-0.9	1.3	6.2	5.5	6.3	2.6	5.8
Indirect taxes less Subsidies	3.4	-5.4	-11.1	-4.3	10.1	18.2	10.3
Nominal GDP at Market Prices (Gross)	-0.5	0.6	4.4	4.6	6.7	3.9	6.2

Source: EPPSO



**Table 6.13 RMI GDP by Income component ('000) over Financial Years**

	1997	1998	1999	2000	2001	2002	2003	2004
Compensation of employees	61,238	59,392	59,495	61,912	65,837	69,830	73,820	77,341
Operating surplus (Gross before depreciation)	12,229	14,710	15,139	18,201	19,206	21,682	20,074	22,330
Household mixed income	3,684	2,540	2,773	2,915	2,689	2,280	2,941	3,224
Indirect taxes less Subsidies	11,009	11,378	10,767	9,573	9,164	10,092	11,931	13,159
Total Monetary	88,160	88,020	88,175	92,601	96,896	103,884	108,766	116,053
Percentage Monetary	86.7%	87.0%	86.6%	87.1%	87.1%	87.6%	88.2%	88.6%
Household subsistence	6,662	6,750	7,027	6,878	7,259	7,431	7,236	7,432
Owner occupied housing	6,865	6,449	6,608	6,785	7,031	7,272	7,260	7,456
Total Non-Monetary	13,527	13,199	13,635	13,664	14,290	14,704	14,496	14,887
Percentage Non-Monetary	13.3%	13.0%	13.4%	12.9%	12.9%	12.4%	11.8%	11.4%

Source: EPPSO

**Table 6.14 RMI GDP by Institutional Sector and Income ('000) component over Financial Years**

	1997	1998	1999	2000	2001	2002	2003	2004
Private Enterprise								
Compensation of employees	16,840	16,924	17,406	18,389	19,972	20,503	20,062	19,908
Operating surplus (gross)	13,632	12,941	13,623	17,108	18,744	17,273	17,483	19,620
Public Enterprise								
Compensation of employees	7,840	7,305	7,137	7,809	8,300	8,847	9,310	9,093
Operating surplus (gross)	-3,427	-486	-1,075	-2,227	-2,980	528	-1,574	-1,719
Finance (Banks)								
Compensation of employees	1,519	1,639	1,784	1,854	2,168	2,039	2,150	2,368
Operating surplus (gross)	2,023	2,254	2,591	3,321	3,443	3,881	4,165	4,429
Government (compensation of employees)								
RMI Government	22,041	20,736	19,204	19,446	20,779	23,523	26,842	30,385
Government Agencies	4,770	4,214	4,892	4,902	4,967	5,233	5,565	5,636
Local Government	6,475	6,774	7,257	7,667	7,679	7,648	7,885	7,991
NGOs (compensation of employees)	1,753	1,801	1,815	1,844	1,971	2,037	2,005	1,960
Households								
Mixed Income								
Copra production	2,062	821	1,007	1,183	949	478	1,027	1,186
Fishing	523	556	571	556	556	576	617	660
Handicrafts	899	954	980	954	954	989	1,060	1,134
Other	200	209	216	222	230	238	237	244
Subsistence	6,662	6,750	7,027	6,878	7,259	7,431	7,236	7,432
Home Ownership	6,865	6,449	6,608	6,785	7,031	7,272	7,260	7,456
Indirect taxes less Subsidies								
Import and fuel taxes (REPMAR)	7,810	8,335	6,227	4,523	4,451	6,323	7,040	6,681
Other Indirect taxes (REPMAR)	2,756	2,701	2,549	3,461	3,892	3,645	3,528	4,133
Indirect taxes (Local Government)	2,751	2,981	3,359	3,583	3,430	3,719	3,640	3,573
Less Subsidies	-2,308	-2,639	-1,368	-1,993	-2,609	-3,594	-2,277	-1,227

Source: EPPSO