REPUBLIC OF THE MARSHALL ISLANDS

ECONOMIC POLICY STATEMENT

SEPTEMBER 2021

A. Introduction and Purpose

We seek a resilient, prosperous, and inclusive economy. We have a clear vision for the Republic of the Marshall Islands (RMI) to have a resilient, prosperous, and inclusive economy and nation. Achieving this will require building our human and financial capital, leveraging and conserving our natural and cultural capital, and creating opportunities for all Marshallese.

We now approach a critical juncture in our history. After four decades of Constitutional self-government and nearly four decades of free-association with the United States under the Compact of Free Association, we face uncertainties in our economic, security, and environmental outlooks. COVID-19 pandemic has brought new and unprecedented global risks and challenges, which we in RMI also face. Climate change and the impact of more intense natural disasters pose an existential threat and risks our livelihood.

We must set clear strategic directions for economic and development progress. This Economic Policy Statement provides direction for the Government to pursue economic policy objectives in accordance with the principles of responsible fiscal management as outlined in the Fiscal Responsibility and Debt Management Act, and the policy objectives detailed in the National Strategic Plan.

This Economic Policy Statement complements the direction of our National Strategic Plan (NSP) 2030, and provides strategic guidance on key areas of macroeconomic and sectoral policy, budgetary considerations, and associated reforms.

Our collective and decisive leadership is critical. With our collective responsibility and leadership to implement the key provisions of this Economic Policy Statement, we aim to achieve a sound foundation to manage the possible Compact transition in 2023 and accelerate the implementation of our development priorities outlined in the NSP 2030.

B. Background

An enabling legislative framework for presenting the Economic Policy Statement was approved in June 2021. The RMI approved the Fiscal Responsibility and Debt Management Act with the objective to strengthen fiscal governance.

The Act provides for the annual presentation of an Economic Policy Statement to Nitijela by the Minister of Finance. The Statement is aimed to cover overarching objectives of:

i. Reducing total debt to levels that will provide a buffer against factors that may impact adversely on the level of total debt in the future;
ii. Maintaining debt levels by ensuring that, on average, total operating expenses do not exceed total operating revenues;
iii. Achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future; and
iv. Managing the fiscal risks facing the Government.[1]

C. Development and Socio-economic Setting

Our geography presents challenges for development. Our nation will forever remain small and isolated, making transport and trade with major markets costly. However, our geography also presents niche opportunities for development.

We remain heavily reliant on external resources. Reflecting our isolation, smallness, and narrow resource base, our economy remains highly dependent on international support, mostly in the form of grants, which has been equivalent to 35 percent of GDP over the past decade. About half of our Government's budget is funded from external sources.

Hardship in various forms and rural-urban disparities continue to exist. This is the case in both our urban centres and outer islands, and there is a clear trend of urban migration, with Majuro and Kwajalein atolls now home to three-fourths of our population. The economies of our outer island communities have not fundamentally changed over the past century relying on subsistence farming, fishing, copra and handicrafts.

Our urban economies remain non-diversified. Our urban economies in Majuro and Kwajalein rely heavily on government bureaucracy and the Kwajalein missile base for employment and income. These economies are dominated by the wholesale and retail trade, construction, banking and insurance, and commercial fisheries operations.

Our human capital remains underdeveloped. At the heart of our development is human development, and at the heart of human development is early childhood and maternal health, nutrition, and care. While our broad human development indicators such as infant and child survival rates and educational attainment have steadily improved since independence, our overall progress in building our human and cognitive capital remains unsatisfactory. We must redouble our efforts to ensure that every child born in the RMI is provided the proper health, nutrition, and care especially in the first 1,000 days of life. Skill gaps and technical capacity challenges remain and needs to be holistically addressed.

[1] Fiscal Responsibility and Debt Management Act 2021

D. Fiscal Setting and Impact of COVID-19

The pandemic and containment measures have strained the economy.[2] The COVID-19 containment measures impacted economic activity through disruptions to transshipment, restaurant, and hotel services, transportation, and other business activities. Planned large investment projects continue to be delayed because of restrictions on the movement of personnel and materials.

Containment measures, disruptions in supply chain, and lower external demand even led to a drop in fishing revenue. Real GDP is expected to have contracted by 3.3 percent in FY2020, and by another 1.5 percent in FY2021, as the continued border closure is expected through at least the end of 2021. A rebound in economic activity is expected in FY2022, assuming gradually easing health and border restrictions. Inflation is estimated to have remained under control in FY2020 and is projected to rise slightly in FY2021, with higher fuel prices leading this increase. In the medium term, economic growth is projected to moderate to around 1.6 percent, given low labor force growth with continued emigration to the US, while inflation should be converging to U.S. levels of around 2 percent.

We have taken comprehensive fiscal measures to mitigate the economic impact of the COVID-19 pandemic.[3] The size of the COVID-19 Response Plan for FY2020-21 has been increased several times, from USD 42.3 million (18 percent of GDP) in June 2020 to about USD 63 million USD (27 percent of GDP) in early 2021. The response plan aimed to strengthen health preparedness and support vulnerable groups. Development partners have so far provided grant financing USD 50 million (21 percent of GDP). Total implementation of the package reached USD 21 million (9 percent of GDP) as of March 2021.[4]

Under current policies, we can expect to face increasing budget deficits. Unaudited estimates indicate a balanced budget in FY2020 despite the weaker economy, reflecting higher grants, stable fishing license fees, and improved revenue collection from better compliance and enforcement. A small surplus of 0.6 percent of GDP is projected for FY2021, as an increase in the copra subsidies will be offset by a small surplus from pandemic-related programs. In the medium term, the reduction of US Compact grants is estimated to only be partially compensated by disbursements from the Compact Trust Fund. Together with projected stagnant fishing license[5] and tax revenues and continued expense pressures, this will lead to a 3.9 percent of GDP budget deficit by 2026.[6]

The external position is expected to worsen in the medium term. Unaudited estimates indicate the current account is projected to reach a surplus of 2.2 percent of GDP in FY2020 and 2.6 percent of GDP in FY2021. The surplus is due to increased budget support from development partners and declining imports due to the domestic demand contraction. The current account

[2] IMF Staff Report for the 2021 Article IV Consultation May 2021
[3] IMF Article IV Mission Findings March 2021
[4] Nitijela approved in March a supplementary budget that added about 7 percent of GDP to the initial budget, including further support to relevant line ministries to cope with the COVID-19 pandemic, financed by additional donor grants
[5] Because the benchmark price and demand of the fishing vessel days are not expected to increase in real terms
[6] IMF Article IV Mission Findings March 2021

balance is projected to move into a deficit of about 2.7 percent of GDP in the medium term, assuming lower grants.[7]

Our risk of debt distress remains high, owing to the deteriorating fiscal outlook after 2024, given the larger financing needs arising from the possible expiry of the Compact-related grants in 2023. Non-concessional external financing will exacerbate external debt distress, putting growth at risk. This is why we must seriously consider not taking on any non-concessional financing in the short and medium term.

Fiscal ceiling within a medium-term macroeconomic framework is critical. As per the recently approved Fiscal Responsibility and Debt Management Act, the key assumptions regarding debt levels, ratio of operating expenses and revenues, net worth, risk management and compliance are to be considered when preparing the annual budget and medium-term budget and investment framework.

E. Managing Risks

a. Climate Change and Disaster Risk

RMI is a climate-vulnerable nation. Our National Adaptation Plan (NAP) is to be finalized in 2022 with a focus on highlighting cost estimates and financing strategies.

Careful considerations for adaptation strategy, cost estimation and financing preparation would be crucial.[8] Substantial international climate finance will be required to meet our large climate change adaptation costs. Stronger Public Financial Management (PFM) is a necessary precondition for enhancing our ability to access international climate-related assistance (such as the Green Climate Fund) considering the limited room from domestic revenue sources. As part of PFM reforms, we continue to focus on improving internal coordination and integrating climate related projects into the fiscal framework through the National Strategic Plan (NSP), the Development Assistance Plan and related sector planning.

Internal coordination and integration of climate change projects and financing to fiscal framework need to be clearly established. Preparation of long-term financing strategy will help prioritize and target funding applications in a strategic and coordinated way. Additionally, we look to access to financing for disaster management via new sources such as the World Bank's Catastrophe Differed Drawdown Option, the Asian Development Bank's Contingency Disaster Fund and insurance markets.

b. Fiscal Risks SOE and Contingent Liabilities

A third of the outstanding debt is borrowing by state-owned enterprises (SOEs) with government guarantees. All SOEs depend on government support. Subsidies to the RMI's 11 active SOEs totalled USD 13.2 million[9] in FY2019, and then reducing slightly to USD 12.9 million[10] in FY2020.[11] Subsidies for FY21 were appropriated at USD 12.1 million. Contingent liabilities also

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[7] IBID

[8] IMF Staff Report for the 2021 Article IV Consultation May 2021

[9] 5.5% of GDP current price

[10] 5.3% of GDP current price

[11] SOE Monitoring Unit and EPPSO

arise from the Marshall Islands Social Security Administration. The gap between benefit payments and contributions amounts to about USD 3 million annually, and pressures will only increase in the longer term.

We must improve the financial viability of SOEs. Actions include:

- **Rationalizing subsidies to SOEs** by reviewing the efficiency and effectiveness of the copra subsidies (including via the CSOs and considering social protection through fiscal transfers);
- **Ongoing implementation of the SOE Act** and further strengthening SOEs' commercial mandate; and
- **Continue to enforce** SOE business plan and reporting submission requirements.

F. Compact Grants and Trust Fund

The possible expiry of Compact economic assistance requires prudent preparation and fiscal management. Rather than predictable and stable Compact sector grants, RMI possibly will be reliant on less predictable annual drawdowns from the Compact Trust Fund. With support from our international partners, and our own increasing contributions, the Trust Fund will go some way in substituting for the existing grants, but the actual fund availability will be dependent on market returns, which can be subject to volatility.

To maintain the stable revenue flows that have supported progress so far, and ensure that the Trust Fund is protected into the long term, we need to ensure prudent governance is in place to increase contributions and manage drawdowns. Putting these rules in place and enforcing them consistently remains a priority for the Government and is essential for safeguarding our long-term economic security.

a. Compact Grants

A gradual fiscal consolidation is necessary to prepare for the possible expiration of US grants, to reduce fiscal risks of a fiscal cliff and protect long-term income. Annual sector grants, infrastructure, and disaster assistance could possibly expire in FY2024 except for those dedicated to Kwajalein. The loss of approximately USD 27.2 million in FY2024, inflation adjusted thereafter, is targeted to be replaced through funding provided from distributions from the Compact Trust Fund. However, there is considerable uncertainty over the continuation of many other special and Federal programs and services the RMI receives from the US. For example, the Special Education Grant of USD 5.56 million in FY2021, could end after FY2023 under current law. There are other U.S. Federal programs such as Postal Services, FDIC, NOAA, Pell grants, FAA, health programs, which are subject to Congressional authorization.

b. Trust Fund

The Compact Trust Fund is necessary and significant, but not sufficient. While the shortfall in fully sustainable distributions from the Compact Trust Fund is estimated to be USD 7.0 million after FY2023, a decline from the USD 27.21 million target in FY2024 for sector grants. The range of possible values in the loss of Federal programs may, in worst case, be a further USD 20 million or more. In the remaining years of the amended Compact through FY2023, clarity is required on the status of these programs so that we can effectively plan for the onset of the Compact Trust Fund distribution period. Both the IMF and the ADB provide insights into an RMI post-compact economic scenario. The two scenarios are summarized in *Text Box 1* and *Text Box 2* below.

Text Box 1: ADB Base Adjustment Scenario

This assumes the RMI moves to a regime outlined in the Compact law. This regime has two key features. First, the RMI would transition from sector grants funded by US appropriations to annual distributions drawn down from the Compact Trust Fund. The initial level of annual distributions would be based on what the RMI deemed as sustainable (with a high degree of confidence) and would thereafter be adjusted in real terms. The second key feature of the Base Adjustment Scenario is the assumption that SEG funding would cease.

This potential reduction in transfers to support government operations and capital investments is specified as USD 5.2 million annually, which equates to 1.9 percent of projected FY23 GDP. An additional decline in transfers will occur through the loss of the SEG. There was no provision for the Trust Fund to serve as a source to replace this loss of annual transfers. The potential reduction in support to the RMI's education programs, USD 5.1 million annually starting in FY24, or a further loss of 1.9 percent of projected FY23 GDP.

Text Box 2: IMF Scenario

The Government of Marshall Islands is expected to lose about more than half of its grants if the Compact is not renewed. Fishing license fees are volatile and tax revenue are expected to be stagnant. Disbursement from the Compact Trust Fund (about 10 percent of GDP per year in the medium- term) will not fully compensate this revenue losses. From FY2024, RMI's recurrent spending will rely heavily on volatile fishing revenue and stagnant tax collection. Therefore, a gradual fiscal consolidation that relies heavily on expenditure rationalization is needed to build buffers and protect the real value of the Compact Trust Fund.

RMI can consider two options: (i) a cumulative fiscal adjustment of 6.4 percentage points of GDP over 5 years; (ii) an adjustment of 9.4 percentage points of GDP over 10 years. Both adjustments target a fiscal surplus of 2.5 percent of GDP in the medium-term to mitigate the risks of fiscal cliff, preserve the real value of the Compact Trust Fund and increase the Compact Trust Fund net assets per capita.

The adjustment over 10-year would be more gradual and possibly easier to absorb. It would, however, result in a relatively lower value of the Compact Trust Fund compared to the 5-year adjustment. The fiscal adjustment combined with continued grant-financing by donors will also allow to contain the risk of debt distress and restore sustainability

Given on-going renegotiating of the Compact of Free Association and the economic fallout from the COVID-19 pandemic, the 10-year adjustment would be preferable to avoid a too steep fiscal adjustment. Even if the Compact is renewed, some adjustment will likely still be needed to preserve the real value of the Trust Fund for future generations and reduce the dependency on external grants.

G. Medium-Term Fiscal Strategy

Government is committed to consolidating the budget as mandated by the Constitution and the Financial Management Act. The current budget is framed around the principles of transparency, good governance, and accountability. All line ministries and agencies are bound to this commitment in the framing of the FY2022 budget.[12]

Fiscal consolidation is need as recovery from the pandemic progresses, to secure medium to long-term financing needs, with possible reduction of US Compact grants. Our fiscal position is projected to deteriorate sharply from FY2024 onward without adjustment measures. RMI's recurrent spending is mainly financed by fishing revenues and budget grants, with project grants used for development financing. If the Compact grants set to expire in FY2023 (about 13.4 percent of GDP) are not renewed, disbursements from the Compact Trust Fund (about 10 percent of GDP in FY2024) are not expected to fully compensate this revenue losses as described earlier.[13]

To enable fiscal consolidation, a three- pronged strategy will be considered:

i. Expenditure rationalization;
ii. Revenue mobilization; and
iii. Public financial management.

a) Expenditure Rationalization

Review of spending on goods and services, as well as, SOE subsidies is critical. Areas of focus include:

i. Rationalize current spending, particularly on goods and services, while preserving spending on health and education;
ii. Continue with ministerial budgetary ceilings;
iii. Undertake a public expenditure review to identify unproductive spending;
iv. Speed up the reforms of state-owned enterprises as per SOE Reform Roadmap, including examining the feasibility of more direct conditional cash transfers to reach copra producers over the medium-term; and
v. Continue to reform the social security system to further contain government transfers.

b) Revenue Mobilization

Improvement to revenue administration and tax reform is essential. Areas of focus include:

i. Enacting tax reform legislation, to enable broad based revenue streams and improve collection efficiency;
ii. Reforming the taxation of offshore shipping and corporate registries to support public finance;
iii. Continue improving the revenue administration, including through further use of tax and customs information systems;

[12] RMI Budget Circular 2022
[13] IBID

iv. Maximize fishing revenues by working with our PNA partners to ensure realization of maximum effectiveness of the Parties to the Nauru Agreement Treaty; and
v. Maximize the value of transhipments through the Port of Majuro and continue to review and revise fees, and other charges for various commercial services.

c) Public Financial Management

Ongoing strengthening of public financial management systems is necessary. In addition to implementing the Fiscal Responsibility and Debt Management Act, key measures include:

i. Continue implementation of the PFM Roadmap and PFM reforms with assistance from our development partners;
ii. Improved accounting for fiscal risks;
iii. Continue strengthening fiscal projections and budget presentation and transparency to help guide policy goals;
iv. Roll out the new Financial Management Information System (FMIS) to improve accountability, management and reporting; and
v. Amend the Fiscal Responsibility and Debt Management Act (2021) to include the following: (i) supplement revenue shortfalls through strategic and targeted borrowing, subject Cabinet approval; and (ii) allotment of funds in areas most productive, subject Cabinet approval.

A considered approach will be adopted to quantify medium-term fiscal targets. *Annex 1* includes a table of selected economic indicators, prepared by IMF using data from RMI government sources. We will focus on these indicators moving forward with the development of macroeconomic targets that we can aim to meet as we continue to implement the three-pronged fiscal strategy as described. This work will include discussion and agreement on targets for these macroeconomic indicators including our debt ratio (as a percentage of GDP), amount of domestic revenues including fishing and other non-tax revenues, and our overall balance of payments. Government will review these indicators and projections so that realistic targets are agreed to as a guide to implementing our medium-term fiscal strategy. The next Economic Policy Statement tabled in *Nitijela* will present targets, following further consultation and assessment.

H. Enabling policy initiatives and reforms

Complementary policy initiatives and reforms are required to sustain our fiscal consolidation effort. As a forward-looking Government, we recognize that supporting reforms which improve the efficiency of institutional operations and strengthen the effectiveness of service delivery are necessary to realize overall gains from complementary fiscal and sectoral strategies.

a. Civil Service Reforms

Human resource development is a crosscutting enabler of reform. Implementation of the Human Resource Management Information System (HRMIS) has progressed allowing user access and automated processing of paperwork, including module to process personnel actions. Further effort to improve human resource records, and automate processes is aimed to enable efficiency gains and allow for better harmonisation of interoperable functions such as payroll and personnel actions.

We will also focus our efforts on improving performance management by ensuring that Ministries and agencies submit complete performance evaluations. The evaluations are required under PSC regulations. An amendment to the PSC Act also resulted in placing the Permanent Secretaries of the line ministries, Deputy and Assistant Secretaries; and agency Directors, and the equivalent on a four years performance-based employment contract scheme. This shifts the focus of performance to a more outcome-oriented focus and aligns with our goals to improve government efficiency and effectiveness by the improved alignment of planning, budgeting and public financial management.

b. Development Cooperation

Development cooperation with a range of local, bilateral, multilateral, civil society and philanthropic partners is essential to supplement government resources. We are now finalizing an updated Development Assistance Policy (DAP), which addresses the management of all development assistance to the RMI including climate finance, grants in-kind, and South-South and technical cooperation.[14]

The DAP will allow for coordination of government's approach to development cooperation and allow for more targeted support in priority areas. The DAP aims to improve mutual accountability and coordination between government agencies to increase the predictability, and effectiveness, of development assistance flows.

c. Investment and Private Sector Development

A better business climate is critical for private sector development. A healthy, self-reliant economy can be sustained through a flourishing private sector. We recognize the need for a vibrant private sector for creating jobs, raising the choices of products and services available at more affordable prices, and generating revenues which could be used for delivery of public services.

While there has been some private sector job creation seen in fisheries, construction and retail sectors, tourism has declined prior to the onset of COVID-19, and the pandemic has impacted private sector activity. Nonetheless, various reforms are planned or underway to build momentum on ease of doing business, including streamlining the Foreign Investment Business License application process. The World Bank Ease of Doing Business Report (2020) ranks the RMI 153 out of 190 countries with a score of 50.9/100. We will focus on regulatory reforms in the areas of starting a business, access to credit, doing business with government and taxes as we continue to look to improve our business environment. In addition, an updated Investment Policy Statement is being prepared to account for appropriate incentives and opportunities, to enable improved investment decisions and promote domestic and foreign investment in targeted areas. We will work to align the mandates of all government departments with this updated Investment Policy.

Additionally, the Office of Commerce Investment and Tourism (OCIT) will implement strategies for private sector development in tourism, fisheries and micro, small and medium sizes enterprises. In particular, the OCIT will implement the Tourism Development Plan (2020-2024).

[14] RMI Development Assistance Policy Review Draft June 2021

d. Financial Sector Development

A safe and stable financial system is crucial for a robust economy. We remain committed to promoting efficient and inclusive financial services to allow our people to take advantage of opportunities and manage their finances. We recognize that access to finance is necessary for the development of micro, small and medium enterprises. To support this, we will continue to review and strengthen the role of the Marshall Islands Development Bank to enable better access and higher levels of financing for all qualified enterprises.

We require the global connectivity of our financial systems. This facilitates efficient personal, investment and trade transactions. Several challenges remain to achieve deeper integration of our banking systems with those in overseas countries of importance to the Marshall Islands. We continue to face the significant challenge of maintaining our local correspondent banking relations with international banks, and as a result access to the international financial system. We will continue to address this challenge. A second challenge is money laundering and financing of terrorism risks which necessitate the strengthening of our supervisory and regulatory oversight systems. Therefore, we will require all financial institutions including those currently unregulated in the Marshall Islands to be appropriately legislated, regulated and supervised. To support this, we continue to strengthen relevant legislation and the regulatory authority's capacity to effectively deliver on its mandates.

I. Closing and Moving Forward

Clear direction and dedicated leadership. This Economic Policy Statement sets out the framework for Government, development partners and Marshallese stakeholders to support growth and development of our economy. The Economic Policy Statement complements key documents, including our National Strategic Plan and the budget. This Economic Policy Statement captures the strategic direction of our fiscal and reform strategy to achieve our collective development ambition.

With decisive leadership and collective effort, we will continue to move together to achieve our overall development objectives. We will continue to review this Economic Policy Statement, and report transparently as provided in the Fiscal Responsibility and Debt Management Act.

With your support for the direction provided in this Economic Policy Statement, we can work to deliver improved economic and development outcomes for all Marshallese.

Annex 1. Republic of Marshall Islands: Selected Economic Indicators, FY 2016 - 2026

					Projected						
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY23	FY25	FY26
Real GDP (percent change)	1.4	3.3	3.1	6.5	-3.3	-1.5	3.5	2.5	2.0	1.8	1.6
Consumer prices (percent change)	-1.5	0.1	0.8	-0.5	0.6	1.1	1.5	2.0	2.0	2.0	2.0
Central government finances (in percent of GDP)											
Revenue and grants	60.7	68.7	62.6	62.0	66.5	85.7	71.0	70.2	66.9	63.0	64.5
Total domestic revenue	31.4	37.9	32.2	31.9	32.3	30.4	31.2	31.3	41.0	40.7	40.4
Grants	29.3	30.8	30.4	30.0	34.2	55.3	39.8	38.9	25.8	22.3	24.1
Expenditure	56.8	64.2	60.0	63.7	66.4	85.1	72.3	71.7	70.1	66.5	68.5
Expense	53.8	58.1	55.5	61.2	60.2	76.9	59.8	59.8	59.9	60.0	60.1
Net acquisition of nonfinancial assets	3.1	6.1	4.5	2.5	6.2	8.2	12.4	11.9	10.2	6.5	8.4
Net lending/borrowing	3.9	4.4	2.5	-1.8	0.0	0.6	-1.3	-1.5	-3.3	-3.5	-3.9
Compact Trust Fund (in millions of US$; end of period)	294.5	356.9	402.4	434.7	480.0	525.7	574.5	626.7	631.4	635.7	620.8
Balance of payments (in percent of GDP)											
Current account balance	13.5	5.2	4.0	-25.4	2.2	2.6	0.4	-0.2	-0.5	-1.7	-2.7
Goods and services balance	-42.2	-46.3	-46.6	-72.9	-50.3	-57.0	-60.0	-57.8	-56.0	-56.7	-57.2
Primary income	29.4	27.8	26.0	22.2	27.1	27.9	29.0	29.0	38.5	38.0	37.6
Of which: fishing license fee	12.5	12.5	11.9	10.5	11.5	9.5	10.0	10.2	10.1	10.0	9.9
Secondary income	26.3	23.7	24.6	25.3	25.5	31.7	31.4	28.5	17.0	17.1	16.9
Of which: compact current grants	16.0	14.7	14.3	15.4	14.3	14.3	13.5	12.8	3.5	3.4	3.4
Of which: other budget and off-budget grants	8.8	7.6	9.5	9.7	10.2	16.4	17.1	15.1	13.0	13.2	13.2
Current account excluding current grants	-11.4	-17.1	-19.8	-50.5	-22.3	-28.1	-30.2	-28.1	-4.0	-5.1	-6.0
External PPG debt (Percent of GDP; end of period) 2/	41.4	36.8	32.7	27.8	27.5	26.2	25.3	25.1	26.7	28.8	31.3
Exchange rate											
Real effective exchange Rate (2010 =100)	120.3	120.7	121.5	97.2	…	…	…	…	…	…	…
Memorandum item:											
Nominal GDP (in millions of US$)	201.5	211.9	221.6	239.5	234.1	234.1	247.1	258.3	268.8	279.1	289.2

Sources: RMI authorities; and IMF staff estimates and projections.
1/ Fiscal year ending September 30.
2/ Assumption is that RMI will continue to receive 100 percent of its MDBs financial assistance in the form of grants.