

SU/21/65

May 24, 2021

**The Acting Chair's Summing Up  
Republic of the Marshall Islands—2021 Article IV Consultation  
Executive Board Meeting 21/50  
May 21, 2021**

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their strong and swift containment measures that successfully prevented a domestic outbreak of the pandemic, and for implementing a policy package that helped to support the economy. Directors noted that risks to the outlook are tilted to the downside and underscored the importance of policy measures to ensure long-term fiscal sustainability, safeguard financial stability, and promote a green, inclusive, and sustainable post-COVID recovery.

Directors agreed that the supportive fiscal responses should continue in the near-term, complemented by governance safeguards to promote fiscal transparency. Once the recovery has firmed, Directors emphasized that a gradual fiscal consolidation is necessary to support long-term fiscal self-reliance. They encouraged adopting a multipronged strategy focused on reducing recurrent spending, implementing the tax reforms, strengthening the PFM, and establishing a medium-term fiscal framework.

Directors emphasized the importance of preserving financial stability and integrity. They welcomed the authorities' cautious approach on the Sovereign initiative which, if repealed, would eliminate related macroeconomic, financial stability, and financial integrity risks from the issuance of a decentralized digital currency as a second legal tender. Directors, however, cautioned against the new initiative of establishing a Digital Economic Zone, which could potentially also pose significant financial stability and integrity risks that would not be easily managed, given the country's limited capacity. In this regard, Directors emphasized the importance of strengthening the AML/CFT framework in line with international standards. Moreover, they recommended to strengthen the capacity of relevant agencies to ensure proper oversight of offshore activities and effective mitigation of related risks to financial integrity. These are critical to improve correspondent banking relationship.

Directors noted that Republic of Marshall Islands is vulnerable to climate change shocks. They welcomed the authorities' commitment to finalize the National Adaptation Plan in 2021 and called for steadfast actions to address immediate disaster risks, prioritize key adaptation investments, and integrate resilience and disaster risk costs in the budget.

Directors emphasized that structural reforms are needed to promote sustainable and inclusive growth. They recommended accelerating the momentum of SOE reforms to help

reduce fiscal pressures and improve economic efficiency. Directors also encouraged reforming land registration, building skilled workforce, closing infrastructure gaps, and enhancing access to finance for the private sector.

It is expected that the next Article IV consultation with Republic of Marshall Islands will be held on a 24-month cycle.