

Her Excellency Hilda C. Heine, Ed. D
State of the Nation Address
Nitijela 39th, Part II, Regular Session

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Nitijela Chambers
Majuro, Marshall Islands

[Check against delivery]

Yokwe kom aolep. Kamolol kin itok limo eo ami kin jerbai kein an Kien im Nitijela eo an Aelon Kein im ilo kwelok in kein 39th Regular Session and Nitijela in ad.

Mr. Speaker,

As we begin the second part of this 39th Regular Session, there are numerous reports and updates on progress and accomplishments to share along with enduring challenges we face in implementing Agenda 2020 and other national plans and strategies. Detail reports and updates will be provided by respective ministers in the days ahead, including a Progress Report on Agenda 2020 that we will circulate.

In this session the Cabinet looks forward to working with you and members of the Nitijela on the proposed 2019 budget to be tabled before the week ends. The 2019 Budget focuses on implementing priorities and goals of the Government designed to improve livelihoods and advance RMI into the 21st century. The budget will include some important new commitments, such as a direct General Fund investment into our Trust Fund and a new partnership agreement to support civil society organizations. The budget will also include continued support for MISSA and our retirees, copra farmers and outer island communities, and other vulnerable groups.

Mr. Speaker,

I am happy to report that after two years of economic stagnation in 2014 and 2015, the Marshall Islands economy has grown for two years in a row, with the 2017 GDP growth rate estimated at 3.7%. This is the highest growth rate recorded since 2010. While this is positive news overall, we must continue to seek ways to strengthen our private sector and its contribution to employment and the overall economy.

Mr. Speaker,

With our challenges come many opportunities. We are now receiving all-time high levels of development assistance, following strengthened engagement with our partners and improvement in our financial capability and management. The RMI is busier than ever, engaging with more bilateral, multilateral, regional, and other partners than ever in our history.

In addition to financial assistance from the United States, the Republic of China (Taiwan), and Japan, development assistance from the World Bank, Asian Development Bank, European Union, Germany, the Green Climate Fund, Global Environmental Facility, and New Zealand, will reach an unprecedented level, with a total of over \$200 million from now through 2020.

Some of these projects are already underway and others will commence soon, with a few projects running through 2022 and beyond.

These projects will assist RMI in areas of great need including public financial management, procurement, energy, maritime, water and sanitation, coastal protection, education, health, transport, waste management, and the environment, among others.

I want to convey the appreciation of a grateful nation to our development partners for helping us move towards further development of the Marshall Islands and our people.

Mr. Speaker,

As we approach 2023 and the termination of annual Compact sector grants, we must secure more development assistance in the form of direct budget support, versus support only for stand-alone projects. We must also secure additional contributions, (currently on ROC Taiwan and most recently the Trust Company of the RMI), to the Compact Trust Fund from other partners. Direct budget support and additional contributions to the Trust Fund, along with continued internal reforms, will help us with our fiscal and economic transition up to 2023 and beyond. The Trust Fund is now approaching \$400 million but still requires additional contributions to ensure its viability beyond 2023.

It is a known fact that the Trust Fund was not properly invested for the first two years of its existence. As we noted in our comments to the recent GAO Report on the Compact Trust Funds, our Trust Fund lost \$11.2 million in investment gains during that period that has not been addressed. As well, the Government continues, through our Washington DC Embassy, to find ways to secure from the US Congress the sum of \$20 million as agreed in the Compact for damages resulting from lost tax and trade benefits. We are told this will take place in 2019.

Mr. Speaker,

I take this opportunity to express my appreciation to the Minister and Secretary of Finance and their staff for the hard work they have undertaken in recent years to strengthen our financial system, and in carrying our necessary reforms to strengthen compliance and accountability. For FY2017 all audits of the government component units were completed on time, and with fewer findings compared to previous years. FY2017 also ended with the largest surplus we have ever seen. While we have seen improving accountability at the national government level, much more needs to be done to ensure proper and accountable use of resources managed by local governments.

Mr. Speaker,

Preparations for the post 2023 period must be inclusive of human resource development. Education and health continue to be our priorities, not only under the Compact, but also as a fundamental right in our Constitution. We have committed ourselves to the Sustainable Development Goals, and have used the SDGs and the 2030 Agenda as a guide in developing our National Strategic Plan and the Agenda 2020. However, an educated and healthy nation continues to challenge this Government. Truancy and drop-out rates are issues we consistently grapple with. The recently completed UNICEF survey found that 35% of our children are stunted.

Mr. Speaker,

I am pleased to inform the Nitijela and people of the RMI that the Government is engaging with the World Bank and UNICEF to launch in early 2019 a 10-year Early Childhood Development program to strengthen health and nutrition among our children. This \$20-plus million social protection program will be the first of its kind in the RMI and will include direct financial and other forms of support for families with young children.

Mr. Speaker,

While in Taiwan on my recent visit, I met with students who are studying there, including medical students at the I-Shou University where a total of 10 Marshallese are studying. Three doctors graduated this year and five more will graduate next year. The investment in this program cannot be underestimated and we thank our friends from Taiwan for their scholarship support.

We are seeing increasing numbers of Marshallese graduates from US colleges as well. It is this type of investment in our young people, including through other youth programs such as sports, that brings Marshallese pride and a sustainable future that we must invest in and be more supportive.

I would be remiss if I failed to mention the ROC (Taiwan)-RMI Presidents' Scholarship Fund signed when President Tsai was here earlier this year. The Fund is an incentive award aimed to encourage the students with outstanding academic performance from low income families, as well as in-service training elementary/secondary teachers in the Republic of Marshall Islands. The Guidelines are being reviewed, and that we expect the Fund to be implemented in the upcoming school year.

Mr. Speaker,

The issue of climate change requires close cooperation and collaboration between the Government, traditional leaders, our churches, and others, including our development partners.

While the Marshall Islands continues to lead international efforts to fight climate change through our work with the High Ambition Coalition, the Climate Vulnerable Forum, and other bodies, we need to make sure these efforts translate into meaningful benefits for the Marshallese people. This is a priority for my Government. Domestic action on climate change will be increasingly important and prioritized.

There is no question that the commitments that we entered into as part of our international efforts, such as the Paris Agreement or the historic agreement at the International Maritime Organization to limit greenhouse gas emissions (that cause climate change) from the international shipping sector, can seem so distant and at times, meaningless. However, we must remember that the climate change fight cannot be done by one country alone. We have to work with every other country if we are to make a difference.

With that in mind, last month we held RMI's 2nd National Climate Change Dialogue, as well as Partnership Dialogue on climate change, with the aim of collecting views from all stakeholders and donors on important domestic climate change issues.

We hope very soon to adopt RMI's 2050 Climate Change Strategy which will set out a vision for how RMI will transition to 100% clean renewable energy, both to save the country millions in imports of fossil fuels and to ensure a clean environment for future generations. The options under consideration are a mixture of solar and wind energy with battery storage.

In addition to the 2050 Strategy, we are also developing an Electricity Sector Roadmap, to be completed by September, and will develop by 2019 a National Climate Change Adaptation Plan to accelerate domestic action to adapt to the impacts of climate change, including sea level rise. Many other efforts are underway to address climate change, including the PREP II project worth nearly \$50 million, co-funded by the Green Climate Fund and World Bank, which will focus on coastal resilience and early warning systems and emergency plans. RMI invested \$2 million last year in sea walls for Majuro and Ebeye and similar amount is earmarked for the same purpose in this year's budget.

Side note: I would like to report that in my recent official visit to ROC (Taiwan), we requested Taiwan Power (a power company in Taiwan) to assess one of Marshall Energy Company's engine and assist with developing an emergency plan. The government is working with World Bank to bring in 3 new engines.

Mr. Speaker,

Efforts continue to improve the enabling environment for business, with the Office of Commerce, Investment, and Tourism plays an increasingly important role. An investment reform task force consisting of representatives from relevant entities from both the private and public sectors has been established to drive our reform efforts. As a result of these reform efforts, a universal form has been developed to streamline the processes and procedures of starting a business in the RMI. A Harmonized Coding system is currently being trialed which will significantly improve quality of trade data statistics in the RMI. Review of relevant legislation is an on-going effort to improve the enabling environment for doing business in the RMI.

Mr. Speaker,

Other efforts that have gained some traction are in two of our priority sectors, fisheries and tourism. I am happy to announce that efforts are underway to establish a national competent authority that will enable access to the EU market providing opportunities for our products to realize increased revenue.

Another government initiative that aims to develop our tourism industry is also underway to identify potential sites in the outer islands that the government can enter into long term lease for tourism development. The signing of an air service agreement with Air Niugini is timely and plays a significant role in our efforts to develop the tourism industry as it provides a direct link between the Asian market and the RMI and improves air connectivity. During my recent state visit to ROC (Taiwan), a lot of our meetings and consultations were with potential partners in air and sea transport improvement and partnerships as well as on potential maritime and tourism related projects.

Mr. Speaker,

If Agenda 2020 is anything, it is an instrument for social change and social development. In the last three years, more attention has been given to the vulnerable groups such as children, women, disabled persons, and communities in the outer islands than ever before. The betterment of our Republic cannot be fully realized if a large portion of its population continues to be marginalized. In addition to the increase in the minimum wage, which will get yet another increase in October 2018 to \$3.00 an hour, the increase in copra price is designed to assist copra makers and those who support national developments from the outer islands.

The completion of the Jaluit airstrip is the first of six such outer island airports to be paved. The Cabinet will keep pushing for further improvements in air and sea services and communications to outer island communities.

To further empower our women, the RMI 50:50 Innovation Fund will start operation in January 2019. The purpose of the Fund is to create a ground breaking and sustainable change for women and girls in the Marshall Islands through transformative project loans. Focusing on effective women's organizations, groups, networks and communities, the Fund will be initially capitalized with \$1 million in assistance from the Republic of China (Taiwan).

Mr. Speaker,

Trafficking in persons continues to be a critical social issue to be addressed. With the adoption of the Prohibition of Trafficking in Persons Act and the Cabinet endorsement of the National Action Plan of the National Taskforce on Human Trafficking, the Marshall Islands has been upgraded to Tier 2 on the trafficking in persons watch list of the U.S.

Mr. Speaker,

Each year, the Nitijela convenes to debate and adopt legislation and resolutions for the betterment of our people. However, compliance has always been an issue with these laws. Both the Government, including local governments and the private sector, are guilty parties in this regard. Instances of non-compliance is seen with respect to our minimum wage, food safety and labeling regulations, procurement practices, and social security requirements. Efforts are being made to strengthen compliance to RMI laws on food safety, traffic violations, minimum wage, tax evasion and the like, including establishing a Compliance Taskforce led by the Office of the Chief Secretary.

Mr. Speaker,

The Government is also committed to improving solid waste management and conservation efforts. Following on the Styrofoam and Plastics Products Prohibition and Container Deposit Act which bans the use of disposable Styrofoam cups, plates and plastic shopping bags while establishing a recycling program, the Cabinet recently endorsed the Recycling Regulations needed to implement the Act. The program will commence in August and will pay out 5 cents to people for each PET plastic bottle and aluminum cans and glass bottles collected. In addition to supporting beautification efforts of our capital and other atolls, this can be a good source of supplemental income for young people.

Mr. Speaker,

Water security is another priority action under the Agenda 2020. Building on the previous administration great project to build 28 community water catchments, the RMI Environmental Protection Authority began work in the outer islands to develop a national GIS map/inventory of existing groundwater wells and community storages, with an assessment completed on Wotje last month. This assessment records quantity and quality of ground lenses, and it is anticipated that such work will be conducted in other outer islands soon.

In addition to the positive assessment done on the freshwater lens in Laura, there is a proposed project to construct a water catchment amounting to 1.6 million gallons in Majuro to be funded by Japan.

Mr. Speaker,

Consumer debt and protection priority actions are also included in the Agenda 2020. The Banking Commission, along with the Office of the Attorney-General, is reviewing banking laws and regulations, including directives, so as to require banks to implement debt service requirements for their lending programs. This would help improve transparency with respect to loans and money lenders.

Mr. Speaker,

The Government continues with its infrastructure develop projects. For the 2018-2019 period, we are in the process of securing a soft loan of \$19 million to repair the Capital Building. Another \$14 million has also been secured for on-shore improvement projects in the maritime area to add value to our fisheries sector such as processing by-catch. Other projects include the sports facilities behind the Capital Building complex, which is underway, with the repair to ECC to commence soon. With a Building Code to be completed next year, priority actions regarding infrastructure is on track in the Agenda 2020.

Mr. Speaker,

To conclude my remarks, I wish the Nitijela all the success for the second part of its 39th Regular Session. A lot of work remains for my Administration, and we anticipate more progress in implementing Agenda 2020 throughout the year as we keep our focus on improving customer service for the Marshall Islands and our people.

Kommol tata.