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September 14, 2023

**Statement by Mr. Alrashed and Mr. Abdel-Rahman on Republic of the Marshall Islands
(Preliminary)
Executive Board Meeting
September 18, 2023**

We thank staff for the informative reports and Mr. Nicholl, Ms. Choi, and Mr. Wase for their helpful Buff statement. Since we broadly concur with the thrust of staff's appraisal, we would like to focus our remarks on highlighting the following points on the policy priorities.

- **Fiscal reforms are key to underpinning fiscal sustainability and mitigating risks to the outlook.** We take positive note of the ongoing reform program to modernize the PFM framework and look forward to its full implementation to facilitate expenditure rationalization through strengthening budgetary control. Also, we welcome ongoing efforts to modernize the customs revenue management system to help enhance revenue collection. Nonetheless, we encourage the authorities to advance fiscal reform efforts to broaden the revenue base and create room for critical investment spending. In this context, we join staff in encouraging the authorities to advance pending tax policy and revenue administration reforms, particularly as it relates to basic reform measures to establish a revenue authority, strengthen filling and payment activities, and improve arrears collections. We positively note the authorities' commitment as stated in the Buff statement to utilizing appropriate capacity building opportunities to facilitate the implementation of reforms.
- **Risks to financial sector stability and integrity from fintech initiatives should be firmly addressed.** We join staff in urging the authorities to complete the SOV repeal and remove the DEZRA bill from parliamentary consideration. Moreover, risks from the new fintech initiatives should be carefully assessed and the pace of implementing these initiatives should be calibrated in line with the authorities' regulatory and supervisory capacity to ensure adequate regulation and oversight to manage associated risks, including

ML/TF risks. On this note, we concur with staff that the emerging financial integrity risks from the ongoing fintech initiatives would call for advancing efforts to strengthen the AML/CFT framework and ensure its effective implementation. The technical assistance from the Fund and other relevant partners remains important to support the authorities' efforts on these fronts.

- **Promoting domestic investment and improving resilience to climate shocks are critical to boost economic development and sustainability.** We highlight the importance of improving the business environment and facilitating domestic investment through improving the availability of land and basic infrastructure to help diversify the economic base and promote higher and more sustainable growth. Moreover, in view of the RMI's significant climate vulnerabilities, advancing climate adaptation projects and enhancing the disaster management framework remain critical to promote economic growth and resilience. In this context, we positively note that the authorities are preparing the National Adaptation Plan (NAP) and look forward to its timely completion later this year. We share staff's view that having a robust NAP is vital for guiding climate resilience efforts and attracting the needed external financial support for climate adaptation projects. Also, we welcome ongoing work to streamline the disaster management framework and make it more effective.

With these remarks, we wish the authorities well in their endeavors.