

Revisiting the Reform Agenda

Republic of the Marshall Islands

A Review of 11 Public Enterprises and Options for Reform



Asian Development Bank TA-7336: Responding to Economic Crisis
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1. Background

The Government of the Republic of the Marshall Islands (RMI) requested ADB assistance to develop effective response measures to the global financial and economic crisis. In response, ADB provided a Technical Assistance (TA) project to undertake an informed analysis of the options available to carry out fiscal adjustment and other reforms, including policy options that would help the RMI: (i) achieve the optimal size of the public sector (particularly to reduce the wage and salary burden and restore fiscal stability); (ii) reduce subsidies to statutory authorities; (iii) improve the efficiency of finance and budget processes; and (iv) improve data for economic planning and monitoring.

This review was conducted as part of the TA with the aim to: (1) assess the general performance of key public enterprises, and in particular their financial performance; and (2) identify possible options and approaches for reforming public enterprises.

There is a renewed effort to revisit the reform agenda in the RMI, and public enterprise reform will need to be a major consideration in any reform program. It is therefore anticipated that this review will help inform this process moving forward.

This analysis was conducted intermittently over the November 2009 to February 2010 period by consultants Ben Graham and Lowell Alik. Tommy Kijiner, Jim McLean, Ben Chutaro, and Kevin O’Keefe are acknowledged for their comments.

2. Defining Public Enterprises

For this analysis, a Public Enterprise is defined as:

A legal entity whose operations and ownership are mostly controlled by the Government, whose primary source of revenue is the sale of a good or service, and that is expected to operate under commercially self-sustaining means.

It is important to distinguish between public *enterprises* and public *agencies*. Public agencies are also legal entities (established by law or charter) and are also owned and controlled by the Government, but they are not commercially oriented and typically do not derive revenue from the sale of a good or service. This analysis excludes all public agencies operating in the RMI.

3. The Eleven Public Enterprises Analyzed

This analysis covers 11 key entities in the RMI that meet the definition of a public enterprise and for which financial and other data were readily available during the project period. The following table provides summary information on how each enterprise was established, its ownership and control, and the year it was established.

Entity	Legal Establishment	Ownership/Control	Year Established
AMI	Incorporated/chartered	Government	1989
KAJUR	Incorporated/chartered	Government	1990
MAWC	Incorporated/chartered	Government	2006
MEC	Incorporated/chartered	Government	1984
MIDB	Statutory (by law)	Government	1988
MIPA	Statutory (by law)	Government	2003
MISC	Statutory (by law)	Government	2005
MRI	Incorporated/chartered	Government	1995
MWSC	Incorporated/chartered	Government	1989
NTA	Statutory (by law)	Mixed	1990
Tobolar	Statutory (by law)	Government	1977

Note: public enterprise full names can be found in the Table of Contents; Marshall Islands Airports Authority (est. 1999) was merged into the pre-existing MIPA (est. 2003) at the outset of FY2004.

Appendix 2 provides detailed information on each public enterprise, including a summary of its function and operations and ten years worth of key financial and operational indicators (covering the FY99 to FY08 period).

4. Public Enterprises and Underperformance

The body of research and analysis on public enterprises and their origins, performance, roles and contributions to economic development is extensive. Much of the analysis has centered on the question of why public enterprises often struggle to deliver goods and services efficiently and effectively. Cross-country analysis has shown that poorly performing public enterprises have directly impacted economic growth by providing low returns on the public resources entrusted to them, by competing with and crowding out private firms, and through opportunity costs (resources diverted to public enterprises could have, alternatively, gone to other development priorities). Text Box 1 elaborates on these points with an excerpt from the 2009 ADB Study “Finding Balance: Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga.”

In the Pacific, many public enterprises have not performed well and have had these same negative impacts on economic development – and the Marshall Islands is no exception. Public enterprises, including those in the RMI, have typically underperformed for the following reasons.

The incentive and governance structures for public enterprises usually do not reward strong performance, nor do they penalize poor performance. Public enterprise managers do not typically face very strict performance and financial requirements, and when performance is poor, usually there are no consequences.

The selection of managers, staff and even board directors of public enterprises is not always transparent and based on qualifications or merit. Often times, people are appointed to posts for which they have virtually no qualifications or experience.

Public enterprises often face a multiplicity of objectives and expectations and work under unclear or conflicting mandates. Some public enterprises are expected to provide social services, even when by law they are established to deliver goods and services through commercially self-sustaining means. The regulatory and legal environments in which public enterprises operate are often inadequately defined and do not clearly articulate the standards which public enterprises must follow. Public enterprises are often internally conflicted as they are expected to deliver services as well as regulate themselves.

Political influence (or direct interference) in the day-to-day running of public enterprises creates complications and conflicts that affect performance. At times, managers may be directed to take certain decisions that may be politically feasible but which are detrimental to the public enterprise. In other cases, the authority for setting prices for the goods and services offered by public enterprises is often vested with political authorities, and this can lead to situations where prices are unsustainably set below true costs.

Public enterprises that run persistent financial losses are often 'bailed out' or supported by national budgets or donors, and often these bail outs occur without any binding requirements for reform or restructuring. This essentially rewards poor performance and virtually ensures that public resources will flow disproportionately to poorly performing entities.

Information and indicators on public enterprises are often difficult to access. While public enterprises undergo annual financial audits, these audits usually present aggregated data that do not always allow for detailed financial analysis. Moreover, audit results are often not released on a timely basis – it can take as long as nine months after the end of a fiscal year for audit results to be publicized. Some public enterprises provide annual reports that, in addition to audits, provide financial and operational indicators, but this is uncommon. All of this makes in-depth measurement and evaluation of performance quite difficult (and in the RMI performance audits of public enterprises are extremely rare).

Text Box 1: How Poorly Performing Public Enterprises Impact an Economy

(Excerpt from ADB 2009 publication "Finding Balance: Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga")

They provide low returns on investment. State-owned enterprises (SOEs) absorb a significant amount of scarce capital stock, while providing returns below the true cost of that capital.

They crowd out the private sector. Although private sector firms are generally more efficient, SOEs often compete on an unequal basis, making it difficult for private competitors to invest and grow.

They create opportunity costs. SOEs absorb government funds that could otherwise be spent on vital social sectors such as health and education.

5. Past to Present: Efforts to Reform Public Enterprises

Efforts to reform public enterprises in the RMI have been few and far between and where reforms have been attempted, the outcomes have been limited and not sustained. Public enterprise reform was a key component of the late 1990s RMI Public Sector Reform Program and the Private Sector Unit technical assistance project (both supported by ADB). These efforts had limited impacts in improving the operations of the public enterprises they targeted. On the whole, as shown in the next section, while the public enterprise sector still absorbs significant public resources, its returns and outcomes on those resources remain far below any sensible expectations.

While several public enterprises have managed over the years to reduce their need for subsidies, issues such as efficiency, opportunity cost, risk of service disruption, and crowding out remain. Still, some public enterprises have continued to require annual subsidies and cash advances, sometimes worth several million dollars, to stay afloat. In most cases, poorly performing public enterprises are given the public funds but have never been required to restructure themselves or to develop any semblance of a reform plan.

As stated in the previous section, repeatedly transferring significant public resources to weakly performing public enterprises without any strong accountability requirements has sent a very clear message: performance really does not matter.

Nevertheless, in recent years there has been increasing recognition for the need to revisit the reform agenda. Reforms are now underway or are being seriously considered for MEC, Tobolar and AMI, three enterprises that have encountered serious challenges in recent years and that have required subsidies and/or cash advances from the national government.

In the recent decade, the financial and operational performance of the RMI's main electric utility, the Marshalls Energy Company (MEC), has steadily worsened due to a range of factors. Most notably, the rise in diesel fuel prices beginning in the mid 2000s and the 2008 fuel crisis have pushed the utility into full-blown insolvency. The company now requires continual cash transfers and advances from the national government, thereby placing additional pressure on an already stressed fiscal system¹.

In 2008 the MEC Board and management adopted a series of reform measures and began drafting a Comprehensive Recovery Plan. However, these measures will require at least two to three years for full implementation and the imminent resurgence in fuel prices means that MEC still constitutes a source of risk on the fiscal system and broader economy. In depth diagnoses of MEC's financial and operational performance in 2008 and 2009 have revealed numerous long-standing problems that were not adequately addressed in years past. Most of the underlying factors for underperformance described in the previous section apply to the MEC case.

¹ Note that the bulk of cash provided to MEC from the national government in recent years has been in the form of cash advances, versus outright grants or subsidies; the data on subsidies received by MEC in this analysis show only true subsidies (transfers received as grants for either operations or capital) and do not account for the significant cash advances received by MEC. A large portion of cash advances provided to MEC has been subsequently offset against government electricity billings. Cash advances provided to MEC have been significant (for example, amounting to \$7.9 million from July 2008 to July 2009) and have put heavy pressure on government cash flow.

Early efforts are now underway to explore options to improve the operations of Tobolar, following recent changes in the Board and management. These efforts are still in their early phases and have not produced any concrete reform plans.

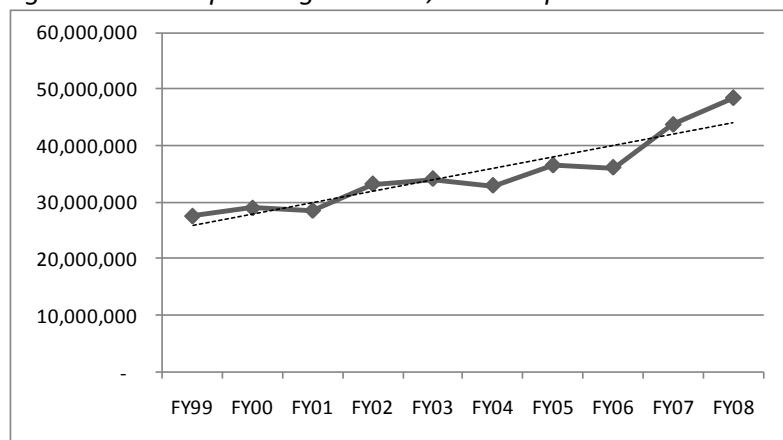
Most recently (in early 2010), a joint recommendation has been put forward to Cabinet by the Board of Directors of the Marshall Islands Visitors Authority (MIVA) and the Marshall Islands Tourism Association (MITA) for the creation of a special task force whose mandate will be to analyze AMI's status and future as well as the broader issues of domestic and international air connectivity, and to recommend options to reform AMI (including potential full privatization) and to improve air connectivity to and within the country. This effort has yet to gain full approval from Cabinet.

Reforms to other public enterprises have been discussed and considered, but in general there has not been serious consideration given to the idea of a comprehensive, sector-wide reform effort to public enterprises in the country.

6. A Review of Financial Performance: Trends and Comparisons

Revenue. Public enterprises now collectively receive nearly \$50 million in annual revenues. Revenue growth has averaged around 7 percent over the FY99 to FY08 decade, but revenue trends vary widely across the 11 public enterprises and much of the growth in recent years was due to higher tariffs charged by MEC (due to higher import fuel costs) and higher revenues earned by Tobolar due to favorable world market prices for coconut oil. Over the decade, Tobolar, AMI, MEC and KAJUR had the most volatile revenues (as measured by their coefficient of variation).

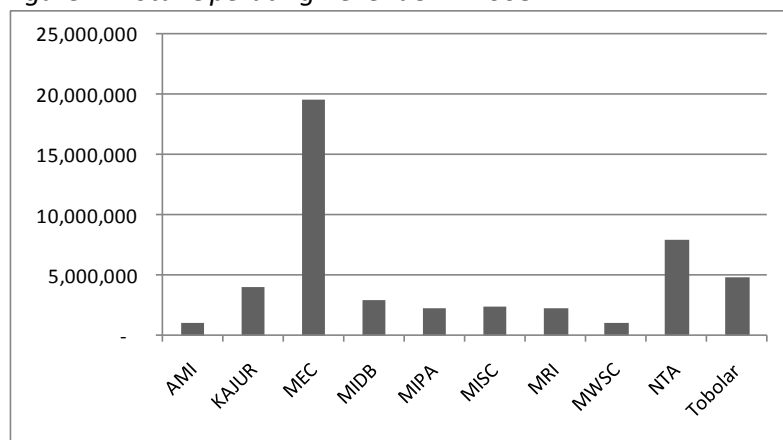
Figure 1. Total Operating Revenue, all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Note: dotted line indicates simple linear trend line

Figure 2. Total Operating Revenue: FY2008



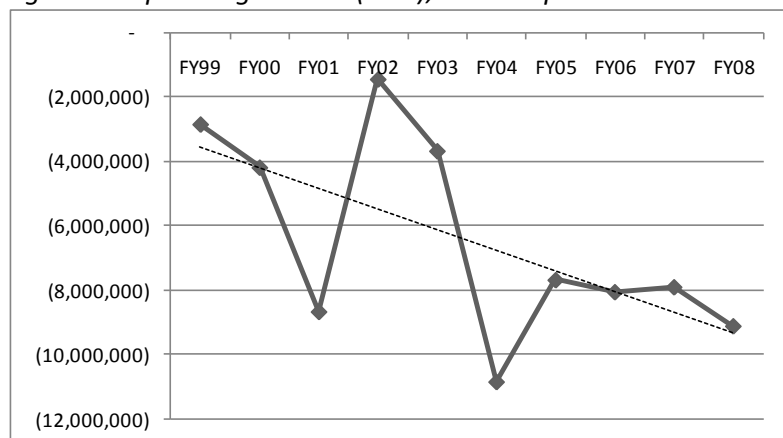
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Most public enterprises collect less than \$5 million in annual revenues, with the exception of MEC and NTA. Tobolar received \$4.8 million in revenues in FY08, but this was an anomalous year for Tobolar given the unusually high global market prices for coconut oil. Over the period, Tobolar revenues averaged just under \$1.7 million.

Profitability. While public enterprises have seen fairly steady revenue growth over the decade, expenses have kept up and, in several cases, significantly exceeded revenues, resulting in continued

and worsening operating losses. The vast majority of public enterprises have run significant financial losses in the vast majority of years over the FY99 to FY08 decade. Collectively, public enterprises have run annual average losses of around \$6.4 million and in FY08 over \$9 million was lost, the second highest loss after FY04 when \$10.8 million was lost.

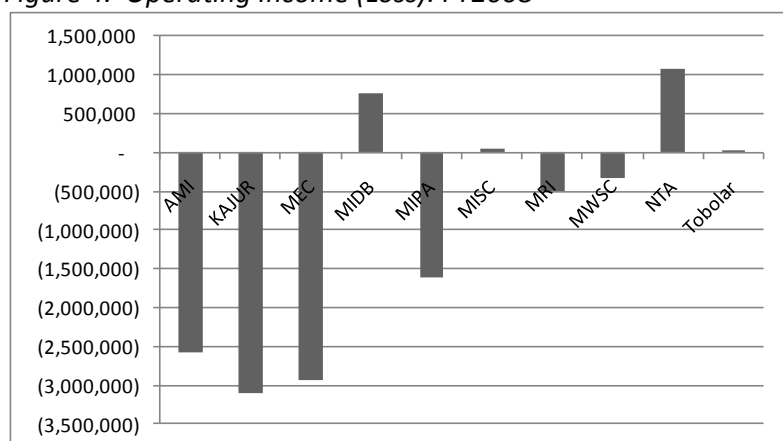
Figure 3. Operating Income (Loss), all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Note: dotted line indicates simple linear trend line

Figure 4. Operating Income (Loss): FY2008

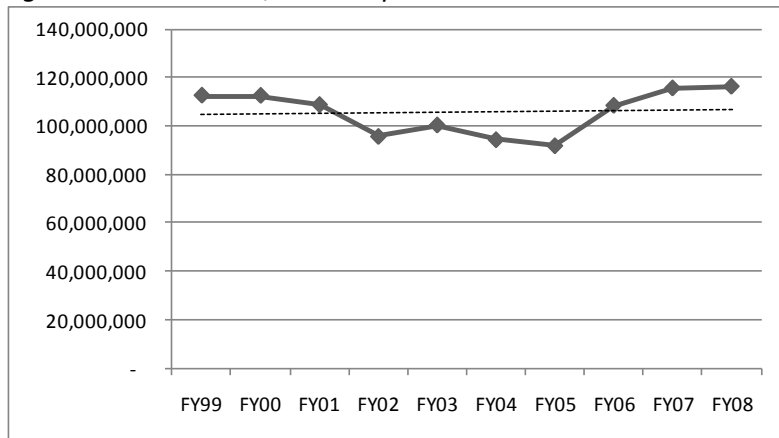


Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

In FY2008, well over half of public enterprises ran major financial losses and in most of the ten years between FY99 and FY08, NTA was the only company that generated consistent operational profits.

Asset balances. Public enterprises hold significant public assets. In FY08, they held \$116 million in assets, or the equivalent of 75 percent of GDP. Roughly 20 percent of total asset balances consist of current assets (cash, cash equivalents, inventories and other relatively liquid assets that are easily convertible to cash) and the remaining 80 percent consist of non-current assets (mostly property, plant and equipment). Asset values have grown in recent years, but this has been driven almost entirely by MIPA's major airport infrastructure projects as well as its build-up in cash reserves.

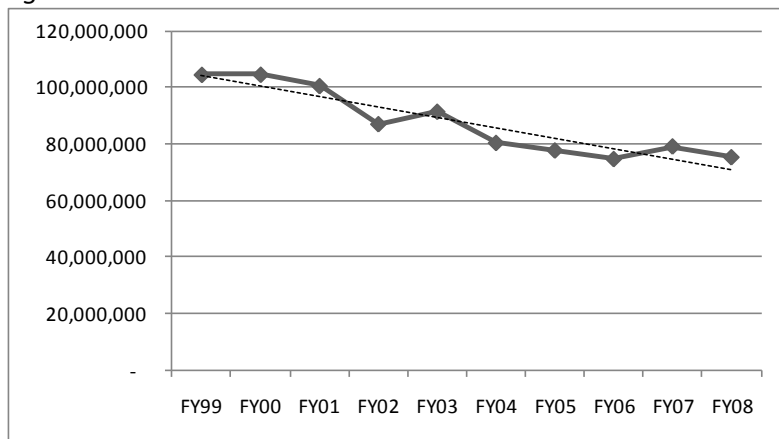
Figure 5. Total Assets, all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.
Note: dotted line indicates simple linear trend line

The graph below shows public enterprise asset balances without MIPA, illustrating a strongly negative trend. Many enterprises, such as MEC, have not followed adequate capital replacement policies and practices (mostly due to financial difficulty) and have therefore seen strong and steady deterioration in their net operating assets.

Figure 6. Total Assets without MIPA: FY1999 to FY2008

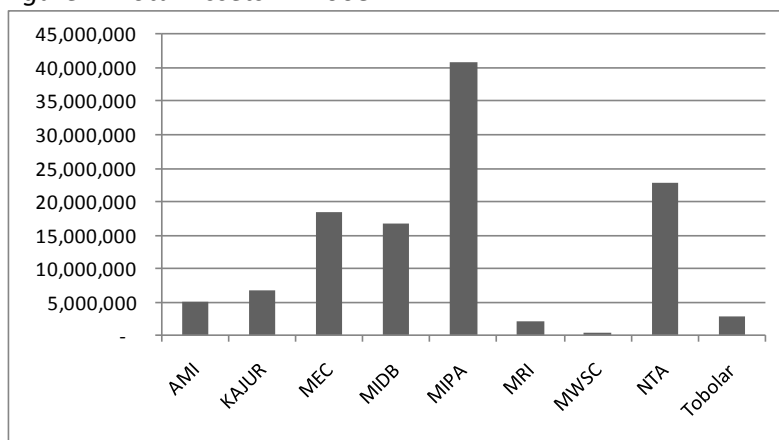


Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.
Note: dotted line indicates simple linear trend line

MIPA, NTA, MEC, and MIDB held 85 percent of the total assets of \$116 million in FY08.

Several public enterprises, such as MEC, have run up and subsequently written off significant accounts receivable balances (a current asset) over the years.

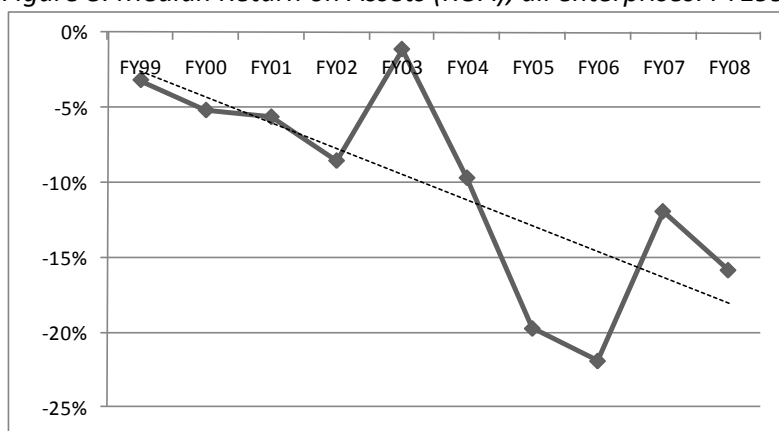
Figure 7. Total Assets: FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Return on assets. The majority of public enterprises yield very low or negative returns on the significant public assets entrusted to them. As a group, from FY99 to FY08, for every dollar in assets held by public enterprises, they returned an annual median of negative 10 cents. Over the decade, this performance has worsened as shown in the graph below. In FY07 and FY08, the group median ROA was negative 12 and negative 16 percent, respectively.

Figure 8. Median Return on Assets (ROA), all enterprises: FY1999 to FY2008

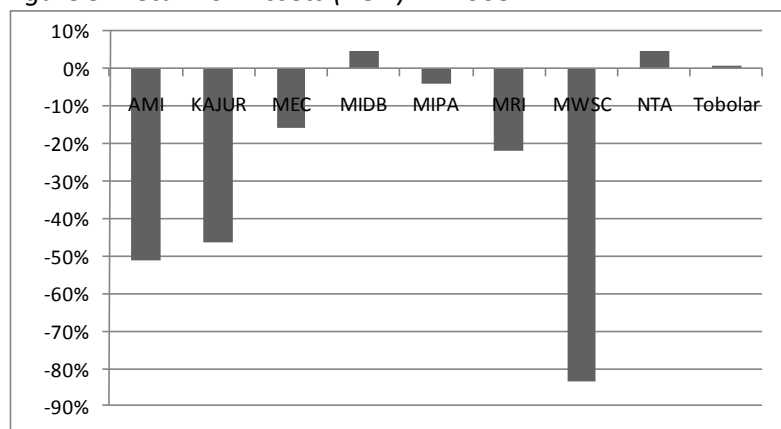


Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Note: dotted line indicates simple linear trend line

In FY2008, NTA and MIDB returned 5 cents to the dollar while MWSC, AMI, KAJUR, MRI and MEC had highly negative ROA. Over the decade, only NTA and MIDB had consistently positive ROA. Audit data were not disaggregated sufficiently to allow analysts to calculate Return on Net Operating Assets (RNOA).

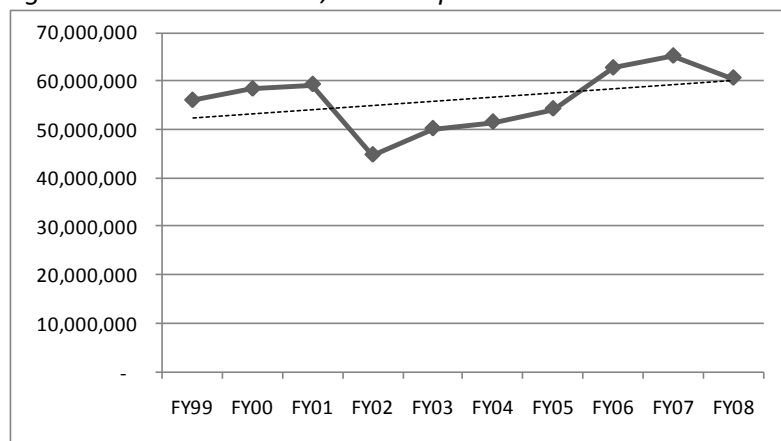
Figure 9. Return on Assets (ROA): FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Liabilities. As component units of the Government, liabilities held by public enterprises are contingent liabilities for the Government. As a group, public enterprise liabilities totaled just over \$60 million in FY08, or around 40 percent of GDP. Total liabilities have grown over the decade. NTA and MEC hold the largest debt liabilities, mostly in the form of government-guaranteed loans that financed large infrastructure projects.

Figure 10. Total Liabilities, all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

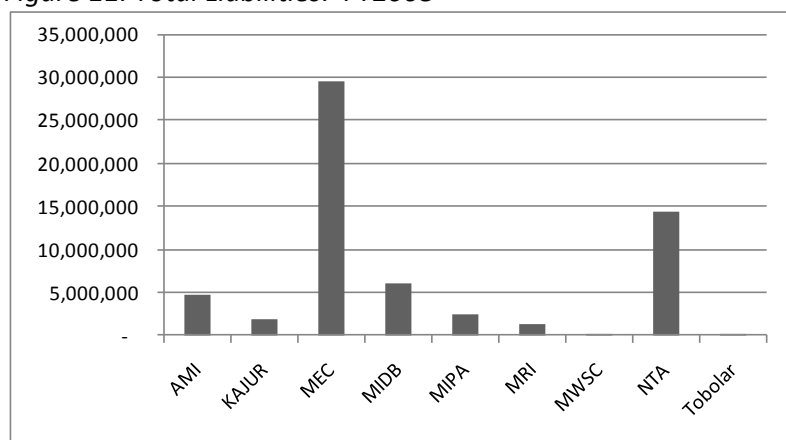
Note: dotted line indicates simple linear trend line

The non-current portion of total liabilities, mostly consisting of long-term commercial and concessional debt held by MEC and NTA, has been fairly stable at around \$30 million over the decade. In FY09 NTA incurred additional long-term debt to finance the RMI submarine fiber optic cable and this new liability is not shown here.

Over the years, several public enterprises have become delinquent on retirement and health fund taxes and have run up significant liabilities to the Marshall Islands Social Security Administration (MISSA). In these cases, public enterprises have withheld taxes from employee compensation, but have failed to match and remit these withholdings to MISSA. This has jeopardized the financial security of many public enterprise employees (who now have under-funded retirement accounts),

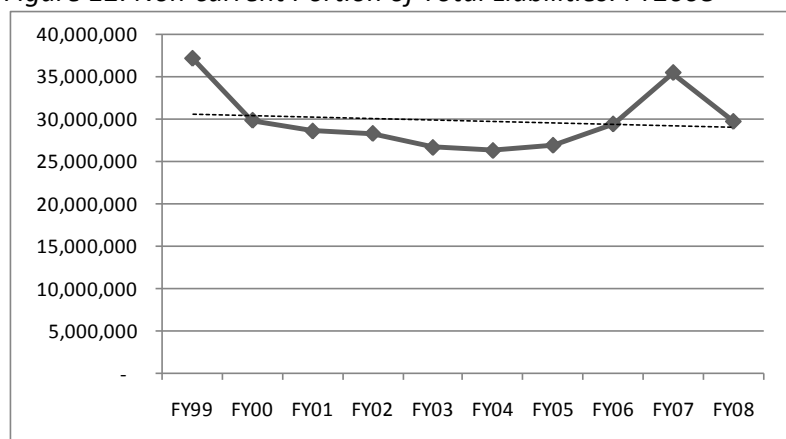
negatively impacted the national health fund, and has gotten public enterprises into serious legal complications. MISSA has aggressively pursued legal action against delinquent public enterprises and has levied penalty and interest charges that have further eroded these public enterprises' cash flow and solvency positions.

Figure 11. Total Liabilities: FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Figure 12. Non-current Portion of Total Liabilities: FY2008



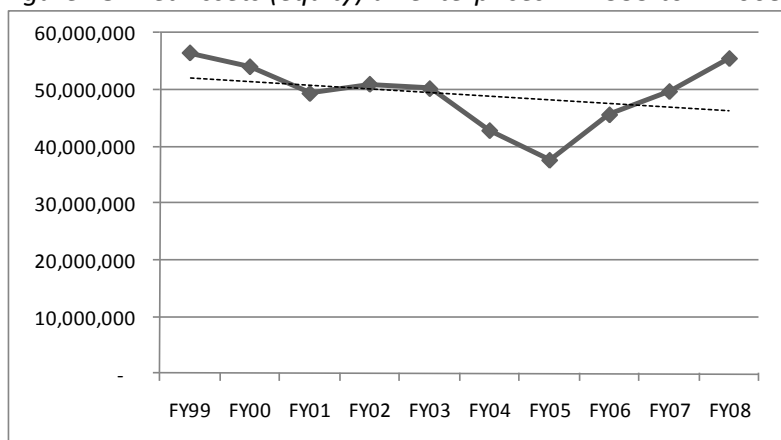
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Note: dotted line indicates simple linear trend line

Net Assets (equity). The net asset (total assets minus total liabilities) balance for all public enterprises was on a general downtrend from FY99 through FY05, but grew rapidly from FY06 through FY08. This was a function of MIPA's rapid accumulation of assets from FY04 onwards (mostly from its large airport infrastructure projects, funded by US grants) as well as stable total liabilities levels.

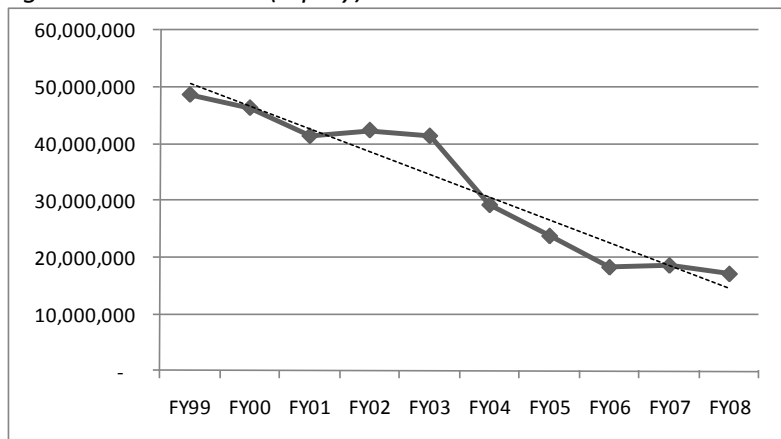
As shown in Figure 14 below, without MIPA, net assets for all enterprises fall dramatically over the period. In FY99, without MIPA, net assets were nearly \$50 million but by FY08 they had declined to under \$20 million.

Figure 13. Net Assets (equity) all enterprises: FY1999 to FY2008



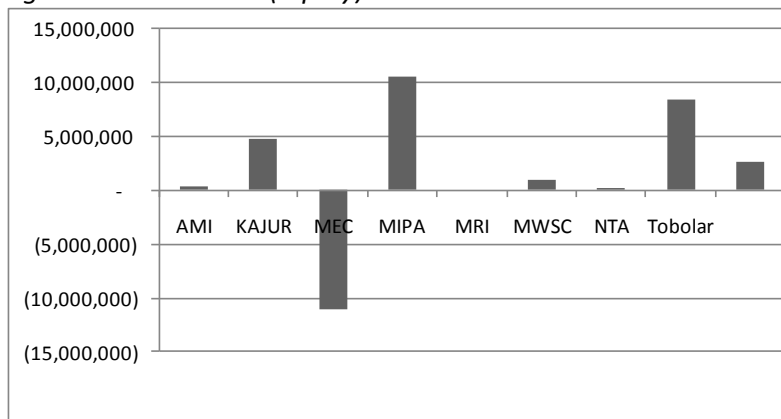
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.
Note: dotted line indicates simple linear trend line.

Figure 14. Net Assets (equity) without MIPA: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.
Note: dotted line indicates simple linear trend line

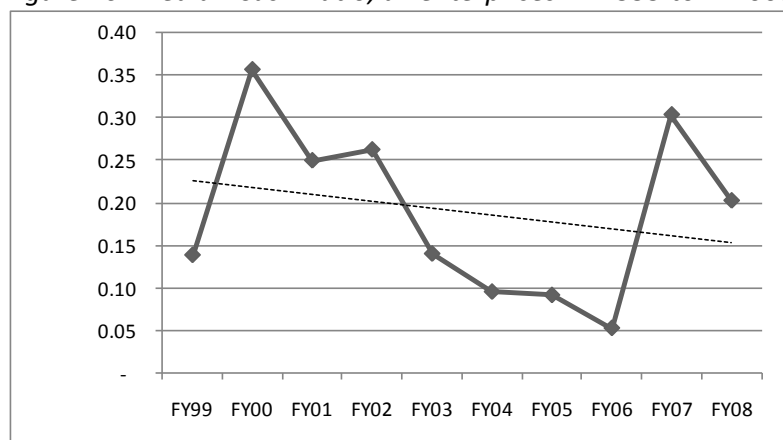
Figure 15. Net Assets (equity): FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

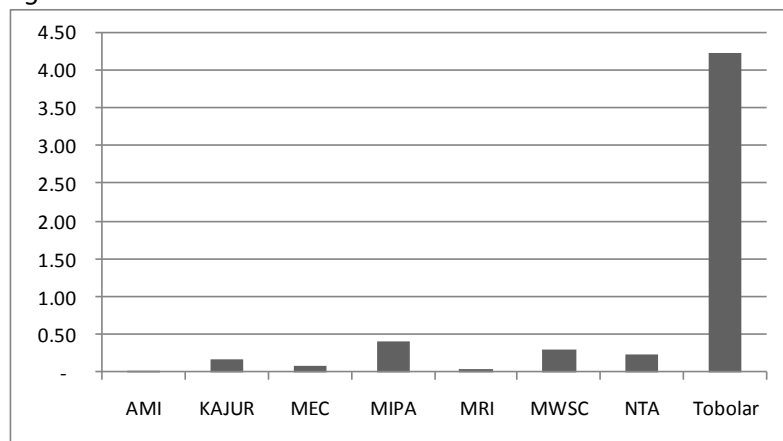
Short-term solvency (liquidity). Most of the public enterprises show deteriorating short-term solvency positions, as measured by their current and cash coverage ratios. The median cash ratio for the group averaged .19 for the ten year period, meaning there was 19 cents in cash (and near-cash assets) on hand to cover every \$1 in current liabilities (due within one year). This is hard evidence that nearly all the enterprises have been at high-risk for defaulting on their near-term obligations, which in turn raises the exposure of the national budget and fiscal system. Several public enterprises have actually defaulted on their obligations and had to call on the national government for emergency assistance, including in the past two years. The median cash ratio for all enterprises in FY07 and FY08 was .30 and .20, respectively.

Figure 16. Median Cash Ratio, all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.
Note: dotted line indicates simple linear trend line

Figure 17. Cash Ratio: FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

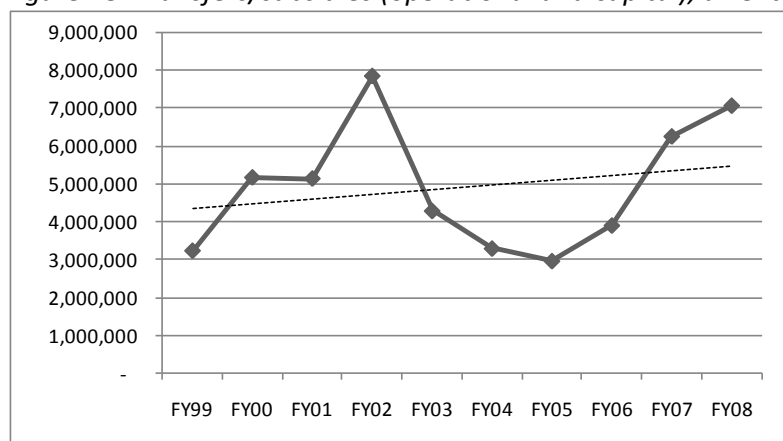
At end FY2008, all enterprises had cash coverage ratios of less than .50, except for Tobolar, which enjoyed favorable world-market prices for its exports in FY2008 and thus ended the year with a strong cash balance (an anomaly for Tobolar).

Subsidies (transfers). Subsidies, in the form of both operational and capital transfers, grew significantly (more than doubling) from FY05 to FY08. There is wide recognition that current subsidy

levels are unsustainable, given the fiscal outlook and the challenges that lie ahead. From FY99 to FY08, public enterprises received \$49.2 million in subsidies, or an average of just under \$5 million a year. As illustrated by the trend line below, subsidies are on an upward trajectory. Nevertheless, the difficult fiscal challenges now confronting the RMI will make this very difficult to continue.

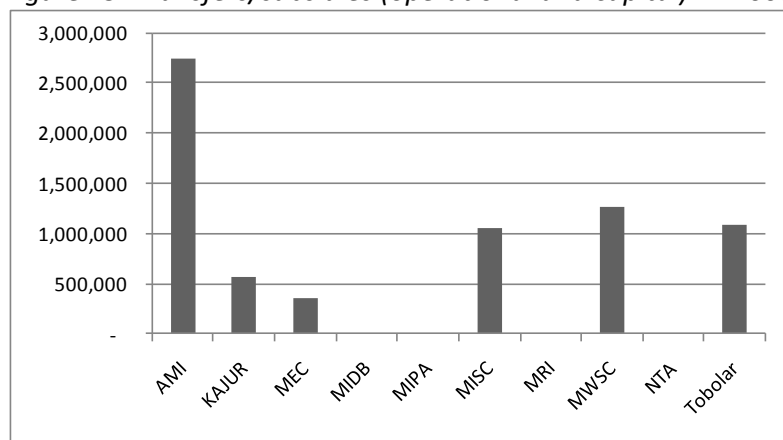
AMI, MWSC, Tobolar, and MISC were the top four subsidy recipients in FY2008, collectively absorbing over \$6 million in public funds from the national budget.

Figure 18. Transfers/subsidies (operational and capital), all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.
Note: dotted line indicates simple linear trend line

Figure 19. Transfers/subsidies (operational and capital): FY2008



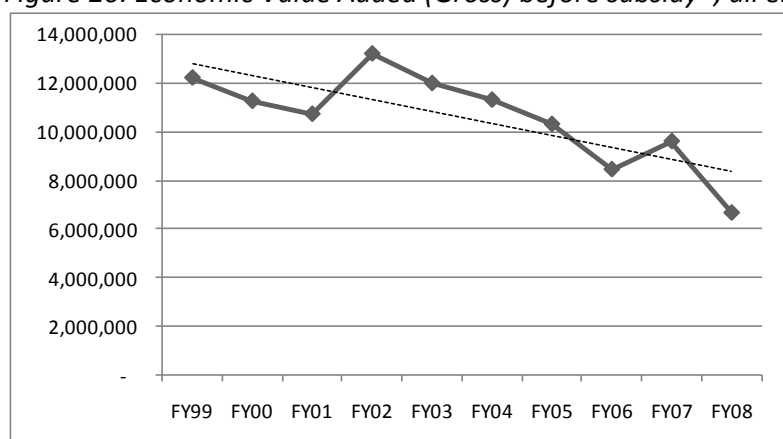
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

In FY2008, NTA, MIDB, MRI, and MIPA did not receive any subsidies (data for MAWC in FY2008 are not available). For MEC (as indicated in footnote 1, page 5) the bulk of cash received from the national government in FY2008 was in the form of cash advances, not outright grants or subsidies. This data here show only true subsidies (unrequited grants) and therefore do not reflect the burden MEC has placed on government cash flow. A large portion of the cash advanced to MEC has been subsequently offset against government electricity billings. Cash advances provided to MEC have been significant: from July 2008 to July 2009, \$7.9 million was advanced to allow the utility to maintain diesel fuel imports.

Economic value added. Economic value added is the contribution to GDP made by public enterprises and is calculated by subtracting intermediate consumption from gross output. In the data below, subsidies are excluded. Public enterprises that run net operating losses can still make positive contributions to GDP.

The contribution of the public enterprises to GDP (at purchaser prices, or before receipt of subsidies) varies from enterprise to enterprise, but is on a strong downtrend over the past decade. NTA, MIPA and MEC have been among the largest public enterprise contributors to GDP over the decade.

Figure 20. Economic Value Added (Gross) before subsidy, all enterprises: FY1999 to FY2008*

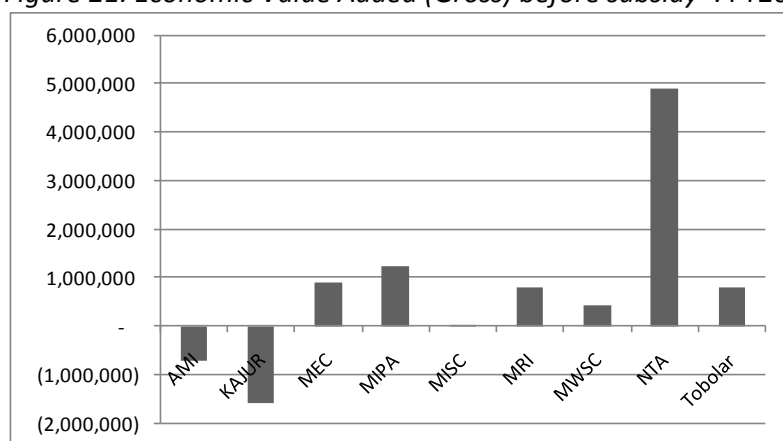


Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Note: dotted line indicates simple linear trend line

* As derived in FY2008 Economic Statistics Tables

Figure 21. Economic Value Added (Gross) before subsidy: FY2008*



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

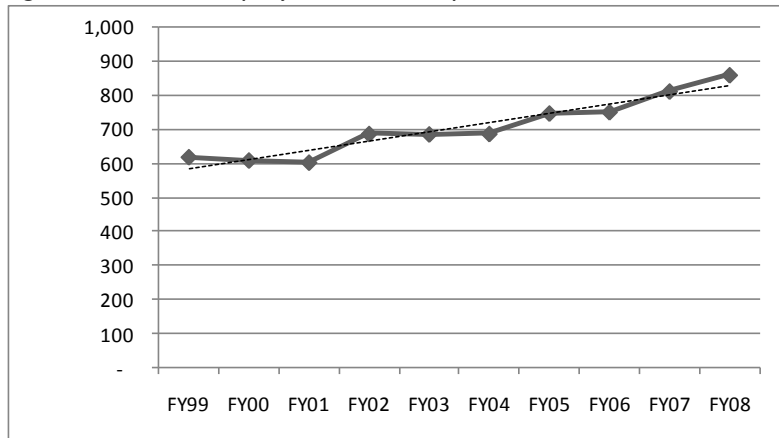
* As derived in FY2008 Economic Statistics Tables

Employment. Employment in public enterprises grew steadily over the decade, with public enterprises adding a total of 240 jobs over the period. Growth in employment at MEC, NTA and MIPA account for most of the growth (MIPA merged with MIAA in FY04, which accounted for an increase in its employment of 36 employees). New entities like MAWC and MISC have also added to the growth in recent years.

MEC and NTA remain the largest employers, with 161 and 160 employees respectively in FY08. All others have around 100 or fewer employees.

Tobolar, MEC, KAJUR and AMI have had the lowest revenue elasticity of employment over the past five years, meaning changes in their revenues from year to year have had little correlation with the number of employees on their payrolls. AMI, for instance, saw a 71 percent drop in revenue over the FY06 to FY08 period but only a 23 percent reduction in employment.

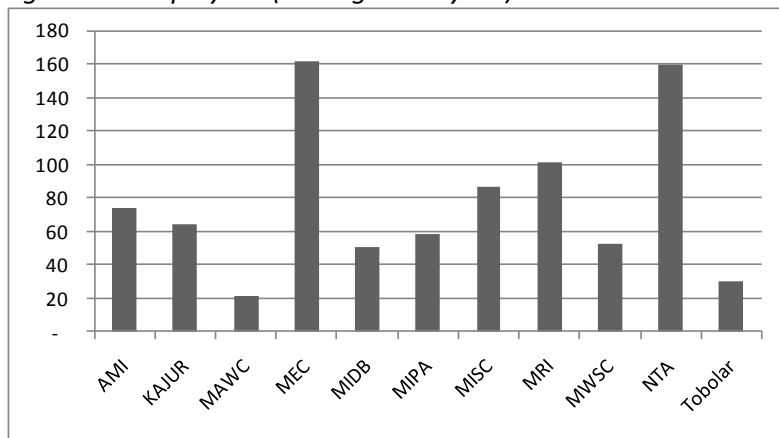
Figure 22. Total Employees, all enterprises: FY1999 to FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

Note: dotted line indicates simple linear trend line

Figure 23. Employees (average over year): FY2008



Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprises.

7. Proposed Approaches to Public Enterprise Reform in the RMI

Public enterprises in the RMI have been analyzed (to varying degrees) during several recent studies and exercises, including the Public Consultations Program (undertaken as part of this ADB-RMI TA), the FY2008 RMI Economic Review (funded by the US Department of the Interior), the IMF Article IV 2009 mission, the Comprehensive Adjustment Program (CAP) initial analysis on expenditure reform in 2009, a World Bank preliminary 2009 visit (which focused mostly on MEC reforms but which addressed some cross-cutting issues), and the 2008-2009 Special Evaluation Study conducted by the ADB on public sector reforms in the Pacific.

Some of the relevant findings and recommendations from these studies and exercises are summarized here.

Public Consultations Program (PCP). As summarized in the PCP Summary Report, participants in the program felt that reforms to public enterprises are long overdue and that this is an area that leaders have not given adequate attention to. Specific recommendations included:

- Prioritize reforms and phase out subsidies to the worst performing public enterprises
- Require that public enterprises adopt some type of harmonized pay scale
- Conduct a comprehensive review of all public enterprises to make sure they are complying with their mandates
- Establish stronger rules for how public enterprises are supposed to use their “profits” or financial surpluses
- Cabinet and Nitijela to take a more proactive and stricter approach to reviewing the performance of enterprises and in demanding more accountability; if public enterprise managers are failing, replace them
- Establish stronger regulation and legislation to require better performance from the public enterprise sector as a whole

On the topic of how the RMI can encourage growth, PCP participants suggested that reforming and privatizing (where feasible) public enterprises can be a way to encourage growth in the private sector and the broader economy. Participants viewed poorly performing public enterprises as a major constraint to growth, so reforming them (or transforming them through privatization) should be viewed as a good way to encourage private sector and economic growth.

FY2008 RMI Economic Review. The economic review, conducted by a team of local and international analysts (and funded by the US DOI through the Graduate School), put forward some succinct but insightful observations relating to public enterprises and their reform:

- “One key area that has yet to see any serious policy reform attention has been the state owned enterprises, most of which are inefficiently run, require heavy subsidies, and contribute to the high cost of doing business. State involvement in running enterprises remains high, and there have not been any serious reform efforts in this area since the Public Sector Reform Program in the late 1990s.”

- "...subsidies to public enterprises have grown notably in recent years, a trend that should raise serious concern. Most public enterprises continue to face critical challenges in maintaining efficient and effective operations and finances, and the recent experience of the Marshalls Energy Company is one of the most telling examples of how a struggling public enterprise can constitute a direct and significant threat to the national budget and overall economy."
- "The financial situation of the MEC and other state owned enterprises threatens the nation's financial viability, especially if world economic conditions deteriorate further or when, in the upswing, oil prices rise."
- "There is a need for RMI leadership to take a broader view and to make rational decisions about the nation's future during the remainder of the amended Compact. A comprehensive reform program remains highly relevant to consolidate the fiscal reforms under way, take a holistic approach to the SOEs, and, most importantly, to focus on measures to encourage the private sector."

IMF Article IV mission. The IMF Article IV 2009 mission stated that a comprehensive reform program, including public enterprise reform, is required if the RMI is to secure long-term fiscal sustainability and encourage private sector development. The mission forecasts an increasingly difficult fiscal position and foresees an emerging and deepening fiscal gap that RMI leaders must address through a program of adjustment. "This adjustment needs to be coupled with a modernization of the public sector, including through state-owned enterprise reform" stated the mission.

Other relevant points made by the mission:

- "Many state owned enterprises have government mandated social service obligations which impair their ability to effectively provide services and support growth. The nature and magnitude of community services performed are often not clearly defined, and typically subsumed in the SOE's overall operating activities through cross-subsidization."
- "This lack of transparency complicates resource planning and has contributed to weak management, underinvestment, and a continued need for subsidies and capital injections. Bottlenecks in electricity provision (MEC) and high costs of telecommunications (NTA), which are magnified by a small market and a high debt burden, have raised the cost of doing business and limited the development of new livelihood opportunities for the outer islands..."
- "A more transparent delineation between commercial and non-commercial services could improve the performance of SOEs. A possible approach in tackling this problem is the use of contractual arrangements in the form of a community service obligation (CSOs). Such contractual operations between the government and SOEs have been successful in other countries (for example Fiji shipping company). The mission encourages the government to explore such options."
- "In areas where state owned enterprises provide purely commercial services, operation should be divested. The mission welcomes the government's decision to sell its hotel, the Marshall Islands Resort. We also encourage the government to contract out the management of Tobolar's commercial activities through a competitive and transparent process, and ensure that procurement processes are abided by. Currently, Air Marshall

Islands (AMI) cannot reasonably be expected to deliver on its community service obligations and the government should consider downsizing and divestment.”

CAP Advisory Group analysis. The initial expenditure-reform focused analysis conducted by the Comprehensive Adjustment Program (CAP) advisory group stated that:

- Grants and subsidies from the General Fund to State Owned Enterprises have grown by 43 percent since FY04, thus “RMI should conduct an in-depth review of State Owned Enterprises with the aim of improving their financial and operational viability and to rationalize subsidies and transfers.”
- Technical assistance is required to, “assist the Office of the President/Chief Secretary conduct an institutional review of existing State Owned Enterprises with the aim of rationalizing of subsidies and transfers and where appropriate, privatize.”

World Bank 2009 mission. A World Bank mission to the RMI in 2009 focused its analysis on one particular enterprise, MEC, but its findings have relevance to all public enterprises and to the issue of reforms. The most relevant points that came across from the mission follow:

- Public enterprises have a large impact on the Government’s financial position
- There is no legislative framework, such as a Public Enterprise Act or separate regulatory environment, and performance standards are not clearly defined
- Boards do not have a clear distinction between management and oversight responsibilities; present Board structures lead to competing objectives (e.g. political versus operational management)
- Community Service Obligations (CSO) arrangements should be considered
- A number of services are delivered below their true costs
- Cross subsidies should be discontinued
- An appropriate legislative and governance regime should be developed and corporate governance could be improved

ADB Special Evaluation Study on Pacific reforms. The ADB Special Evaluation Study on reforms in the Pacific emphasized the importance of political will (collective choice) and home-grown reform plans, and pointed out that some public enterprises may require medium to longer term time horizons for reform. Moreover, industry and topic-specific expertise will be required to help countries plan and implement reforms, especially during more complex privatization process. Where initial commitment to public enterprise reform is evident, there is a need to target advisory support to focus on “how-to” and implementation-oriented assistance for individual public enterprises.

Lastly, while the ADB “Finding Balance” analysis did not cover public enterprises in the RMI, it provides relevant advice worth repeating here. In particular, the seven key lessons pointed out in this analysis are important for the RMI context:

- Political commitment to reform is paramount.
- Legislative and governance frameworks will not improve SOE performance unless there is political will to enforce them.

- Successful SOE reform explores all available restructuring mechanisms, including but not restricted to privatization.
- Successful reform programs are driven from within, not imposed from outside.
- Competition is a powerful driver for SOE reform. The most efficient SOEs are those that compete with the private sector on an equal footing.
- Continued financing for poorly performing SOEs does not result in improved performance unless there is substantial restructuring.
- The private sector is mature enough to invest in SOEs, and should be given the opportunity to do so.

8. Summary and Next Steps

Section 4 of this review discussed some of the major reasons for public enterprise underperformance, all of which have direct relevance to the RMI. Section 5 discussed past reform efforts and their limited impacts, but also discussed the renewed interest in revisiting the reform agenda and the several reform efforts now underway. Section 6 gave a detailed analysis on the performance of the major public enterprises, showing clearly that most of them are underperforming across a range of financial and economic measures (including profitability and returns on assets, asset management, solvency positions, transfers and subsidies, and economic value added). Section 7 showed that a number of recent analyses have addressed public enterprises and proposed some relevant and useful reform recommendations.

The RMI's public enterprise sector poses increasing systemic risk on the fiscal system and the economy, and this alone warrants reform. But on top of this, the fiscal system and the economy are *already* under major stress on their own, and will continue to face severe challenges moving forward. This situation calls for strong and proactive leadership and a commitment to reforms at the highest levels. This is the only effective way to hedge and manage risk.

The poor performance and negative impacts of public enterprises in the Pacific region have prompted several governments to pursue reforms in a comprehensive and integrated fashion. Where political will has been strong and where the right approaches have been taken, clear progress has been made.

If the political will exists in the RMI to take the next major step in this direction, it is recommended that RMI develop a medium-term Public Enterprise Rationalization Program (PERP) that forms a key component of and supports the broader Comprehensive Adjustment Program (CAP) now under development. The PERP should articulate clear, agreed-upon and time-bound goals, objectives and actions and incorporate a number of the reform ideas already advanced by the earlier analyses (as summarized in Section 7). Moreover, it is also recommended that the PERP:

- Be planned and executed by a Cabinet-appointed and ADB-supported PERP Task Force, with appropriate representation from various sectors and with technical assistance and expertise provided where needed, including specialist expertise in the more technical areas where reforms must be made but where local expertise is thin (such as aviation, electric utilities, water and sewerage systems, etc.)

- Prioritize reforms to those public enterprises that pose the highest systemic risk over the short to medium term
- Follow an integrated approach: (a) focusing both on enterprise- and sector-specific reforms as well as broader institutional and legislative reforms that cut across all public enterprises and that aim to strengthen the governance, accountability, and incentive structures in which public enterprises operate; and (b) harmonize public enterprise reforms with other, ongoing reform components such as tax reform
- Customize reforms to each enterprise, following the most feasible and appropriate forms of reform (including full privatization, where feasible)
- Support and expedite (where possible) reforms already underway, including MEC reforms
- Include the use of both positive incentives (i.e. access to domestically and/or externally mobilized grant or loan funds to support positive transformation) and negative incentives (i.e. subsidy withdrawal and/or legislative measures to create clear consequences for persistently poor performance)
- Give serious consideration to a new policy of excluding elected officials and senior public servants from sitting on public enterprise boards (see Text Box 2)
- Take into account the failures of and lessons learned from past public enterprise reform efforts

Text Box 2: Why Ministers and Public Servants Should Not Serve on Boards

(Excerpt from ADB 2009 publication “Finding Balance: Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga”)

Because it creates conflicts of interest. Public servants and ministers are typically very capable administrators who are appointed to formulate and implement government policy. There are inherent conflicts of interest in marrying this oversight role with the management role of a state-owned enterprise (SOE) director. Ministers who are both SOE chairs and responsible ministers violate a basic principle of good governance: SOE ownership functions (as exercised by the responsible or shareholding ministry) should be kept separate from SOE management functions (as performed by the board of directors).

Senior public servants who serve on an SOE board also violate the principle of separate ownership and management, particularly if they have any public service responsibility for the area in which the SOE operates. It is impossible for public servants to monitor SOEs effectively if they report to ministers or more senior public servants who serve on the boards of those SOEs.

Appendix 1: Comparable Indicators

Total Operating Revenue	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	5,194,594	3,629,902	2,773,750	3,122,945	3,454,205	4,129,474	3,497,086	3,622,104	3,410,752	1,058,484
KAJUR	2,245,970	1,893,643	2,108,066	2,435,931	2,459,775	2,966,963	3,575,170	2,837,283	3,674,531	4,029,959
MAWC									417,241	n/a
MEC	7,396,940	9,392,875	9,666,097	12,587,951	12,970,318	10,957,083	12,542,432	14,096,932	15,889,597	19,598,520
MIDB	1,620,200	2,099,749	1,957,882	1,625,708	2,114,164	2,749,192	2,701,030	2,861,582	2,873,953	2,885,887
MIPA	1,206,944	1,211,579	1,647,678	1,903,812	1,866,571	2,442,098	2,474,339	2,011,038	2,209,562	2,202,898
MISC									1,031,735	2,369,740
MRI	1,951,280	2,320,545	3,064,137	2,721,288	2,262,596	1,895,375	1,885,119	2,272,971	2,497,750	2,258,407
MWSC	946,135	919,581	1,059,032	1,147,585	1,160,596	1,113,556	1,071,747	1,069,323	1,010,135	1,088,043
NTA	5,627,941	6,167,175	5,965,372	6,661,244	6,268,626	5,594,266	5,785,596	6,818,179	8,196,395	7,964,259
Tobolar	1,274,303	1,252,551	208,822	940,133	1,511,893	1,036,776	2,909,976	475,917	2,393,911	4,845,932
Total	27,464,307	28,887,600	28,450,836	33,146,597	34,068,744	32,884,783	36,442,495	36,065,329	43,605,562	48,302,129
Operating Income (loss)	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	(1,316,089)	(1,917,530)	(3,969,947)	(1,870,047)	(1,924,853)	(1,023,400)	(1,137,915)	(1,083,256)	(558,100)	(2,579,754)
KAJUR	(388,939)	(1,488,573)	(1,873,813)	(1,641,516)	(2,595,344)	(2,143,422)	(2,109,634)	(1,983,330)	(2,811,127)	(3,092,740)
MAWC									16,215	n/a
MEC	744,666	603,061	(829,456)	2,840,744	1,265,931	(1,378,809)	(3,209,725)	(3,894,280)	(2,895,538)	(2,943,881)
MIDB	209,860	840,158	274,245	(1,241,114)	(192,537)	(47,013)	(387,154)	(137,326)	433,324	762,402
MIPA	(214,056)	(182,924)	151,120	558,676	484,605	(117,960)	129,084	(632,727)	(1,524,561)	(1,604,221)
MISC									(928,276)	53,602
MRI	(1,039,609)	(509,891)	(529,182)	(727,427)	(675,888)	(5,843,167)	24,616	(281,111)	(239,993)	(488,289)
MWSC	(307,906)	(701,301)	(565,748)	(88,359)	(6,666)	(54,542)	(211,702)	(121,724)	(262,386)	(334,218)
NTA	(55,975)	751,184	420,690	1,574,455	784,394	52,377	400,868	1,055,527	1,528,289	1,087,783
Tobolar	(479,322)	(1,583,204)	(1,750,919)	(852,137)	(817,552)	(296,364)	(1,184,594)	(980,908)	(663,694)	20,497
Total	(2,847,370)	(4,189,020)	(8,673,010)	(1,446,725)	(3,677,910)	(10,852,300)	(7,686,156)	(8,059,135)	(7,905,847)	(9,118,820)

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Total Assets	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	15,563,482	10,508,451	5,684,950	5,246,461	3,519,802	3,678,529	4,388,289	3,149,732	4,672,288	5,032,199
KAJUR	10,225,848	10,965,804	12,499,847	10,541,072	11,317,546	7,373,826	6,314,245	6,137,008	6,608,430	6,683,197
MAWC									151,960	n/a
MEC	17,848,378	19,850,107	18,921,468	18,313,588	18,417,048	17,656,381	16,246,513	17,761,375	20,615,125	18,552,666
MIDB	10,911,913	14,922,328	15,622,758	14,500,361	21,308,130	21,458,223	21,144,268	19,036,521	17,072,066	16,686,690
MIPA	7,893,410	7,775,398	8,079,893	8,704,199	8,944,788	14,075,307	14,307,412	33,788,754	36,359,774	40,884,761
MISC									801,068	n/a
MRI	10,105,939	9,830,955	9,386,613	8,761,910	8,066,135	2,444,570	2,581,341	2,458,677	2,436,835	2,229,009
MWSC	9,701,016	9,227,045	8,936,821	686,259	592,885	425,424	304,496	281,730	290,251	401,423
NTA	28,427,112	27,869,495	26,641,341	26,445,252	25,922,039	24,189,374	24,093,210	23,206,946	23,527,018	22,777,906
Tobolar	1,773,585	1,421,829	2,857,438	2,478,288	2,254,298	3,053,608	2,517,347	2,495,782	2,855,082	2,822,163
Total	112,450,683	112,371,412	108,631,129	95,677,390	100,342,671	94,355,242	91,897,121	108,316,525	115,389,897	116,070,014
Current Assets	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	3,767,413	3,300,351	1,603,475	2,527,718	1,568,869	1,725,118	1,576,318	870,104	860,952	934,984
KAJUR	727,332	1,134,074	1,077,147	1,163,941	526,998	123,305	520,343	262,108	1,917,468	1,518,968
MAWC									27,022	n/a
MEC	3,216,296	4,566,452	4,469,084	4,593,253	5,300,473	5,379,672	4,719,675	6,796,585	10,689,710	9,073,480
MIDB	not applicable									
MIPA	789,528	1,105,393	1,659,935	2,453,987	2,580,127	3,287,840	3,701,736	8,809,499	6,433,454	4,290,171
MISC									637,238	n/a
MRI	453,055	597,785	697,173	497,798	229,859	248,695	379,260	365,390	447,177	402,088
MWSC	309,113	383,739	490,433	638,521	499,936	329,444	228,261	228,294	258,927	356,543
NTA	7,968,575	6,767,958	6,981,656	7,636,783	6,576,041	5,844,945	6,318,987	5,623,213	6,457,620	4,645,676
Tobolar	1,039,375	690,964	1,761,376	1,392,350	1,186,145	2,045,891	1,553,004	1,589,495	2,036,419	2,052,657
Total	18,270,687	18,546,716	18,740,279	20,904,351	18,468,448	18,984,910	18,997,584	24,544,688	29,765,987	23,274,567

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Return on Assets	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	-8%	-18%	-70%	-36%	-55%	-28%	-26%	-34%	-12%	-51%
KAJUR	-4%	-14%	-15%	-16%	-23%	-29%	-33%	-32%	-43%	-46%
MAWC									11%	n/a
MEC	4%	3%	-4%	16%	7%	-8%	-20%	-22%	-14%	-16%
MIDB	2%	6%	2%	-9%	-1%	0%	-2%	-1%	3%	5%
MIPA	-3%	-2%	2%	6%	5%	-1%	1%	-2%	-4%	-4%
MISC									-116%	n/a
MRI	-10%	-5%	-6%	-8%	-8%	-239%	1%	-11%	-10%	-22%
MWSC	-3%	-8%	-6%	-13%	-1%	-13%	-70%	-43%	-90%	-83%
NTA	0%	3%	2%	6%	3%	0%	2%	5%	6%	5%
Tobolar	-27%	-111%	-61%	-34%	-36%	-10%	-47%	-39%	-23%	1%
Median	-3%	-5%	-6%	-9%	-1%	-10%	-20%	-22%	-12%	-16%
Total Liabilities	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	4,121,735	1,742,088	1,077,599	1,150,720	1,435,074	2,617,201	4,154,656	4,069,670	4,429,585	4,624,250
KAJUR	1,585,212	667,099	1,101,248	1,557,869	1,879,843	1,821,759	2,125,579	1,942,721	1,942,797	1,845,555
MAWC									10,807	n/a
MEC	13,224,048	15,151,263	15,794,062	13,110,088	12,616,960	13,697,724	15,453,794	21,011,622	27,497,953	29,531,598
MIDB	3,000,981	6,159,405	6,422,137	6,338,251	13,122,414	13,044,368	12,888,313	10,451,326	7,668,743	6,119,123
MIPA	61,881	47,031	58,184	82,053	73,889	403,925	342,724	6,368,802	5,180,663	2,436,666
MISC									261,878	n/a
MRI	611,251	682,240	657,035	791,404	767,717	469,267	589,227	755,905	928,580	1,241,604
MWSC	10,783,461	11,408,680	12,171,660	1,020,290	928,636	876,350	929,792	1,070,456	991,959	187,092
NTA	20,787,222	20,157,107	19,433,115	18,981,070	18,073,304	17,054,140	16,388,960	15,561,120	14,837,443	14,399,903
Tobolar	1,797,991	2,309,426	2,541,663	1,656,366	1,224,521	1,497,446	1,338,988	1,445,199	1,386,551	197,259
Total	55,973,782	58,324,339	59,256,703	44,688,111	50,122,358	51,482,180	54,212,033	62,676,821	65,136,959	60,583,050

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Non-current Portion of Total Liabilities	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	758,880	-	-	-	150,000	1,050,000	2,365,545	2,538,012	2,762,846	-
KAJUR	286,784	-	-	-	-	82,454	34,151	39,044	849,186	830,197
MAWC									-	n/a
MEC	9,620,059	11,170,259	10,567,717	10,234,294	9,781,020	9,292,039	8,903,917	12,706,140	18,194,956	16,389,299
MIDB	not applicable									
MIPA	-	-	-	-	-	26,728	-	-	314,512	40,600
MISC									-	n/a
MRI	-	99,048	59,905	715,129	-	17,951	13,309	-	-	-
MWSC	7,319,582	-	-	-	366,713	190,130	701,171	-	-	-
NTA	19,046,744	18,512,723	17,896,426	17,294,674	16,297,145	15,582,411	14,839,075	14,068,492	13,249,163	12,388,443
Tobolar	-	-	-	-	-	-	-	-	-	-
Total	37,032,049	29,782,030	28,524,048	28,244,097	26,594,878	26,241,713	26,857,168	29,351,688	35,370,663	29,648,539
Equity/Net Assets	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	11,441,747	8,766,363	4,607,351	4,095,741	2,084,728	1,061,328	233,633	(919,938)	242,703	407,949
KAJUR	8,640,636	10,298,705	11,398,599	8,983,203	9,437,703	5,552,067	4,188,666	4,194,287	4,665,633	4,837,642
MAWC									141,153	n/a
MEC	4,624,330	4,698,844	3,127,406	5,203,500	5,800,088	3,958,657	792,719	(3,250,247)	(6,882,828)	(10,978,932)
MIDB	7,910,932	8,762,923	9,200,621	8,162,110	8,185,716	8,413,855	8,255,955	8,585,195	9,403,323	10,567,567
MIPA	7,831,529	7,728,367	8,021,709	8,622,146	8,870,899	13,671,382	13,964,688	27,419,952	31,179,111	38,448,095
MISC									n/a	n/a
MRI	9,494,688	9,148,715	8,729,578	7,970,506	7,298,418	1,975,303	1,992,114	1,702,772	1,508,255	987,405
MWSC	(1,082,445)	(2,181,635)	(3,234,839)	(334,031)	(335,751)	(450,926)	(625,296)	(788,726)	(701,708)	214,331
NTA	7,639,890	7,712,388	7,208,226	7,464,182	7,848,735	7,135,234	7,704,250	7,645,826	8,689,575	8,378,003
Tobolar	(24,406)	(887,597)	315,775	821,922	1,029,777	1,556,162	1,178,359	1,050,583	1,468,531	2,624,904
Total	56,476,901	54,047,073	49,374,426	50,989,279	50,220,313	42,873,062	37,685,088	45,639,704	49,713,748	55,486,964

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Current Ratio	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	1.12	1.89	1.49	2.20	1.22	1.10	0.88	0.57	0.52	0.20
KAJUR	0.56	1.70	0.98	0.75	0.28	0.07	0.25	0.14	1.75	1.50
MAWC									2.50	n/a
MEC	0.89	1.15	0.86	1.60	1.87	1.22	0.72	0.82	1.15	0.69
MIDB	not applicable									
MIPA	12.76	23.50	28.53	29.91	34.92	8.72	10.80	1.38	1.32	1.79
MISC									2.43	n/a
MRI	0.74	1.03	1.17	6.53	0.30	0.55	0.66	0.48	0.48	0.32
MWSC	0.09	0.03	0.04	0.63	0.89	0.48	1.00	0.21	0.26	1.91
NTA	4.58	4.12	4.54	4.53	3.70	3.97	4.08	3.77	4.07	2.31
Tobolar	0.58	0.30	0.69	0.84	0.97	1.37	1.16	1.10	1.47	10.41
Median	0.82	1.42	1.07	1.90	1.09	1.16	0.94	0.69	1.40	1.64
Cash Ratio	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	0.22	1.24	0.37	0.31	0.08	0.06	0.02	0.02	0.00	0.02
KAJUR	0.02	0.05	0.01	0.01	0.00	-	0.00	0.01	0.42	0.17
MAWC									2.23	n/a
MEC	0.05	0.27	0.13	0.21	0.25	0.16	0.11	0.22	0.45	0.09
MIDB	not applicable									
MIPA	2.63	3.02	7.25	7.62	11.50	3.56	4.42	0.22	0.19	0.40
MISC									0.90	n/a
MRI	0.27	0.44	0.46	2.29	0.08	0.12	0.18	0.04	0.05	0.04
MWSC	0.02	0.00	0.00	0.08	0.08	0.07	0.07	0.05	0.03	0.30
NTA	2.04	2.26	2.86	0.93	0.86	0.82	0.76	0.69	0.72	0.23
Tobolar	0.06	0.00	0.00	0.00	0.19	0.05	0.04	0.05	0.08	4.21
Median	0.14	0.36	0.25	0.26	0.14	0.09	0.09	0.05	0.30	0.20

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Transfers (operational and capital)*	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	1,874,000	2,000,000	-	1,500,000	913,000	716,000	400,000	397,000	2,100,000	2,740,000
KAJUR	325,000	2,030,000	750,000	573,000	199,000	650,000	904,000	716,000	563,000	563,000
MAWC									n/a	n/a
MEC	-	-	-	1,867,000	1,867,000	205,000	400,000	1,470,000	874,000	356,000
MIDB	-	50,000	970,000	995,000	165,000	207,000	194,000	347,000	249,000	-
MIPA	-	50,000	89,000	-	-	-	99,000	-	-	-
MISC									920,000	1,056,000
MRI	462,000	100,000	186,000	-	-	545,000	-	-	-	-
MWSC	-	100,000	100,000	1,465,000	49,000	75,000	75,000	75,000	349,000	1,258,000
NTA	-	-	-	-	-	-	-	-	-	-
Tobolar	581,000	845,000	3,050,000	1,449,000	1,096,000	900,000	895,000	900,000	1,200,000	1,092,000
Total	3,242,000	5,175,000	5,145,000	7,849,000	4,289,000	3,298,000	2,967,000	3,905,000	6,255,000	7,065,000
Economic Value Added (Gross) before subsidy*	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	1,955,000	1,340,000	953,000	699,000	2,159,000	1,231,000	1,225,000	964,000	1,383,000	(718,000)
KAJUR	919,000	(27,000)	(383,000)	52,000	(709,000)	(178,000)	1,001,000	93,000	(1,119,000)	(1,609,000)
MAWC									n/a	n/a
MEC	3,002,000	3,454,000	2,042,000	4,164,000	2,982,000	2,299,000	470,000	(146,000)	678,000	892,000
MIDB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MIPA	811,000	1,910,000	1,772,000	2,319,000	2,252,000	1,956,000	1,947,000	1,395,000	1,362,000	1,229,000
MISC									(254,000)	12,000
MRI	700,000	883,000	2,547,000	739,000	701,000	653,000	913,000	983,000	1,098,000	797,000
MWSC	630,000	425,000	536,000	699,000	775,000	697,000	560,000	646,000	496,000	413,000
NTA	4,421,000	4,615,000	4,794,000	5,073,000	4,349,000	3,783,000	4,195,000	4,672,000	5,290,000	4,883,000
Tobolar	(223,000)	(1,341,000)	(1,531,000)	(547,000)	(521,000)	867,000	4,000	(143,000)	681,000	789,000
Total	12,215,000	11,259,000	10,730,000	13,198,000	11,988,000	11,308,000	10,315,000	8,464,000	9,615,000	6,688,000

* As derived in FY2008 Economic Statistics Tables

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Employment	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	111	111	102	104	104	104	104	96	89	74
KAJUR	52	46	54	76	73	76	70	64	62	65
MAWC									11	22
MEC	120	121	121	126	122	126	147	147	144	161
MIDB	23	23	22	31	30	31	46	50	55	51
MIPA	15	25	30	43	42	43	54	54	56	58
MISC									51	87
MRI	86	87	88	103	106	103	89	101	106	101
MWSC	49	52	56	59	59	59	58	57	56	52
NTA	113	108	104	114	112	114	150	155	152	160
Tobolar	53	39	28	34	41	34	29	29	31	30
Total	620	610	604	688	686	688	748	751	812	860
Revenue Per Employee	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI	46,658	32,776	27,260	30,101	33,374	39,802	33,545	37,829	38,216	14,304
KAJUR	43,611	41,391	38,858	31,912	33,850	38,869	50,832	44,506	59,507	62,319
MAWC									36,815	n/a
MEC	61,770	77,788	79,885	100,302	106,532	87,307	85,178	96,115	110,153	121,541
MIDB	72,009	93,322	88,995	53,302	70,472	90,137	58,401	57,519	52,017	56,865
MIPA	80,463	49,452	55,384	44,796	44,442	57,461	46,034	37,415	39,633	37,818
MISC									20,363	27,396
MRI	22,778	26,673	34,820	26,549	21,446	18,491	21,122	22,561	23,675	22,305
MWSC	19,408	17,770	19,082	19,533	19,839	18,954	18,478	18,843	18,119	20,924
NTA	49,915	57,103	57,359	58,689	55,970	49,289	38,635	43,988	54,102	49,933
Tobolar	24,272	32,117	7,594	27,449	37,331	30,271	101,217	16,271	77,223	161,531
Median	46,658	41,391	38,858	31,912	37,331	39,802	46,034	37,829	39,633	43,875

" - " indicates zero, "n/a" not available

Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Revenue Elasticity of Employment	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
AMI		0.02	0.34	0.16	0.02	0.01	0.03	2.28	1.16	0.25
KAJUR		0.71	1.64	2.62	4.91	0.24	0.38	0.45	0.11	0.49
MAWC										
MEC		0.03	0.07	0.12	0.98	0.20	1.20	0.03	0.13	0.50
MIDB		0.00	0.33	2.28	0.05	0.06	29.48	1.27	25.57	19.61
MIPA		164.92	0.60	2.76	0.60	0.04	20.05	0.00	0.38	14.87
MISC										0.55
MRI		0.08	0.04	1.47	0.17	0.18	23.89	0.63	0.48	0.42
MWSC		2.19	0.48	0.70	0.38	0.11	0.34	9.53	0.32	0.87
NTA		0.44	1.13	0.78	0.22	0.12	9.34	0.20	0.11	1.86
Tobolar		15.06	0.35	0.07	0.30	0.49	0.09	0.02	0.01	0.03
Median		0.4	0.4	0.8	0.3	0.1	1.2	0.5	0.3	0.5

" - " indicates zero, "n/a" not available

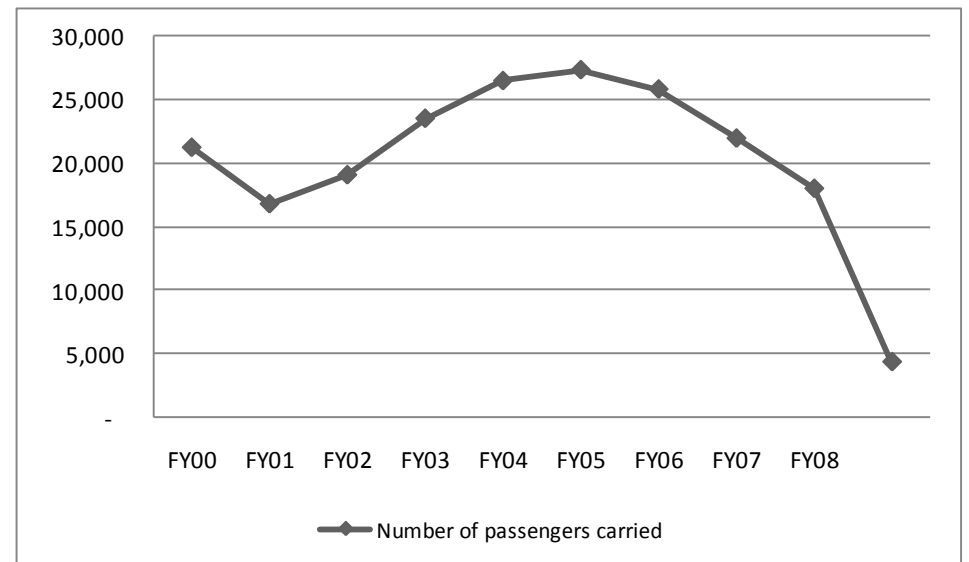
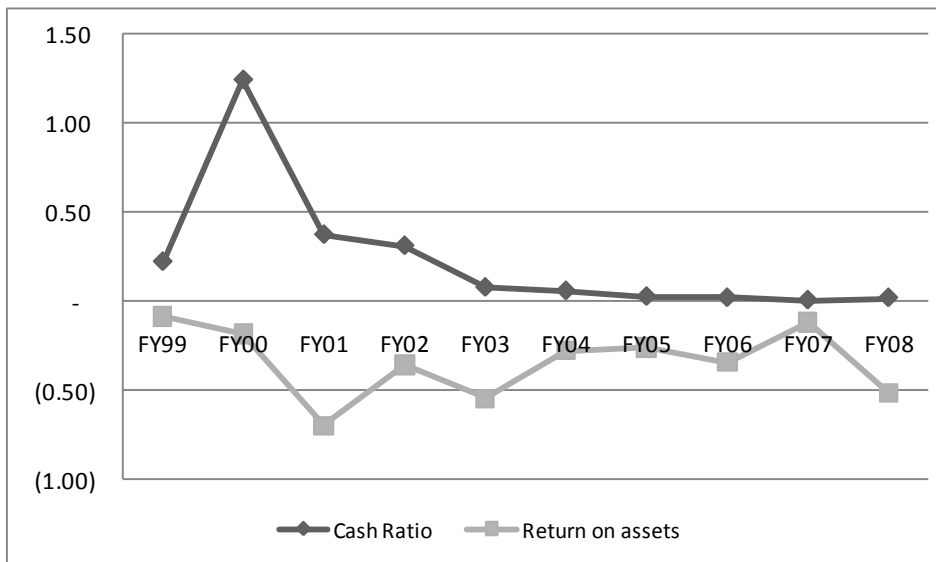
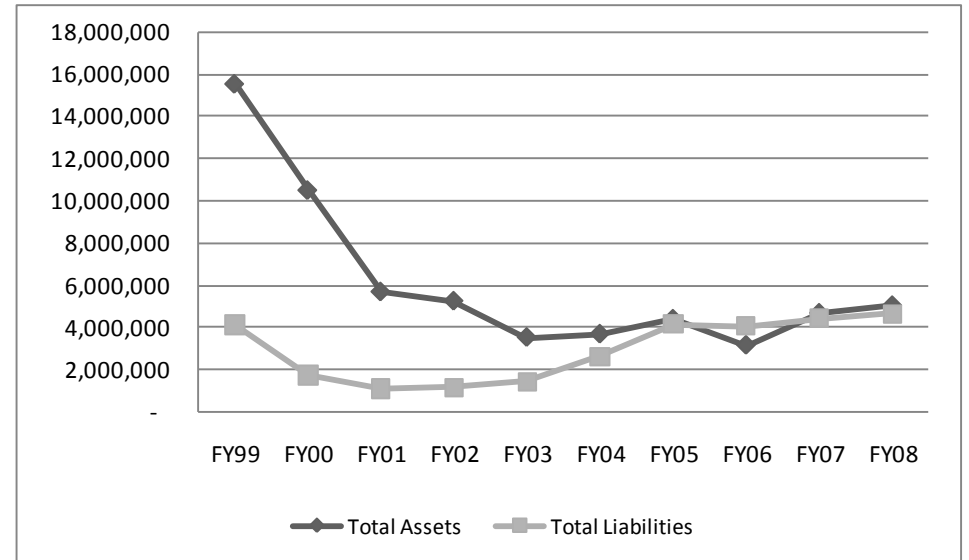
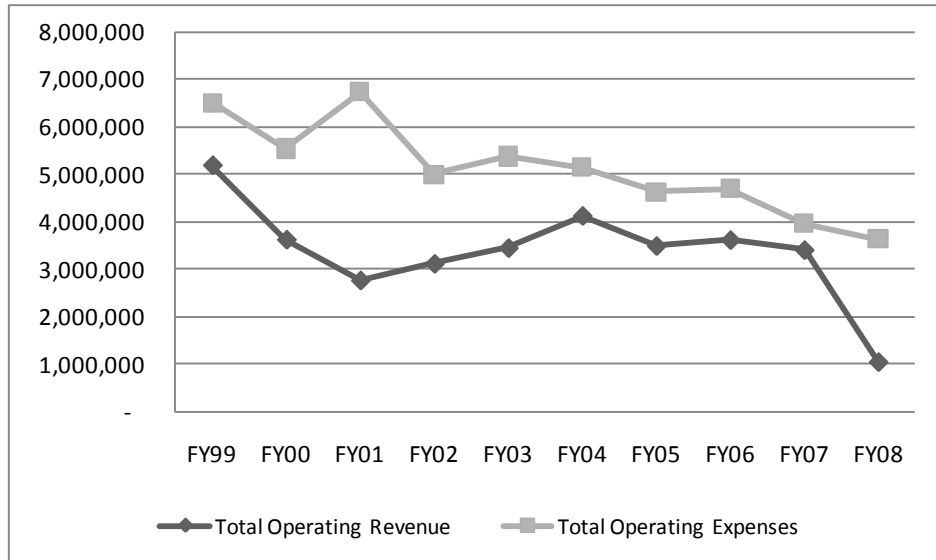
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.

Appendix 2: Individual Public Enterprise Indicators

Air Marshall Islands (AMI), Inc.

From FY08 Audit: AMI was chartered on October 12, 1989 to provide regular scheduled domestic and international passengers, charter and cargo service within and from the Marshall Islands. As of September 30, 2008, AMI operated a fleet of two Dornier 228 aircraft and a one Dash 8 aircraft. AMI is governed by a six-member Board of Directors appointed by the Cabinet.

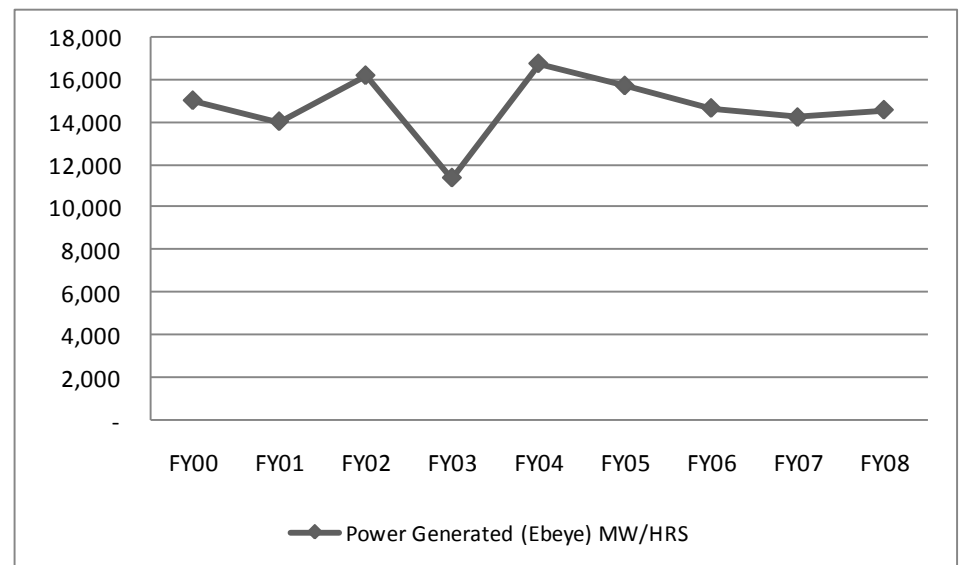
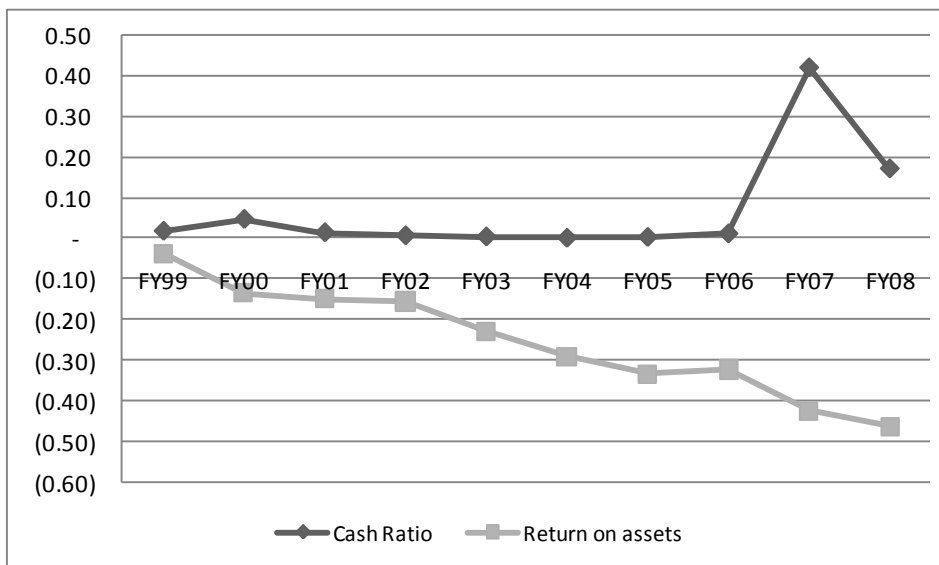
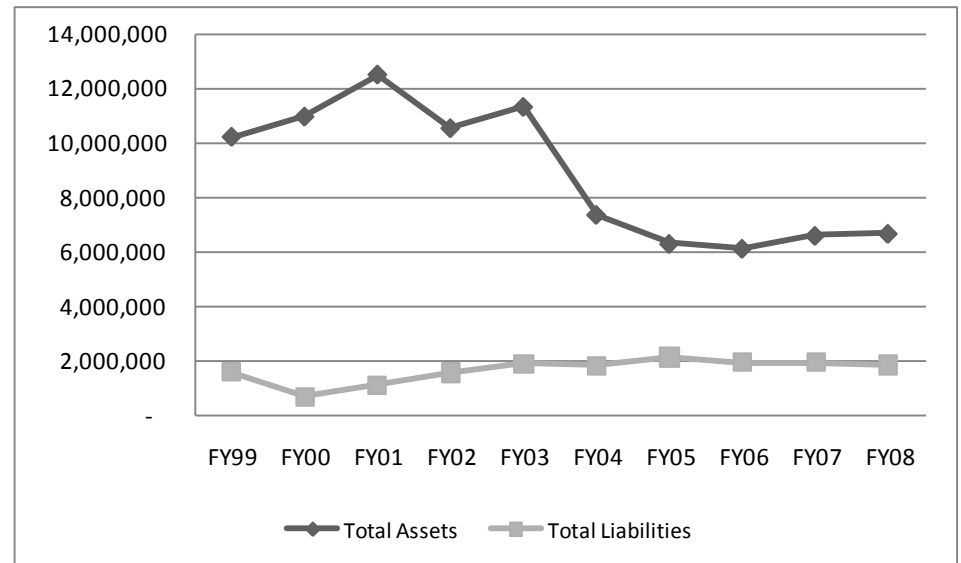
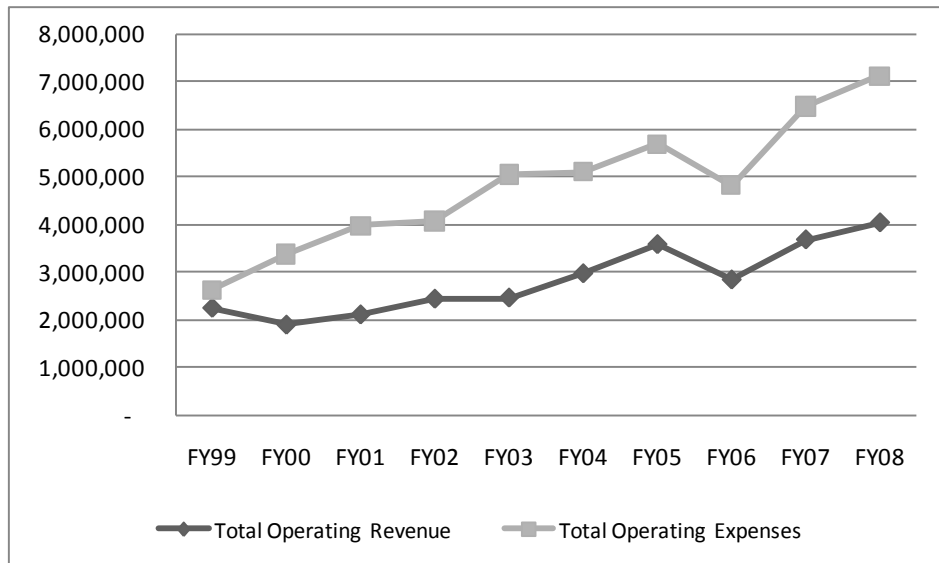
Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	5,194,594	3,629,902	2,773,750	3,122,945	3,454,205	4,129,474	3,497,086	3,622,104	3,410,752	1,058,484
Total Operating Expenses	6,510,683	5,547,432	6,743,697	4,992,992	5,379,058	5,152,874	4,635,001	4,705,360	3,968,852	3,638,238
Operating Income (loss)	(1,316,089)	(1,917,530)	(3,969,947)	(1,870,047)	(1,924,853)	(1,023,400)	(1,137,915)	(1,083,256)	(558,100)	(2,579,754)
Change in Net Assets	(27,890)	(2,675,384)	(4,159,012)	(511,610)	(2,011,013)	(1,023,400)	(827,695)	(1,153,571)	1,162,641	165,246
Total Assets	15,563,482	10,508,451	5,684,950	5,246,461	3,519,802	3,678,529	4,388,289	3,149,732	4,672,288	5,032,199
Total Current Assets	3,767,413	3,300,351	1,603,475	2,527,718	1,568,869	1,725,118	1,576,318	870,104	860,952	934,984
Cash (and cash equivalents)	738,777	2,162,314	400,397	355,932	96,495	87,342	42,592	26,158	6,526	77,594
Total Liabilities	4,121,735	1,742,088	1,077,599	1,150,720	1,435,074	2,617,201	4,154,656	4,069,670	4,429,585	4,624,250
Total Current Liabilities	3,362,855	1,742,088	1,077,599	1,150,720	1,285,074	1,567,201	1,789,111	1,531,658	1,666,739	4,624,250
Equity/Net Assets	11,441,747	8,766,363	4,607,351	4,095,741	2,084,728	1,061,328	233,633	(919,938)	242,703	407,949
Current Ratio	1.12	1.89	1.49	2.20	1.22	1.10	0.88	0.57	0.52	0.20
Cash Ratio	0.22	1.24	0.37	0.31	0.08	0.06	0.02	0.02	0.00	0.02
Return on Assets	(0.08)	(0.18)	(0.70)	(0.36)	(0.55)	(0.28)	(0.26)	(0.34)	(0.12)	(0.51)
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	1,874,000	2,000,000	-	1,500,000	913,000	716,000	400,000	397,000	2,100,000	2,740,000
Transfers treated as current subsidies in GDP estimates*	-	-	-	418,000	913,000	716,000	400,000	397,000	308,000	935,000
Value Added (Gross) before subsidy*	1,955,000	1,340,000	953,000	699,000	2,159,000	1,231,000	1,225,000	964,000	1,383,000	(718,000)
Number of flights	2,582	2,324	2,658	3,339	3,454	3,171	3,083	2,793	2,338	n/a
Number of passengers carried	21,199	16,754	19,033	23,484	26,454	27,309	25,789	21,924	17,967	4,313
Aircraft seat miles	n/a	n/a	n/a	6,930,034	10,174,634	9,593,385	8,904,171	8,605,107	7,193,192	n/a
Total Operating Revenue (sources):	5,194,594	3,629,902	2,773,750	3,122,945	3,454,205	4,129,474	3,497,086	3,622,104	3,410,752	1,058,484
Passengers	3,392,934	2,888,044	1,997,970	2,293,894	2,492,861	2,916,811	2,816,119	2,620,672	2,145,824	621,507
Cargo	506,208	324,890	282,112	391,545	408,424	573,230	444,403	455,438	427,805	127,288
Charter	896,033	236,390	177,929	133,662	190,478	286,902	280,821	338,393	496,536	190,275
Other	399,419	180,578	315,739	303,844	362,442	352,531	241,414	223,430	370,587	171,352
LESS:Provision for doubtful accounts	-	-	-	-	-	-	(285,671)	(15,829)	(30,000)	(51,938)
Number of employees (average over year)	111	111	102	104	104	104	104	96	89	74
Revenue per employee	46,658	32,776	27,260	30,101	33,374	39,802	33,545	37,829	38,216	14,304
* As derived in FY2008 Economic Statistics Tables										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



Kwajalein Atoll Joint Utility Resources (KAJUR), Inc.

From FY08 Audit: a component unit of the RMI, KAJUR was established by law on September 13, 1990. Its primary lines of business include electricity generation and distribution, water and waste water services on Ebeye and Santo islands. On May 2, 2006, the Cabinet approved the transfer of all management responsibilities of KAJUR to the Board of Directors of the MEC.

Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	2,245,970	1,893,643	2,108,066	2,435,931	2,459,775	2,966,963	3,575,170	2,837,283	3,674,531	4,029,959
Total Operating Expenses	2,634,909	3,382,216	3,981,879	4,077,447	5,055,119	5,110,385	5,684,804	4,820,613	6,485,658	7,122,699
Operating Income (loss)	(388,939)	(1,488,573)	(1,873,813)	(1,641,516)	(2,595,344)	(2,143,422)	(2,109,634)	(1,983,330)	(2,811,127)	(3,092,740)
Change in Net Assets	(128,825)	1,658,069	1,099,894	(2,415,396)	454,500	(3,885,636)	(1,363,401)	5,621	471,346	172,009
Total Assets	10,225,848	10,965,804	12,499,847	10,541,072	11,317,546	7,373,826	6,314,245	6,137,008	6,608,430	6,683,197
Total Current Assets	727,332	1,134,074	1,077,147	1,163,941	526,998	123,305	520,343	262,108	1,917,468	1,518,968
Cash (and cash equivalents)	22,132	30,768	14,852	9,377	6,041	-	4,032	20,344	456,412	172,578
Total Liabilities	1,585,212	667,099	1,101,248	1,557,869	1,879,843	1,821,759	2,125,579	1,942,721	1,942,797	1,845,555
Total Current Liabilities	1,298,428	667,099	1,101,248	1,557,869	1,879,843	1,739,305	2,091,428	1,903,677	1,093,611	1,015,358
Equity/Net Assets	8,640,636	10,298,705	11,398,599	8,983,203	9,437,703	5,552,067	4,188,666	4,194,287	4,665,633	4,837,642
Current Ratio	0.56	1.70	0.98	0.75	0.28	0.07	0.25	0.14	1.75	1.50
Cash Ratio	0.02	0.05	0.01	0.01	0.00	-	0.00	0.01	0.42	0.17
Return on Assets	(0.04)	(0.14)	(0.15)	(0.16)	(0.23)	(0.29)	(0.33)	(0.32)	(0.43)	(0.46)
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	325,000	2,030,000	750,000	573,000	199,000	650,000	904,000	716,000	563,000	563,000
Transfers treated as current subsidies in GDP estimates*	325,000	898,000	550,000	498,000	199,000	327,000	904,000	712,000	563,000	563,000
Value Added (Gross) before subsidy*	919,000	(27,000)	(383,000)	52,000	(709,000)	(178,000)	1,001,000	93,000	(1,119,000)	(1,609,000)
Power Generated (Ebeye) MW/HRS	n/a	14,999	14,006	16,183	11,338	16,744	15,698	14,633	14,200	14,550
Drinking Water Supplied (Ebeye) Million of Gallons	n/a	n/a	n/a	n/a	27	46	27	48	38	40
Number of Households connected to Salt Water	n/a	1,037	1,146	1,266	1,310	1,415	1,350	1,650	1,650	1,750
Number of Households connected to Fresh Water	n/a	n/a	1,245	1,275	1,326	1,470	1,480	1,532	n/a	n/a
Number of employees (average over year)	52	46	54	76	73	76	70	64	62	65
Revenue per employee	43,611	41,391	38,858	31,912	33,850	38,869	50,832	44,506	59,507	62,319
* As derived in FY2008 Economic Statistics Tables										
Additional note: FY04 capital assets, due to affiliates, and change in net assets restated in FY05										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



Majuro Atoll Waste Corporation (MAWC), Inc.

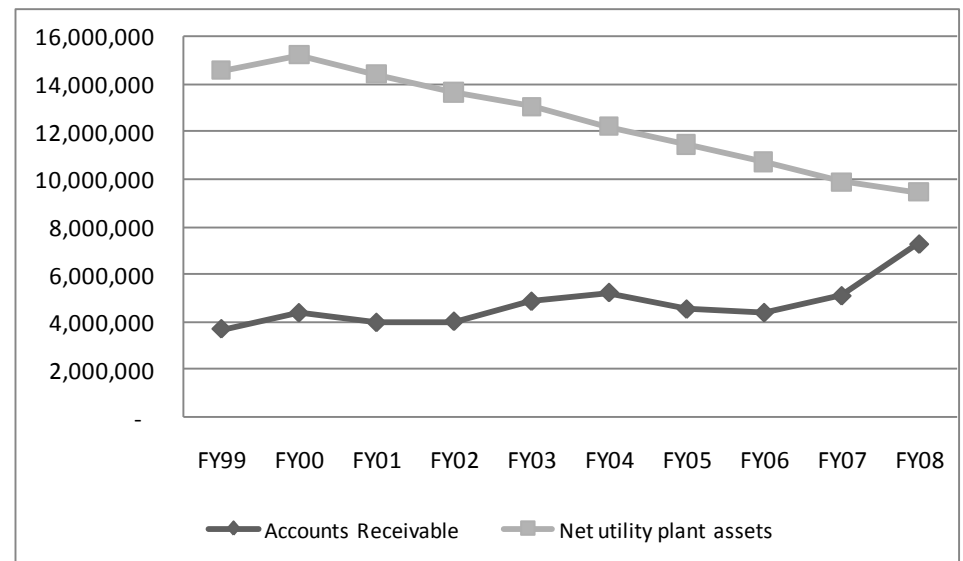
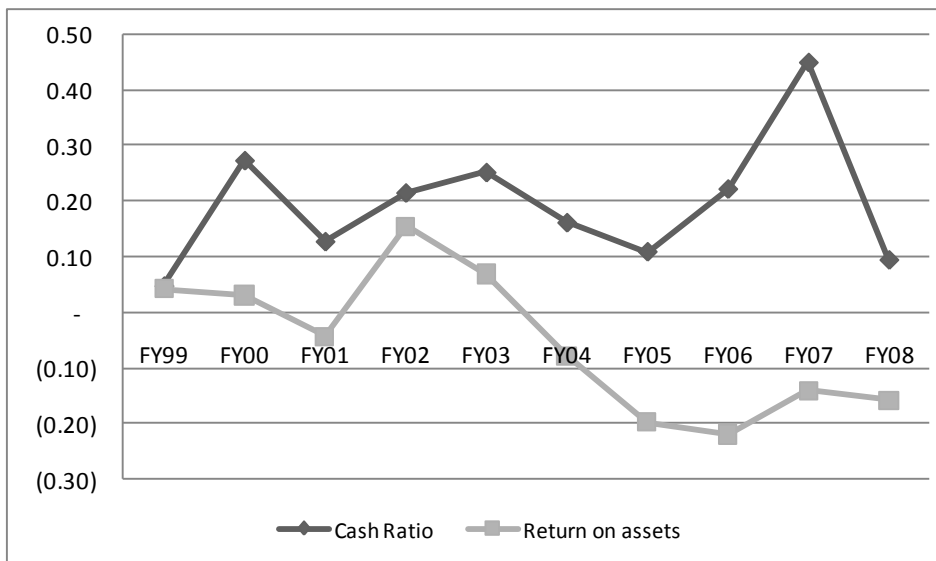
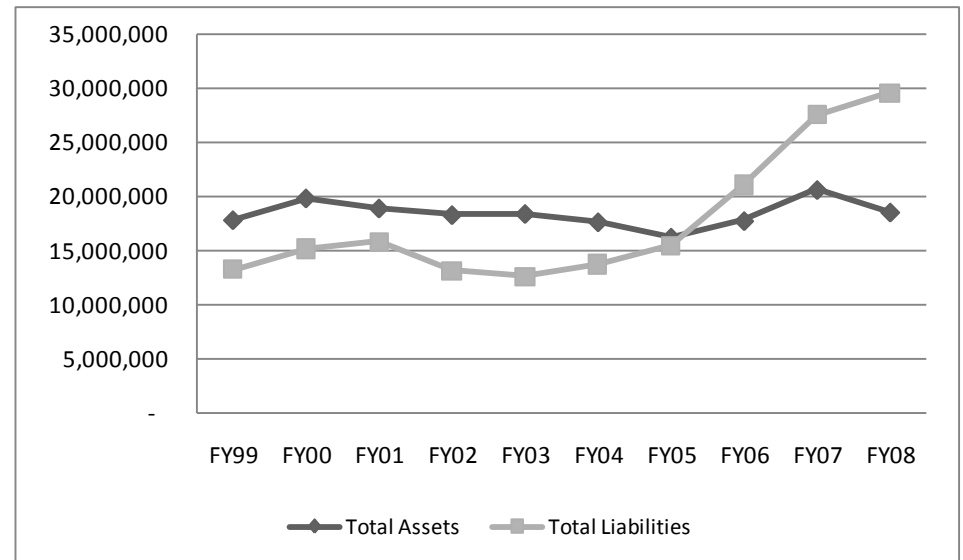
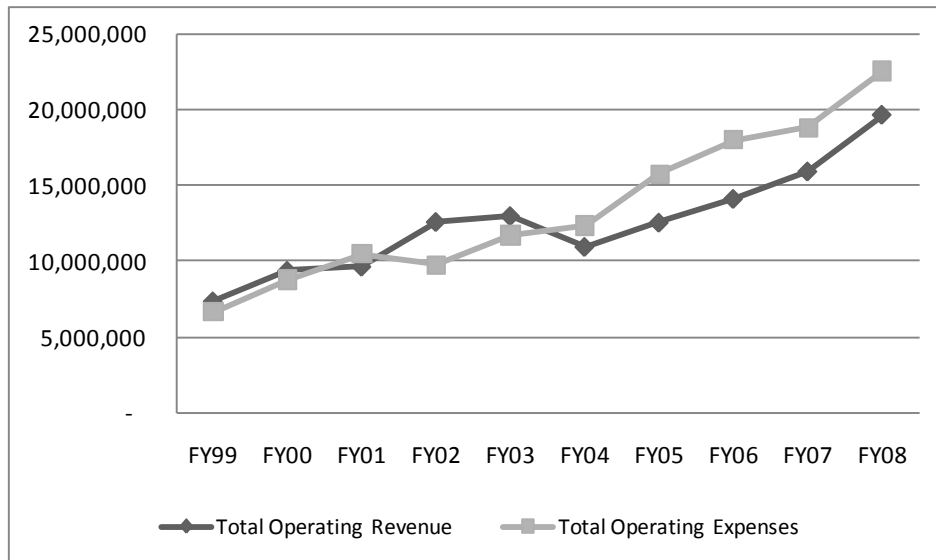
The Majuro Atoll Waste Corporation (MAWC) was chartered by Cabinet in 2006. MAWC's primary lines of business include solid waste collection and disposal on the atoll of Majuro, for government, commercial and residential clients. MAWC is governed by a five-member Board appointed by Cabinet.

Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue									417,241	n/a
Total Operating Expenses									401,026	n/a
Operating Income (loss)									16,215	n/a
Change in Net Assets									-	n/a
Total Assets									151,960	n/a
Total Current Assets									27,022	n/a
Cash (and cash equivalents)									24,120	n/a
Total Liabilities									10,807	n/a
Total Current Liabilities									10,807	n/a
Equity/Net Assets									141,153	n/a
Current Ratio									2.50	n/a
Cash Ratio									2.23	n/a
Return on Assets									0.11	n/a
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*									n/a	n/a
Transfers treated as current subsidies in GDP estimates*									n/a	n/a
Value Added (Gross) before subsidy*									n/a	n/a
Number of employees (average over year)									11	22
Revenue per employee									36,815	n/a
* As derived in FY2008 Economic Statistics Tables										
MAWC commenced operations in FY07										
" - " indicates zero, "n/a" not available										
Sources: MAWC management.										

Marshall's Energy Company (MEC), Inc.

From FY08 Audit: MEC was granted a corporate charter by the Cabinet of the RMI on February 2, 1984. MEC's principal lines of business are predominantly the generation and transmission of electricity and the buying and selling of petroleum products. Other line of business include the rental of equipment and accommodation facilities. The principal markets for the generation and transmission of electricity are government agencies, businesses and residential customers on Majuro, Jaluit and Wotje. Petroleum products are sold primarily to foreign and domestic fishing vessels.

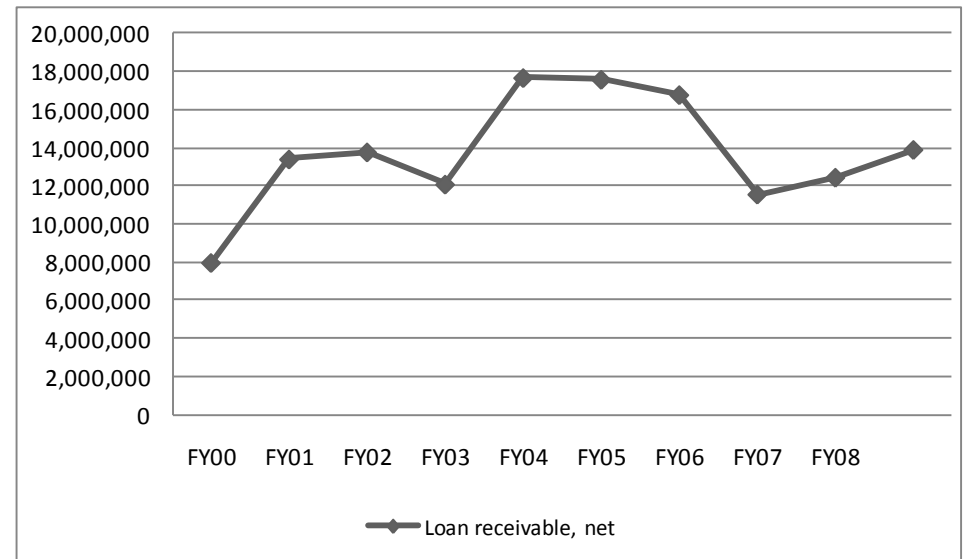
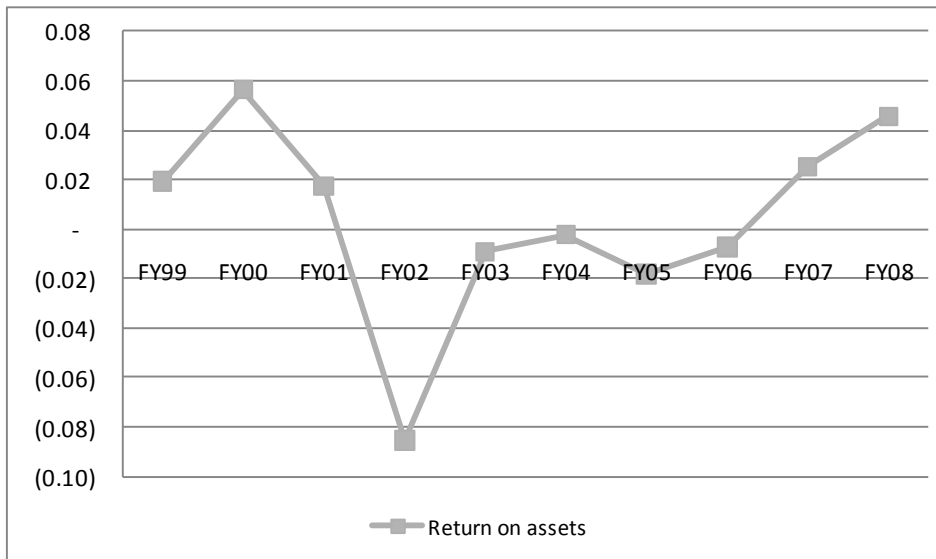
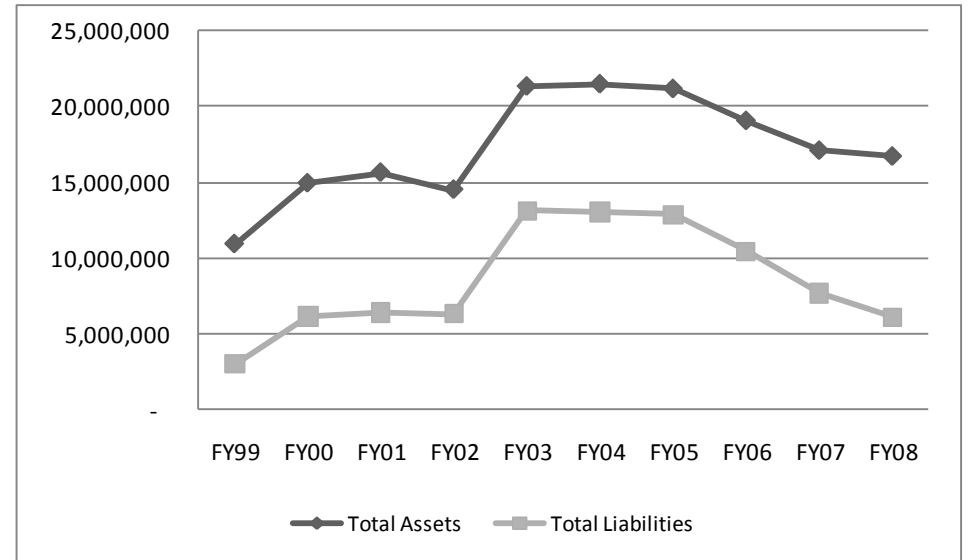
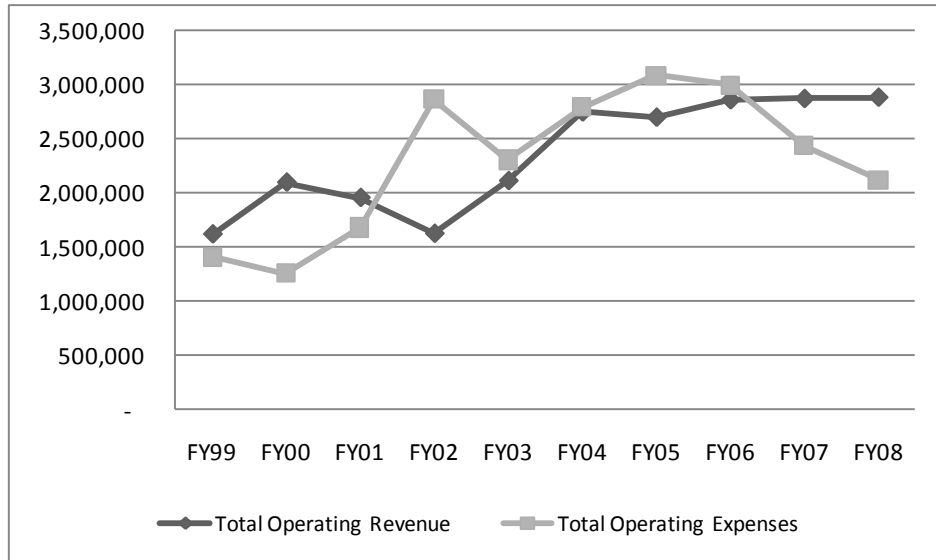
Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	7,396,940	9,392,875	9,666,097	12,587,951	12,970,318	10,957,083	12,542,432	14,096,932	15,889,597	19,598,520
Total Operating Expenses	6,652,274	8,789,814	10,495,553	9,747,207	11,704,387	12,335,892	15,752,157	17,991,212	18,785,135	22,542,401
Operating Income (loss)	744,666	603,061	(829,456)	2,840,744	1,265,931	(1,378,809)	(3,209,725)	(3,894,280)	(2,895,538)	(2,943,881)
Change in Net Assets	744,666	74,514	(1,571,438)	2,076,094	596,588	(1,841,431)	(3,165,938)	(4,042,966)	(3,632,581)	(4,096,104)
Total Assets	17,848,378	19,850,107	18,921,468	18,313,588	18,417,048	17,656,381	16,246,513	17,761,375	20,615,125	18,552,666
Total Current Assets	3,216,296	4,566,452	4,469,084	4,593,253	5,300,473	5,379,672	4,719,675	6,796,585	10,689,710	9,073,480
Cash (and cash equivalents)	168,570	1,086,699	663,256	617,345	713,310	709,863	712,274	1,842,380	4,186,044	1,235,531
Total Liabilities	13,224,048	15,151,263	15,794,062	13,110,088	12,616,960	13,697,724	15,453,794	21,011,622	27,497,953	29,531,598
Total Current Liabilities	3,603,989	3,981,004	5,226,345	2,875,794	2,835,940	4,405,685	6,549,877	8,305,482	9,302,997	13,142,299
Equity/Net Assets	4,624,330	4,698,844	3,127,406	5,203,500	5,800,088	3,958,657	792,719	(3,250,247)	(6,882,828)	(10,978,932)
Current Ratio	0.89	1.15	0.86	1.60	1.87	1.22	0.72	0.82	1.15	0.69
Cash Ratio	0.05	0.27	0.13	0.21	0.25	0.16	0.11	0.22	0.45	0.09
Return on Assets	0.04	0.03	(0.04)	0.16	0.07	(0.08)	(0.20)	(0.22)	(0.14)	(0.16)
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	-	-	-	1,867,000	1,867,000	205,000	400,000	1,470,000	874,000	356,000
Transfers treated as current subsidies in GDP estimates*	-	-	-	934,000	934,000	-	-	420,000	874,000	356,000
Value Added (Gross) before subsidy*	3,002,000	3,454,000	2,042,000	4,164,000	2,982,000	2,299,000	470,000	(146,000)	678,000	892,000
Net utility plant assets	14,554,502	15,217,592	14,397,839	13,641,708	13,047,044	12,205,134	11,463,248	10,714,888	9,873,875	9,438,041
Accounts Receivable	3,688,956	4,370,970	3,959,733	4,007,871	4,858,589	5,232,779	4,524,665	4,376,891	5,092,717	7,292,608
Days sales outstanding (electricity)	133	141	123	123	127	118	112	90	82	100
Ratio of Billed mWh to Gross mWh Generated	n/a	n/a	n/a	n/a	n/a	0.75	0.74	0.72	0.74	0.77
Fuel and lubricants expense as % of Net Operating Reven	0.33	0.39	0.54	0.33	0.39	0.56	0.73	0.83	0.73	0.79
Number of employees (average over year)	120	121	121	126	122	126	147	147	144	161
Revenue per employee	61,770	77,788	79,885	100,302	106,532	87,307	85,178	96,115	110,153	121,541
* As derived in FY2008 Economic Statistics Tables										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



Marshall Islands Development Bank (MIDB), Inc.

From FY08 Audit: the MIDB, a component unit of the RMI, was incorporated under the laws of RepMar as a non-stock corporation pursuant to the Public Law 1988-1. MIDB was established to promote the development and expansion of the economy of the Marshall Islands in order to improve the standard of living of the people and is governed by a seven member Board of Directors appointed by the Cabinet. Its primary activities have been designed to strengthen the nation's economic base, increase employment and production, improve the standards of housing, promote exports, and reduce the country's dependence on imports and foreign aid through the approval of viable development loans. MIDB has received funds under Section 211 of the Compact, direct Rural Housing and Community Development Service Housing Preservation and Self-Help Housing Program Grants.

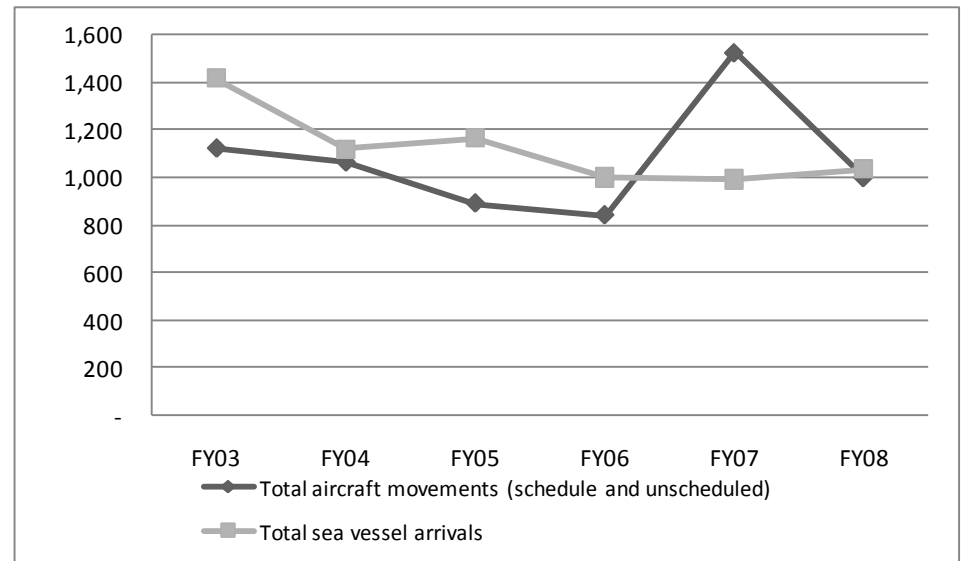
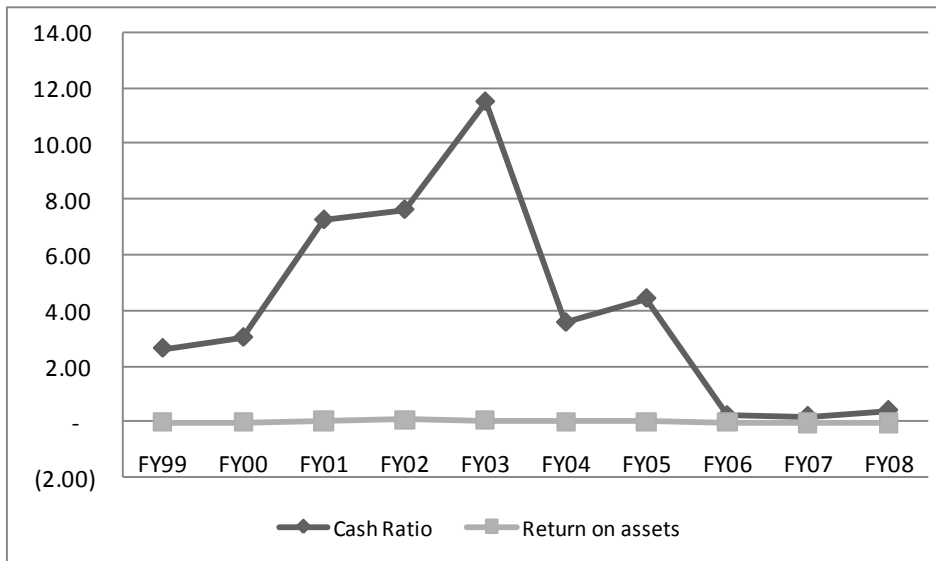
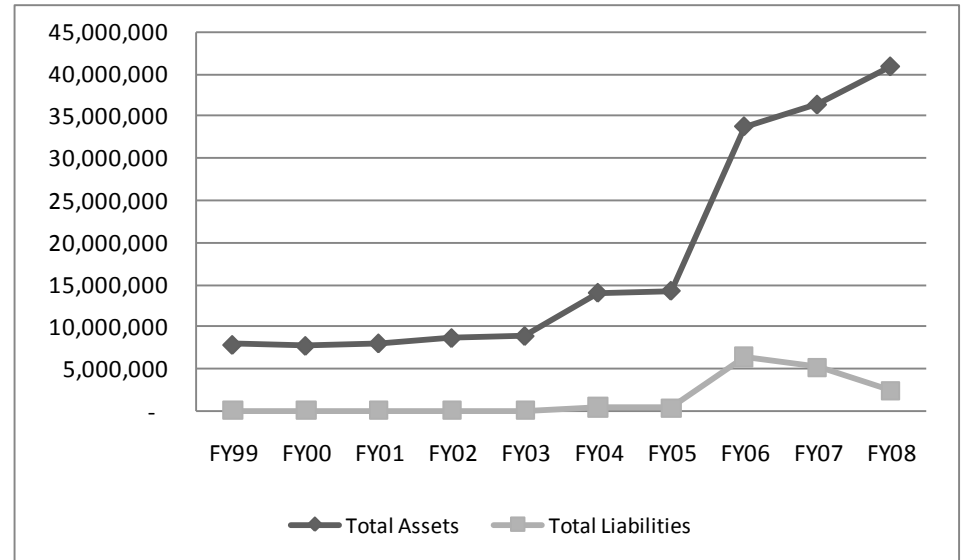
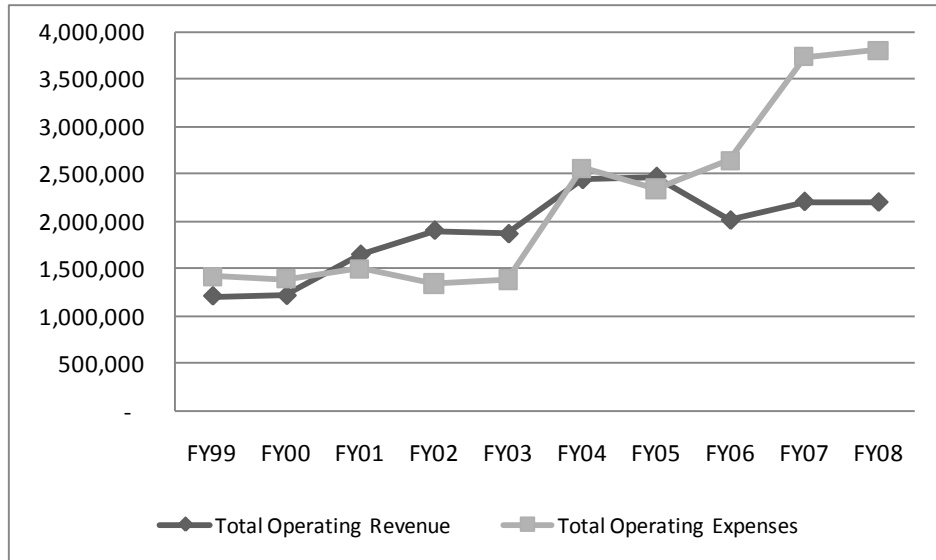
Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	1,620,200	2,099,749	1,957,882	1,625,708	2,114,164	2,749,192	2,701,030	2,861,582	2,873,953	2,885,887
Total Operating Expenses	1,410,340	1,259,591	1,683,637	2,866,822	2,306,701	2,796,205	3,088,184	2,998,908	2,440,629	2,123,485
Operating Income (loss)	209,860	840,158	274,245	(1,241,114)	(192,537)	(47,013)	(387,154)	(137,326)	433,324	762,402
Change in Net Assets	205,743	851,991	437,698	(1,038,511)	23,606	228,139	(157,900)	329,240	818,128	1,164,244
Total Assets	10,911,913	14,922,328	15,622,758	14,500,361	21,308,130	21,458,223	21,144,268	19,036,521	17,072,066	16,686,690
Total Current Assets	not applicable									
Cash (and cash equivalents)	1,555,709	440,351	103,567	122,056	13,373	258,165	47,173	2,385,783	31,468	33,995
Total Liabilities	3,000,981	6,159,405	6,422,137	6,338,251	13,122,414	13,044,368	12,888,313	10,451,326	7,668,743	6,119,123
Total Current Liabilities	not applicable									
Equity/Net Assets	7,910,932	8,762,923	9,200,621	8,162,110	8,185,716	8,413,855	8,255,955	8,585,195	9,403,323	10,567,567
Current Ratio	not applicable									
Cash Ratio	not applicable									
Return on Assets	0.02	0.06	0.02	(0.09)	(0.01)	(0.00)	(0.02)	(0.01)	0.03	0.05
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	-	50,000	970,000	995,000	165,000	207,000	194,000	347,000	249,000	-
Transfers treated as current subsidies in GDP estimates*	-	-	-	-	-	-	-	-	-	-
Value Added (Gross) before subsidy*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Loan receivable, net	7,973,483	13,398,437	13,769,364	12,080,923	17,664,057	17,572,373	16,770,507	11,560,653	12,443,232	13,898,260
Number of employees (average over year)	23	23	22	31	30	31	46	50	55	51
Revenue per employee	72,009	93,322	88,995	53,302	70,472	90,137	58,401	57,519	52,017	56,865
* As derived in FY2008 Economic Statistics Tables										
FY01 accrued interest payable restated in FY02										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



Marshall Islands Ports Authority (MIPA), Inc.

From FY08 Audit: the RMIPA was created under Public Law 2003-81. This legislation repealed Public Laws 1999-86 and 1999-88 and integrated the Marshall Islands Airport Authority with the Marshall Islands Ports Authority into a single Ports Authority, effective June 4, 2004. The Authority's principal line of business is the operation and maintenance of commercial port facilities in the Marshall Islands. Services are currently provided to passengers and carriers, both commercial and private, arriving and departing at the Amata Kabua International Airport and all vessels arriving at port facilities in Majuro.

Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	1,206,944	1,211,579	1,647,678	1,903,812	1,866,571	2,442,098	2,474,339	2,011,038	2,209,562	2,202,898
Total Operating Expenses	1,421,000	1,394,503	1,496,558	1,345,136	1,381,966	2,560,058	2,345,255	2,643,765	3,734,123	3,807,119
Operating Income (loss)	(214,056)	(182,924)	151,120	558,676	484,605	(117,960)	129,084	(632,727)	(1,524,561)	(1,604,221)
Change in Net Assets	(175,289)	(103,162)	293,342	600,437	248,753	98,489	293,306	13,455,264	3,759,159	7,268,984
Total Assets	7,893,410	7,775,398	8,079,893	8,704,199	8,944,788	14,075,307	14,307,412	33,788,754	36,359,774	40,884,761
Total Current Assets	789,528	1,105,393	1,659,935	2,453,987	2,580,127	3,287,840	3,701,736	8,809,499	6,433,454	4,290,171
Cash (and cash equivalents)	162,766	142,065	421,763	624,835	849,374	1,342,043	1,515,732	1,376,536	919,394	959,565
Total Liabilities	61,881	47,031	58,184	82,053	73,889	403,925	342,724	6,368,802	5,180,663	2,436,666
Total Current Liabilities	61,881	47,031	58,184	82,053	73,889	377,197	342,724	6,368,802	4,866,151	2,396,066
Equity/Net Assets	7,831,529	7,728,367	8,021,709	8,622,146	8,870,899	13,671,382	13,964,688	27,419,952	31,179,111	38,448,095
Current Ratio	12.76	23.50	28.53	29.91	34.92	8.72	10.80	1.38	1.32	1.79
Cash Ratio	2.63	3.02	7.25	7.62	11.50	3.56	4.42	0.22	0.19	0.40
Return on Assets	(0.03)	(0.02)	0.02	0.06	0.05	(0.01)	0.01	(0.02)	(0.04)	(0.04)
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	-	50,000	89,000	-	-	-	99,000	-	-	-
Transfers treated as current subsidies in GDP estimates*	-	50,000	-	-	-	-	99,000	-	-	-
Value Added (Gross) before subsidy*	811,000	1,910,000	1,772,000	2,319,000	2,252,000	1,956,000	1,947,000	1,395,000	1,362,000	1,229,000
Annual Land Fee		266,799	192,986	290,705	352,032	339,747	383,740	347,028	312,720	295,797
Annual Port Fee	n/a	n/a	n/a	189,833	293,122	193,130	167,532	126,637	109,352	106,602
Twenty-Foot-Equivalent containers inbound Majuro	n/a	n/a	3,555	n/a	n/a	n/a	n/a	2,851	n/a	n/a
Total sea vessel arrivals	n/a	n/a	n/a	1,208	1,415	1,118	1,164	998	990	1,033
Total aircraft arrivals	n/a	n/a	n/a	n/a	1,121	1,062	889	839	1,523	996
Total international airline passenger embarkations	9,436	10,182	10,909	10,442	10,503	9,948	10,436	9,739	10,344	10,740
Total international airline passenger disembarkations	8,776	8,893	9,392	9,548	10,084	9,406	9,396	8,855	9,878	9,517
Number of employees (average over year)	15	25	30	43	42	43	54	54	56	58
Revenue per employee	80,463	49,452	55,384	44,796	44,442	57,461	46,034	37,415	39,633	37,818
* As derived in FY2008 Economic Statistics Tables, Transfers data from FY00 to FY04 include MIAA										
In FY04 MI Airports Authority and Ports Authority merged, \$4,701,944 in MIAA FY03 year end net assets added to MIPA balance sheet										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



Marshall Islands Shipping Corporation (MISC), Inc.

From FY08 Audit: the Marshall Islands Shipping Corporation (MISC), a component of the RMI, was created by Public Law 2005-41, the Marshall Islands Shipping Act, 2004. MISC was established to manage and operate RMI's shipping vessels. MISC's line of business is to provide sea transportation; to carry on business as ship owners; and to build and maintain ships and vessels. MISC is governed by a five member Board of Directors.

Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue									1,031,735	2,369,740
Total Operating Expenses									1,960,011	2,316,138
Operating Income (loss)									(928,276)	53,602
Change in Net Assets									539,190	n/a
Total Assets									801,068	n/a
Total Current Assets									637,238	n/a
Cash (and cash equivalents)									236,498	n/a
Total Liabilities									261,878	n/a
Total Current Liabilities									261,878	n/a
Equity/Net Assets									n/a	n/a
Current Ratio									2.43	n/a
Cash Ratio									0.90	n/a
Return on Assets									(1.16)	n/a
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*									920,000	1,056,000
Transfers treated as current subsidies in GDP estimates*									920,000	1,056,000
Value Added (Gross) before subsidy*									(254,000)	12,000
Number of employees (average over year)									51	87
Revenue per employee									20,363	27,396
* As derived in FY2008 Economic Statistics Tables										
FY07 first year of available financial data										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										

Majuro Resort, Inc. (MRI)

From FY08 Audit: a component unit of the RepMar, MRI was formed on November 8, 1995 as a corporation. The primary business of the MRI is the operation of a 150-room hotel on the atoll of Majuro in the RMI.

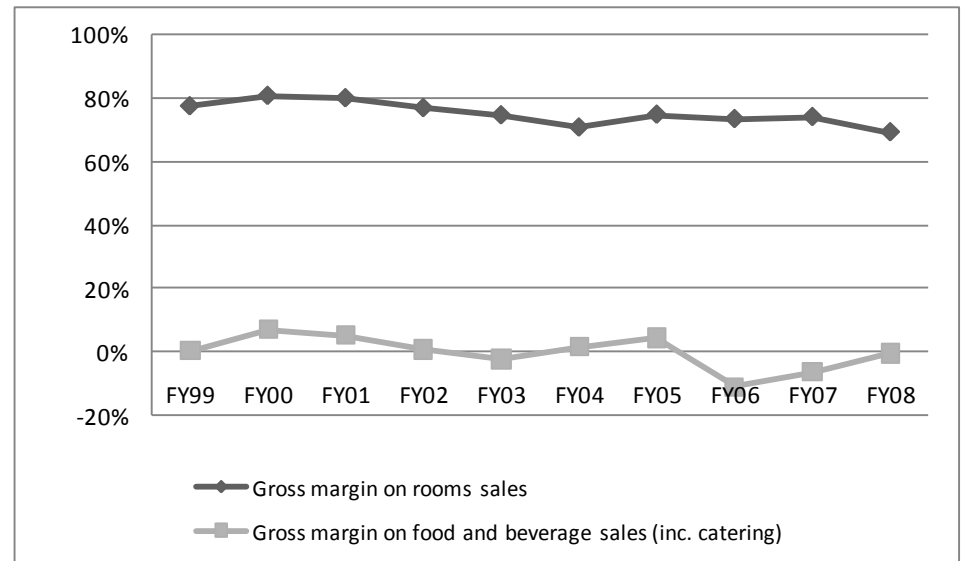
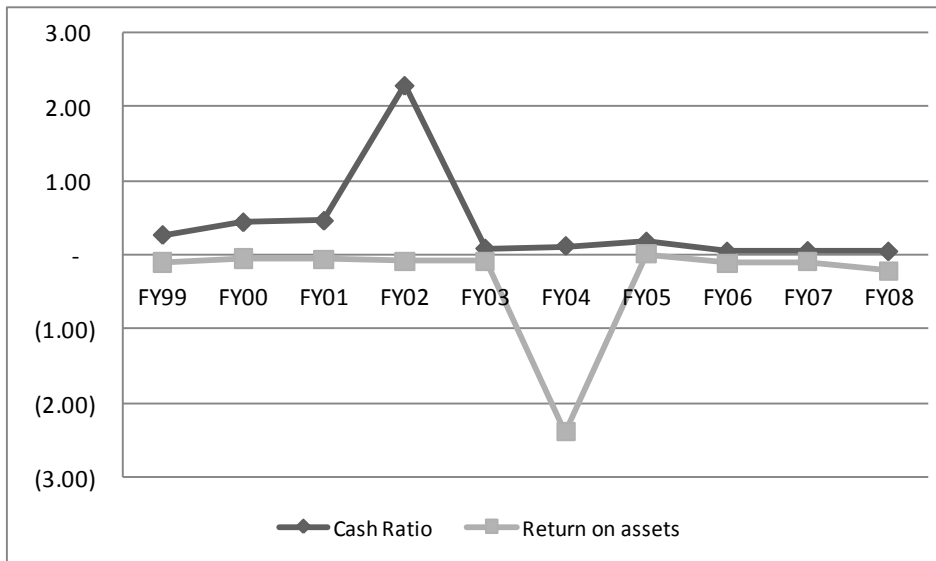
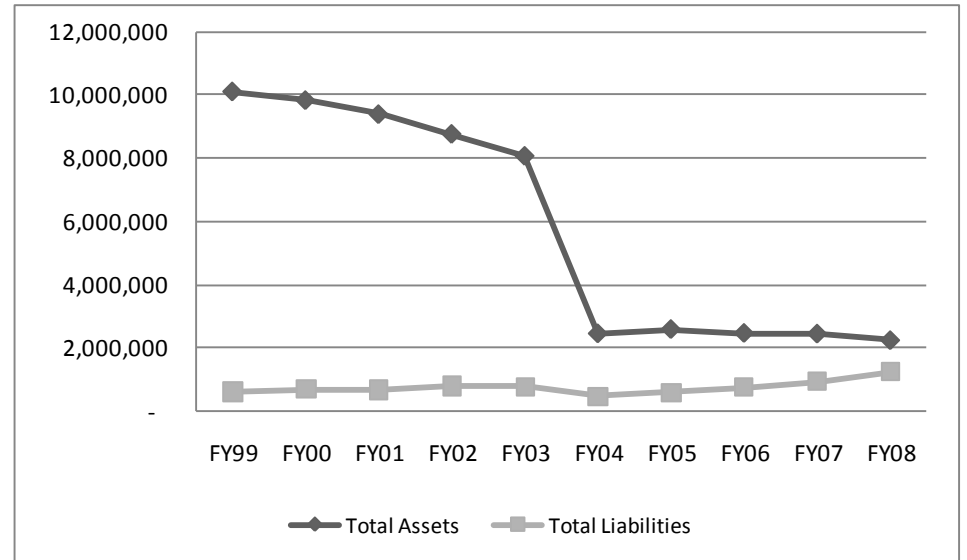
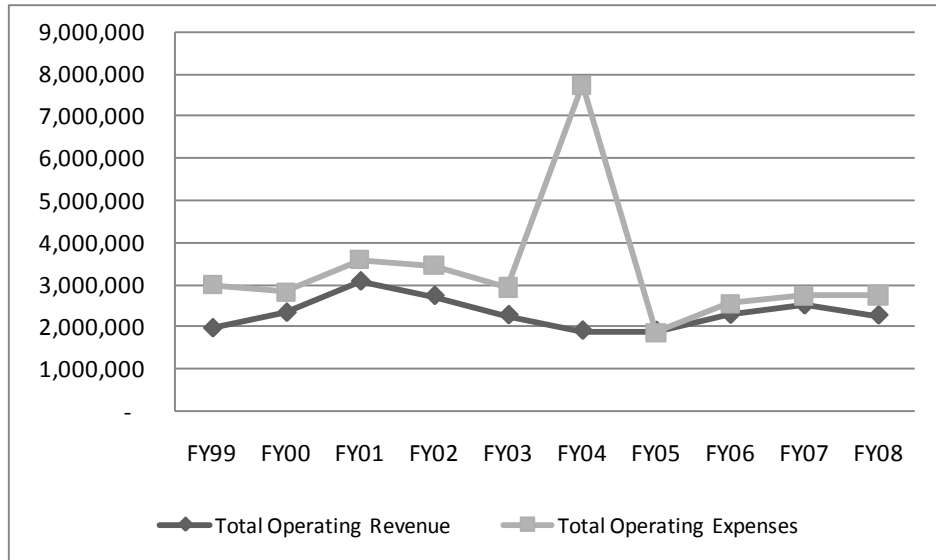
Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	1,951,280	2,320,545	3,064,137	2,721,288	2,262,596	1,895,375	1,885,119	2,272,971	2,497,750	2,258,407
Total Operating Expenses	2,990,889	2,830,436	3,593,319	3,448,715	2,938,484	7,738,542	1,860,503	2,554,082	2,737,743	2,746,696
Operating Income (loss)	(1,039,609)	(509,891)	(529,182)	(727,427)	(675,888)	(5,843,167)	24,616	(281,111)	(239,993)	(488,289)
Change in Net Assets	(577,011)	(345,973)	(419,137)	(759,072)	(672,088)	(5,323,115)	16,811	(289,342)	(194,517)	(520,850)
Total Assets	10,105,939	9,830,955	9,386,613	8,761,910	8,066,135	2,444,570	2,581,341	2,458,677	2,436,835	2,229,009
Total Current Assets	453,055	597,785	697,173	497,798	229,859	248,695	379,260	365,390	447,177	402,088
Cash (and cash equivalents)	163,377	256,133	274,407	174,563	64,844	53,428	103,091	33,008	48,104	55,147
Total Liabilities	611,251	682,240	657,035	791,404	767,717	469,267	589,227	755,905	928,580	1,241,604
Total Current Liabilities	611,251	583,192	597,130	76,275	767,717	451,316	575,918	755,905	928,580	1,241,604
Equity/Net Assets	9,494,688	9,148,715	8,729,578	7,970,506	7,298,418	1,975,303	1,992,114	1,702,772	1,508,255	987,405
Current Ratio	0.74	1.03	1.17	6.53	0.30	0.55	0.66	0.48	0.48	0.32
Cash Ratio	0.27	0.44	0.46	2.29	0.08	0.12	0.18	0.04	0.05	0.04
Return on Assets	(0.10)	(0.05)	(0.06)	(0.08)	(0.08)	(2.39)	0.01	(0.11)	(0.10)	(0.22)
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	462,000	100,000	186,000	-	-	545,000	-	-	-	-
Transfers treated as current subsidies in GDP estimates*	462,000	100,000	11,000	-	-	545,000	-	-	-	-
Value Added (Gross) before subsidy*	700,000	883,000	2,547,000	739,000	701,000	653,000	913,000	983,000	1,098,000	797,000
Total visitors (by air, calendar year)	4,622	5,246	5,444	6,002	7,195	7,022	7,496	5,659	6,959	6,022
Percent of paid occupancy	n/a	34%	41%	42%	36%	29%	38%	33%	46%	45%
Average room rate (\$ per night)	n/a	65	65	64	71	70	68	75	62	61
Net book value of property, plant and equipment	9,652,844	9,233,170	8,689,440	8,264,112	7,836,276	2,195,875	2,202,081	2,093,287	1,989,658	1,826,921
Gross margin on rooms sales	77%	81%	80%	77%	74%	71%	75%	73%	74%	69%
Gross margin on food and beverage sales (inc. catering)	0%	7%	5%	1%	-2%	2%	4%	-11%	-6%	-1%
Number of employees (average over year)	86	87	88	103	106	103	89	101	106	101
Revenue per employee	22,778	26,673	34,820	26,549	21,446	18,491	21,122	22,561	23,675	22,305

* As derived in FY2008 Economic Statistics Tables

Net book value of property decreased significantly in FY04 as a result of a write down based on an appraisal conducted in October 2004.

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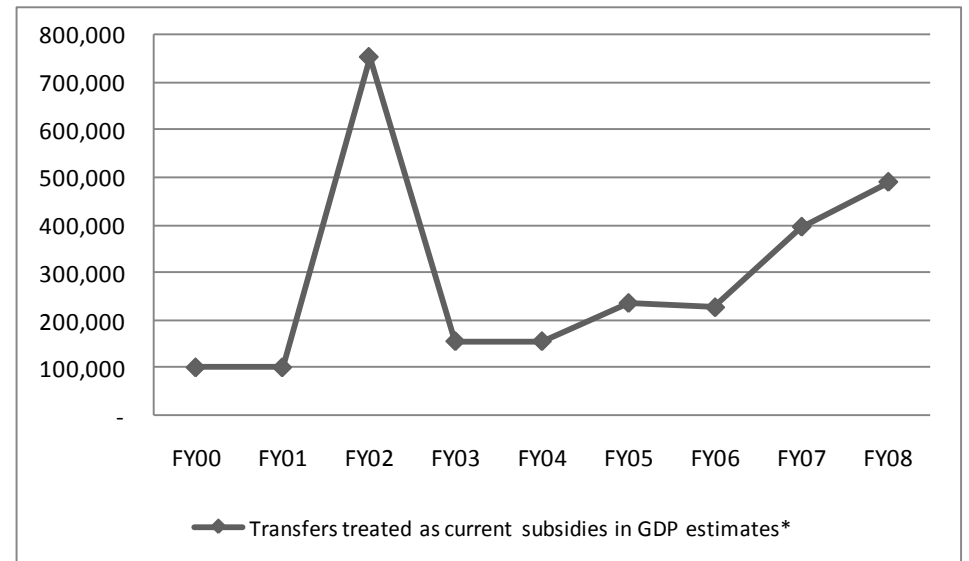
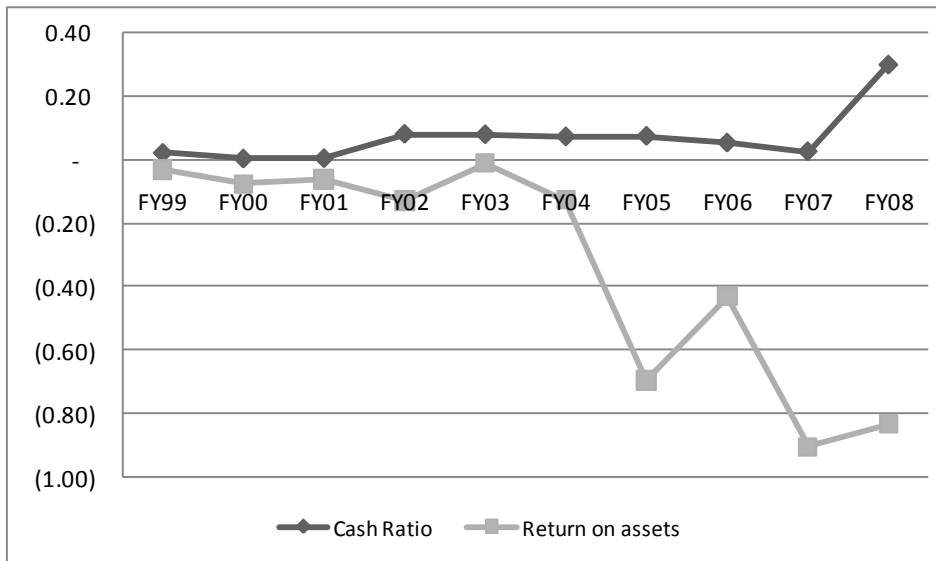
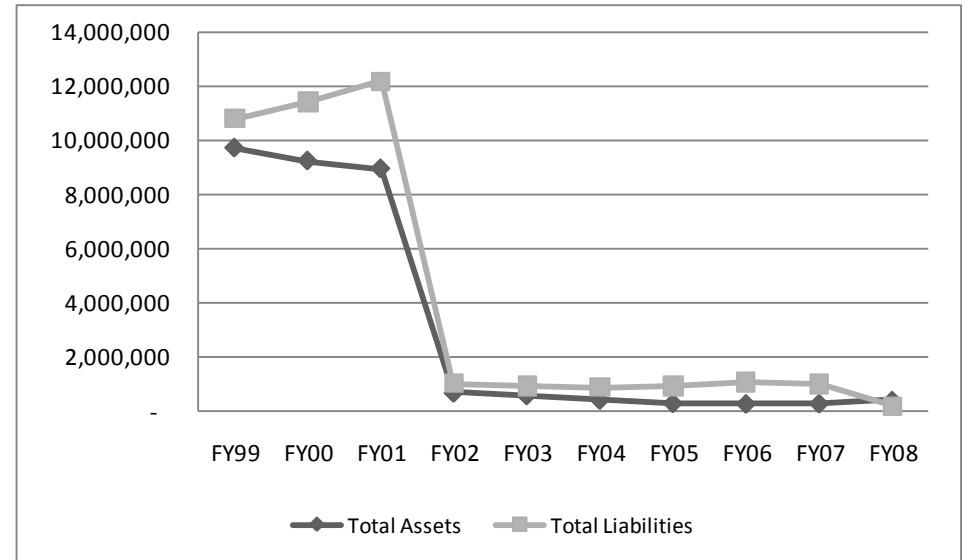
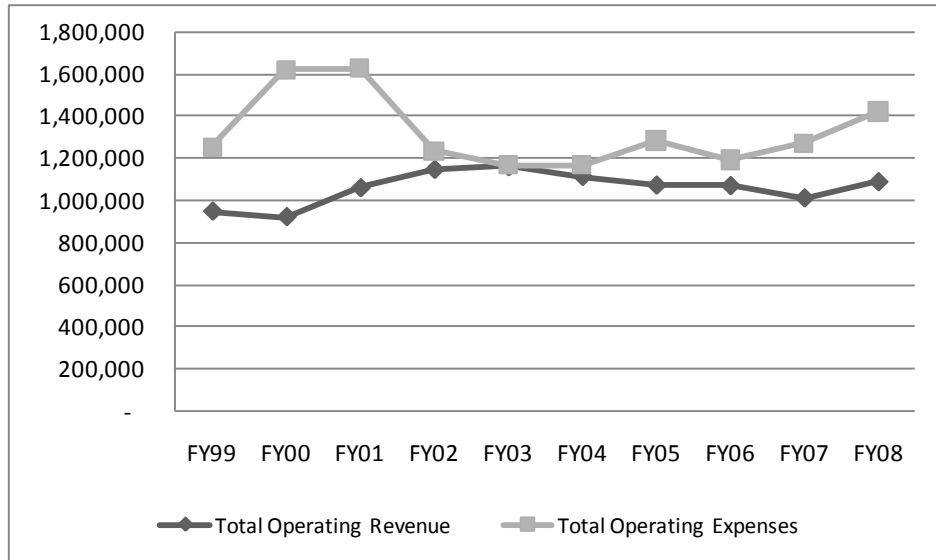
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.



Majuro Water and Sewer Company (MWSC), Inc.

From FY08 Audit: MWSC was granted a corporate charter by the Cabinet on January 26, 1989. Principal lines of business are predominantly the collection and distribution of fresh water and wastewater on Majuro Atoll to government, businesses and residential customers.

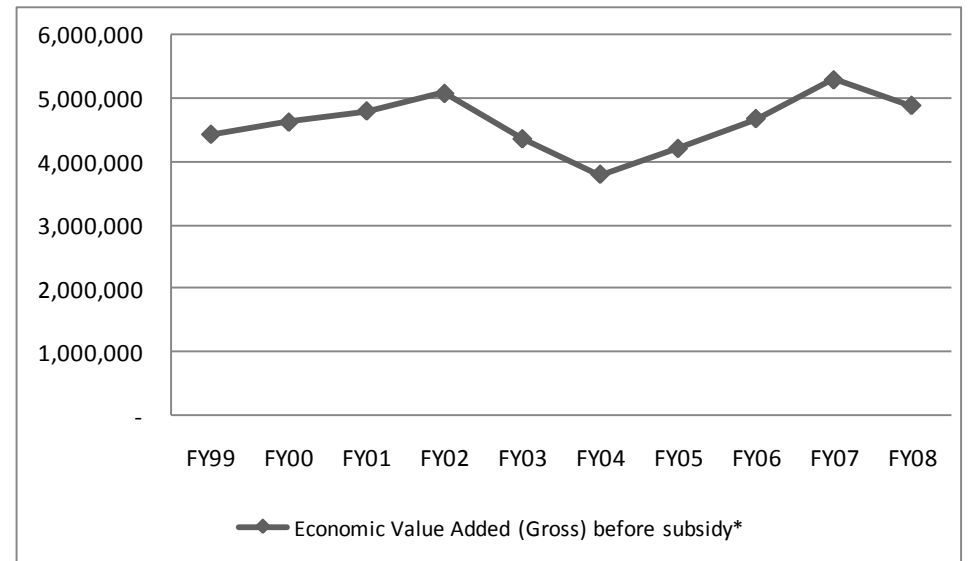
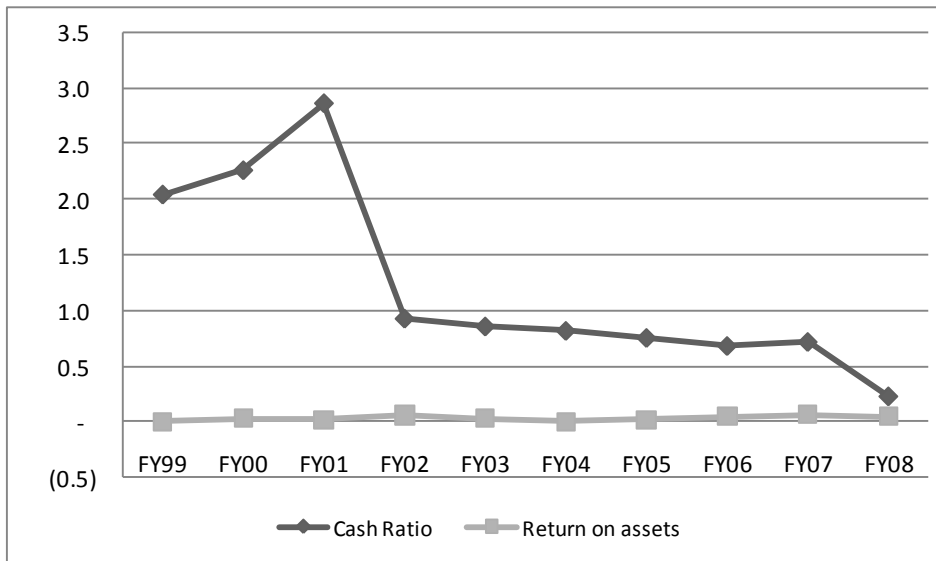
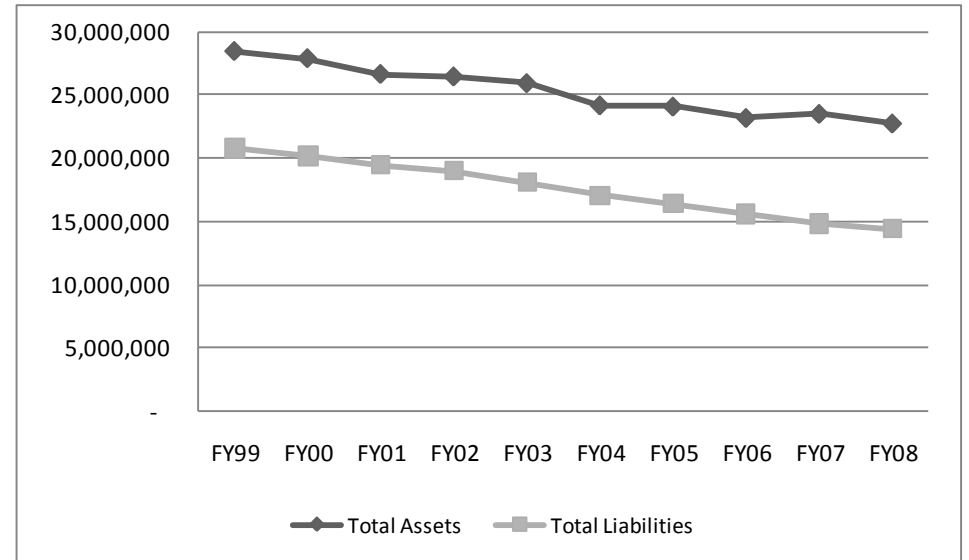
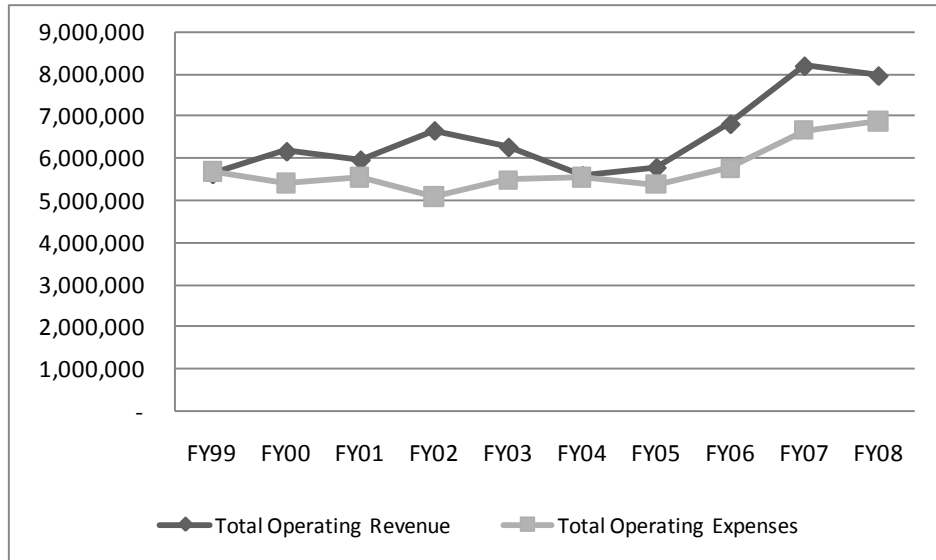
Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	946,135	919,581	1,059,032	1,147,585	1,160,596	1,113,556	1,071,747	1,069,323	1,010,135	1,088,043
Total Operating Expenses	1,254,041	1,620,882	1,624,780	1,235,944	1,167,262	1,168,098	1,283,449	1,191,047	1,272,521	1,422,261
Operating Income (loss)	(307,906)	(701,301)	(565,748)	(88,359)	(6,666)	(54,542)	(211,702)	(121,724)	(262,386)	(334,218)
Change in Net Assets	(354,848)	(1,099,190)	(1,053,204)	2,900,808	(1,720)	(115,175)	(174,370)	(163,430)	87,018	916,039
Total Assets	9,701,016	9,227,045	8,936,821	686,259	592,885	425,424	304,496	281,730	290,251	401,423
Total Current Assets	309,113	383,739	490,433	638,521	499,936	329,444	228,261	228,294	258,927	356,543
Cash (and cash equivalents)	69,805	27,215	42,977	81,221	43,971	49,141	16,776	56,011	24,999	55,272
Total Liabilities	10,783,461	11,408,680	12,171,660	1,020,290	928,636	876,350	929,792	1,070,456	991,959	187,092
Total Current Liabilities	3,463,879	11,408,680	12,171,660	1,020,290	561,923	686,220	228,621	1,070,456	991,959	187,092
Equity/Net Assets	(1,082,445)	(2,181,635)	(3,234,839)	(334,031)	(335,751)	(450,926)	(625,296)	(788,726)	(701,708)	214,331
Current Ratio	0.09	0.03	0.04	0.63	0.89	0.48	1.00	0.21	0.26	1.91
Cash Ratio	0.02	0.00	0.00	0.08	0.08	0.07	0.07	0.05	0.03	0.30
Return on Assets	(0.03)	(0.08)	(0.06)	(0.13)	(0.01)	(0.13)	(0.70)	(0.43)	(0.90)	(0.83)
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	-	100,000	100,000	1,465,000	49,000	75,000	75,000	75,000	349,000	1,258,000
Transfers treated as current subsidies in GDP estimates*	-	100,000	100,000	751,000	155,000	155,000	235,000	226,000	395,000	489,000
Value Added (Gross) before subsidy*	630,000	425,000	536,000	699,000	775,000	697,000	560,000	646,000	496,000	413,000
Number of Household connected to Fresh Water	2,818	3,098	3,016	3,064	3,130	3,195	3,219	3,241	n/a	n/a
Number of Household connected to Salt Water (Ben)	1,363	1,555	1,676	1,799	1,871	1,928	2,016	2,072	2,044	2,107
Drinking Water Supplied (Majuro) Million of Gallons	184	201	229	196	233	201	341	239	312	385
Number of employees (average over year)	49	52	56	59	59	59	58	57	56	52
Revenue per employee	19,408	17,770	19,082	19,533	19,839	18,954	18,478	18,843	18,119	20,924
* As derived in FY2008 Economic Statistics Tables										
FY00 adjustments made in FY01, FY00 figures subsequently restated										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



National Telecommunication Authority (NTA), Inc.

From FY08 Audit: NTA was created under Public Law 1987-15, which was subsequently repealed and replaced by Public Law 1990-105. Line of work is to provide communication services to the people of the Marshall Islands.

Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	5,627,941	6,167,175	5,965,372	6,661,244	6,268,626	5,594,266	5,785,596	6,818,179	8,196,395	7,964,259
Total Operating Expenses	5,683,916	5,415,991	5,544,682	5,086,789	5,484,232	5,541,889	5,384,728	5,762,652	6,668,106	6,876,476
Operating Income (loss)	(55,975)	751,184	420,690	1,574,455	784,394	52,377	400,868	1,055,527	1,528,289	1,087,783
Change in Net Assets	(809,181)	72,498	(504,162)	255,956	384,553	(713,501)	569,016	(58,424)	1,043,749	(311,572)
Total Assets	28,427,112	27,869,495	26,641,341	26,445,252	25,922,039	24,189,374	24,093,210	23,206,946	23,527,018	22,777,906
Total Current Assets	7,968,575	6,767,958	6,981,656	7,636,783	6,576,041	5,844,945	6,318,987	5,623,213	6,457,620	4,645,676
Cash (and cash equivalents)	3,559,132	3,720,941	4,401,095	1,570,771	1,529,158	1,208,795	1,174,925	1,023,469	1,146,743	471,303
Total Liabilities	20,787,222	20,157,107	19,433,115	18,981,070	18,073,304	17,054,140	16,388,960	15,561,120	14,837,443	14,399,903
Total Current Liabilities	1,740,478	1,644,384	1,536,689	1,686,396	1,776,159	1,471,729	1,549,885	1,492,628	1,588,280	2,011,460
Equity/Net Assets	7,639,890	7,712,388	7,208,226	7,464,182	7,848,735	7,135,234	7,704,250	7,645,826	8,689,575	8,378,003
Current Ratio	4.58	4.12	4.54	4.53	3.70	3.97	4.08	3.77	4.07	2.31
Cash Ratio	2.0	2.3	2.9	0.9	0.9	0.8	0.8	0.7	0.7	0.2
Return on Assets	(0.00)	0.03	0.02	0.06	0.03	0.00	0.02	0.05	0.06	0.05
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	-	-	-	-	-	-	-	-	-	-
Transfers treated as current subsidies in GDP estimates*	-	-	-	-	-	-	-	-	-	-
Value Added (Gross) before subsidy*	4,421,000	4,615,000	4,794,000	5,073,000	4,349,000	3,783,000	4,195,000	4,672,000	5,290,000	4,883,000
Number of Internet Accounts	342	409	472	674	695	877	807	712	n/a	n/a
Number of Mobile Phone Users	452	486	528	574	598	1,198	911	4,534	n/a	n/a
Number of Landline Phone Users	3,463	3,566	3,710	3,861	3,863	5,510	5,804	3,636	n/a	n/a
Total Operating Revenue (sources):	5,627,941	6,167,175	5,965,372	6,661,244	6,268,626	5,594,266	5,785,596	6,818,179	8,196,395	7,964,259
Long distance network services	4,305,489	4,394,606	4,024,035	4,287,232	3,621,005	2,815,099	2,808,949	3,182,944	3,247,037	3,347,768
Local network services	1,307,157	1,415,208	1,707,041	1,331,488	1,428,646	1,540,232	1,536,677	1,782,880	2,253,733	2,493,577
Prepaid card revenue	n/a	n/a	n/a	287,835	252,552	380,795	487,488	523,833	1,191,405	1,122,772
Internet services	n/a	n/a	n/a	868,789	1,077,328	1,155,728	1,263,264	1,124,714	1,157,831	757,641
Miscellaneous	383,640	671,445	800,290	-	17,639	42,889	19,627	15,527	35,465	17,384
Nonregulated revenue	n/a	n/a	n/a	54,561	21,456	15,979	17,782	193,919	288,185	139,406
Uncollectible	(368,345)	(314,084)	(565,994)	(168,661)	(150,000)	(356,456)	(348,191)	(5,638)	22,739	85,711
Number of employees (average over year)	113	108	104	114	112	114	150	155	152	160
Revenue per employee	49,915	57,103	57,359	58,689	55,970	49,289	38,635	43,988	54,102	49,933
* As derived in FY2008 Economic Statistics Tables										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										



Tobolar Copra Processing Plant (TOBOLAR), Inc.

From FY08 Audit: Tobolar was granted a corporate charter on August 13, 1977, under the laws of the Trust Territory of the Pacific Islands as subsequently adopted by the RMI. Primary purpose of establishment is to engage in the production and processing of copra products on Majuro Atoll. Principal lines of business are copra oil, copra cake and soap products. The principal market for sales is based on the world market price at the time of sale. Soap products are sold primarily to customers in the RMI. Raw copra is purchased at a price set by the Board of Directors.

Selected Financial Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Total Operating Revenue	1,274,303	1,252,551	208,822	940,133	1,511,893	1,036,776	2,909,976	475,917	2,393,911	4,845,932
Total Operating Expenses	1,753,625	2,835,755	1,959,741	1,792,270	2,329,445	1,333,140	4,094,570	1,456,825	3,057,605	4,825,435
Operating Income (loss)	(479,322)	(1,583,204)	(1,750,919)	(852,137)	(817,552)	(296,364)	(1,184,594)	(980,908)	(663,694)	20,497
Change in Net Assets	(19,347)	(863,191)	1,203,372	506,147	207,855	526,385	(377,803)	(127,776)	417,948	1,156,373
Total Assets	1,773,585	1,421,829	2,857,438	2,478,288	2,254,298	3,053,608	2,517,347	2,495,782	2,855,082	2,822,163
Total Current Assets	1,039,375	690,964	1,761,376	1,392,350	1,186,145	2,045,891	1,553,004	1,589,495	2,036,419	2,052,657
Cash (and cash equivalents)	101,740	450	50	2,194	238,665	80,578	55,096	75,642	110,539	831,248
Total Liabilities	1,797,991	2,309,426	2,541,663	1,656,366	1,224,521	1,497,446	1,338,988	1,445,199	1,386,551	197,259
Total Current Liabilities	1,797,991	2,309,426	2,541,663	1,656,366	1,224,521	1,497,446	1,338,988	1,445,199	1,386,551	197,259
Equity/Net Assets	(24,406)	(887,597)	315,775	821,922	1,029,777	1,556,162	1,178,359	1,050,583	1,468,531	2,624,904
Current Ratio	0.58	0.30	0.69	0.84	0.97	1.37	1.16	1.10	1.47	10.41
Cash Ratio	0.06	0.00	0.00	0.00	0.19	0.05	0.04	0.05	0.08	4.21
Return on Assets	(0.27)	(1.11)	(0.61)	(0.34)	(0.36)	(0.10)	(0.47)	(0.39)	(0.23)	0.01
Other Indicators	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Transfers (including subsidies and capital transfers)*	581,000	845,000	3,050,000	1,449,000	1,096,000	900,000	895,000	900,000	1,200,000	1,092,000
Transfers treated as current subsidies in GDP estimates*	581,000	845,000	1,849,000	949,000	1,096,000	900,000	845,000	900,000	1,200,000	1,092,000
Value Added (Gross) before subsidy*	(223,000)	(1,341,000)	(1,531,000)	(547,000)	(521,000)	867,000	4,000	(143,000)	681,000	789,000
Annual copra tons produced/processed	3,355	4,272	5,256	2,653	4,283	4,868	4,910	4,646	6,053	7,182
Average price paid to producers (per pound)	n/a	n/a	\$ 0.09	\$ 0.09	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.15	\$ 0.22
Total producers income	n/a	n/a	982,872	477,540	1,027,920	1,168,320	1,178,400	1,115,040	1,809,847	3,152,898
Net book value of property, plant and equipment	n/a	655,865	1,096,062	1,085,938	1,068,153	1,007,717	964,343	906,287	818,663	769,506
Number of employees (average over year)	53	39	28	34	41	34	29	29	31	30
Revenue per employee	24,272	32,117	7,594	27,449	37,331	30,271	101,217	16,271	77,223	161,531
* As derived in FY2008 Economic Statistics Tables										
" - " indicates zero, "n/a" not available										
Sources: Annual audit reports, FY2008 RMI Economic Statistics Tables, management and staff of enterprise.										

