



Republic of the Marshall Islands
Jepilpilin Ke Ejukaan

APPROPRIATION (FINANCIAL YEAR 2017) ACT 2016

Sponsored by:

HON. MINISTER BRENSON S. WASE

Received:

HON. SPEAKER KENNETH A. KEDI

BILL NO. 52ND2

NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS
37TH CONSTITUTIONAL REGULAR SESSION, 2016



Republic of the Marshall Islands
Jepilpilin Ke Ejukaan

APPROPRIATION (FINANCIAL YEAR 2017) ACT 2016

Index

Section	Page
APPROPRIATION (FINANCIAL YEAR 2017) ACT 2016	1
§101. Short title.	6
§102. Statement of National Objective.....	6
§103 Interpretation.	6
§104 Appropriation from the Marshall Islands General Fund.	6
§105 Appropriations from the Special Revenue Fund.	7
§106 Compact Funds.....	7
§107 Appropriation of U.S. Federal Grants and other Foreign Grants.....	8
§108 Funding of the Office of the Auditor General.	8
§109 Contingencies Fund.	9
§110 Unanticipated Income.....	9
§111 Notification to the Cabinet by the Minister.	9
§112 Lapsing of Certain Appropriations.....	9
§113 Delegation of Authority to Approve.	10
§114 Reprogramming of Funds.	10
§115 General.....	10
§116 Special Revenue Fund.....	11
§117 Effective Date.	12
SCHEDULE 1	I
APPENDIX A	I

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	
41	
42	
43	
44	
45	
46	
47	

1

NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS

2

37TH CONSTITUTIONAL REGULAR SESSION, 2016



3

Republic of the Marshall Islands

4

Jepilpilin Ke Ejukaan

APPROPRIATION (FINANCIAL YEAR 2017) ACT 2016

5

A BILL FOR AN ACT to provide:

6

(a) in accordance with Article VIII of the Constitution, for the issuance from the Marshall Islands General Fund, including funds provided under the Compact

7

of Free Association, as Amended, and other funds, a total sum of ~~\$201,498,187~~

8

\$202,085,196 to meet the expenditure of the Government for the Financial

9

Year 2017, and to appropriate sums to program areas; and

10

11

(b) for a Contingencies Fund in accordance with Section 9 of Article VIII of the

12

Constitution; and

13

(c) for contingent appropriation of amounts that may be received in the future;

14

and

15

(d) for delegation of expenditures approval under Section 5 of Article VIII of the

16

Constitution; and

17

(e) for controls on reprogramming and transfer of funds within appropriation

18

areas; and

19

(f) for control on specific expenditures.

20

21

BE IT ENACTED BY THE NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS

1 **§101. Short title.**

2 This Act may be cited as the Appropriation (Financial Year 2017) Act 2016.

3 **§102. Statement of National Objective.**

4 (1) It is the intention of the Government of the Republic of the Marshall
5 Islands to enact and implement a national budget for the whole of the
6 Financial Year 2017 as provided in the FY 2017 Budget Schedule
7 which includes the Economic Policy Statement attached under
8 Schedule 1 as Appendix A and B respectively.

9 (2) In this Act, a Medium Term Financial Management Framework
10 (MTFMF), which is strategic in nature, is provided as policy guidance
11 for the Government of the Republic of the Marshall Islands spending
12 and as direction for budgeting process in the medium term, attached
13 herewith as Appendix C to this Act.

14

15 **§103 Interpretation.**

16 In this Act:

17 (1) “**program area**” means program areas set out in Schedules 1 to
18 Schedule 5 as indicated by the headings in those schedules.

19 (2) “**unanticipated income**” means any money, not being loan money,
20 that:

21 (a) becomes available for expenditures from a source at a time
22 when the Nitijela is not meeting pursuant to Article VIII,
23 Section 7 of the Constitution; and

24 (b) has not been specifically included in the budget estimates for
25 the Financial Year, which the Cabinet is satisfied should, in the
26 interests of the Republic of the Marshall Islands, be expended,
27 pursuant to Article VIII, Section 7 of the Constitution, before
28 the expenditures could reasonably be authorized by an
29 Appropriation Act or a Supplementary Appropriation Act.

30 **§104 Appropriation from the Marshall Islands General Fund.**

31 **Total Appropriation.**

1 The sum of ~~\$83,150,290~~ \$83,222,299 is hereby appropriated, may be
2 withdrawn from the Marshall Islands General Fund and shall be expended
3 pursuant to Article VIII of the Constitution for program areas as set out in
4 Schedule 1 – inclusive of the amount that may be spent or payable under the
5 continuing appropriation.

6 **§105 Appropriations from the Special Revenue Fund.**

7 **Special Revenue Funds.**

8 The sum of ~~\$8,215,074~~ \$8,730,074 is hereby appropriated, and may be
9 withdrawn from the Special Revenue Funds as set out in Schedule 3 subject
10 to Section 16 of this Act.

11 **§106 Compact Funds.**

12 (1) **Total Appropriations.**

13 All Funds provided under the Compact of Free Association, as
14 Amended, in the amount \$80,039,387 shall be credited to the General
15 Fund and shall be appropriated in accordance with the relevant
16 provisions and Schedule 2 of Appendix A of this Act.

17 (2) **Restrictions on Reprogramming of Compact Funds.**

18 Fund received under the Compact of Free Association, as Amended
19 shall not be transferred to any other activity, or reprogrammed or
20 expended for any purpose during the Financial Year other than the
21 permissible uses of those funds as provided for in the Compact of
22 Free Association as Amended and its Subsidiary Agreements.

23 (3) **Lapse of Compact Funds.**

24 All moneys received under the Compact of Free Association, as
25 Amended and appropriated herein shall not lapse at the end of the
26 Financial Year. However any unspent funds thereof shall be returned
27 to US Department of Interior and shall be regranted in the
28 subsequent year.

29 (4) **Unaudited entities and organizations.**

30 Notwithstanding the provisions of any other law or agreement, any
31 entity or organization receiving funds under the Compact of Free
32 Association as Amended, shall not receive such funding if the
33 Auditor General or its contractors have determined that the books,

1 accounts and financial records of any such entity or organization
2 have not been auditable for the past three preceding fiscal years until
3 such time as the Auditor General or its contractor determine that
4 such entity or organization has taken necessary corrective action to
5 render such books, accounts and financial records in an auditable
6 condition to permit a financial audit to proceed.

7 **§107 Appropriation of U.S. Federal Grants and other Foreign Grants.**

8 (1) The sum of **\$30,093,436** being the total amount of special U.S. Federal
9 Grants including capital grants from the Republic of China (Taiwan),
10 Asian Development Bank, World Bank (PROP), Global Fund, UNFPA
11 Fund and UH Grant is appropriated and may be withdrawn from the
12 Marshall Islands General Fund pursuant to Article VIII of the
13 Constitution, for program areas in accordance with Schedules 4 and
14 5, during the Financial Year.

15 (2) The amounts set out in Schedules 4 and 5 are not available for
16 expenditure as reprogrammed expenditure under Article VIII Section
17 7 of the Constitution, except as authorized by or under the
18 agreements with the donor nation and/or institution.

19 (3) The appropriation made by Subsection (1) shall not lapse at the end
20 of the Financial Year, but shall continue until either the grant expires
21 or the funds are expended, whichever occurs first.

22

23 **§108 Funding of the Office of the Auditor General.**

24 (1) The Secretary of Finance shall withhold and deposit in the special
25 account in the Marshalls Islands General Fund, zero point eight
26 percent (0.8%) of all amounts appropriated in Schedules 1, 3 and 5,
27 and the sum so withheld and deposited may be withdrawn and
28 expended by the Auditor-General in accordance with the budget
29 approved for his/her office by the Cabinet, for the operations and
30 activities of his/her office.

31 (2) The zero point eight percent (0.8%) of funds to be withheld and
32 deposited under Subsection 1 shall apply only to the General Fund in
33 Schedule 1, Schedule 3 and Republic of China (ROC) capital grants as
34 appropriated in Schedule 5. Provided however, any funds under
35 Schedule 1, Schedule 3 and Schedule 5 which are not subject to the

1 zero point eight percent (0.8%) shall be identified by the Secretary of
2 Finance with the concurrence of the Minister of Finance pursuant to
3 the Financial Management Act.

4

5 **§109 Contingencies Fund.**

6 (1) In accordance with Article VIII, Section 9(1) of the Constitution, up to
7 **\$200,000** is authorized to be advanced against the General Fund for
8 purposes of the Contingencies Fund.

9 (2) Where, during the Financial Year, an amount of unanticipated
10 income is received by the Government for the purpose of an urgent
11 and unforeseen need, the amount prescribed in Subsection (1) for the
12 Contingencies Fund is increased by the amount of that unanticipated
13 income, to meet such need.

14 **§110 Unanticipated Income.**

15 Where, during the Financial Year, an amount of unanticipated income is
16 received by the Government for a specified program area, other than as set
17 out in Section 9 (2), that amount is appropriated for the corresponding
18 program area in Schedules as the case may be, and the amount of the
19 appropriation for that program area is increased accordingly.

20

21 **§111 Notification to the Cabinet by the Minister.**

22 When any money is received under Section 10 herein above, the Minister of
23 Finance shall notify the Cabinet of the receipt of such money, and such
24 money shall not be expended without the approval of the Cabinet.

25 **§112 Lapsing of Certain Appropriations.**

26 Any increase in the amount prescribed for the Contingencies Fund provided
27 for by Section 9 (2) ceases, and any increase in the amount of an
28 appropriation affected by Section 10 lapses:

29 (a) on the effective date of the next Appropriation Act or Supplementary
30 Appropriation Act enacted after the date referred to in Section (1) of
31 this Act; or

1 (b) on the adoption of a Resolution to that effect by the Nitijela,
2 whichever occurs first.

3

4 **§113 Delegation of Authority to Approve.**

5 (1) For the purposes of Article VIII, Section 5 (1) of the Constitution, the
6 authority to approve expenditure in a program area in accordance
7 with Schedules 1 to 5 is hereby delegated to:

8 (a) The member of the Cabinet primarily responsible for that
9 program area and;

10 (b) If the responsible member of the Cabinet so directs by
11 instrument in writing, and subject to any limitations imposed
12 by the instrument and to general control by the member, an
13 appropriate person, authority, or agency;

14 (c) The Chief Justice of the High Court pursuant to the Judiciary
15 Fund in accordance with the provisions of 27 MIRC Chapter 1;
16 or

17 (d) The Minister of Finance in particular to appropriations made
18 under special appropriations in schedule 1.

19 (2) Any expenditure ~~other than~~ in accordance with Schedule 1, 2, 3, 4
20 and 5 shall require the approval of the ~~Cabinet~~ Minister responsible
21 for the program areas in accordance with Article VIII, Section 5(1) of
22 the Constitution.

23 **§114 Reprogramming of Funds.**

24 Before any reprogramming of expenditure between program areas is
25 approved under Article VIII, Section 7 (1) of the Constitution, the Cabinet
26 shall approve such reprogramming.

27 **§115 General.**

28 (1) In the event the actual receipts into the Marshall Islands General
29 Fund fall short of the total amount appropriated in Schedules 6, 7 and
30 8, the Cabinet pursuant to Article VIII, Section 7 of the Constitution,
31 may make the necessary adjustments to Schedules 1, 2, 3, 4 and 5 to
32 accommodate the shortfall.

1 (2) All contracts awarded by the Government and associated agencies
2 must comply with the provisions of the Republic of the Marshall
3 Islands Procurement Code. Funds will only be released by the
4 Ministry of Finance upon proof of compliance with the code.

5 (3) Gross Revenue Tax of 3% on all Government contracts will be
6 withheld by the Ministry of Finance at the time of payment, and
7 credited against the contractor's liability to pay gross revenue tax for
8 the period of the payment. The contractor is still required to file a tax
9 for return for the period.

10 (4) All Government Ministries, statutory corporations and agencies must
11 have been audited and have complied with all the audit
12 recommendations prior to receiving any quarterly allocation. Any
13 Government Ministries, statutory corporations and agencies unable
14 to comply with all the audit requirements must provide an expense
15 report before release of any funds.

16 (5) No funds appropriated under this Act shall be released to any Local
17 Government, statutory corporation or agency whose financial records
18 have not been audited for the past two preceding fiscal years, until
19 such Local Government, statutory corporation or agency has taken
20 the necessary steps to render such records auditable, or provides a
21 full and complete report of its expenses to Cabinet.

22 (6) Any Government Ministry, statutory corporation and or agency that
23 receive funds appropriated under this Act or any other Act, or
24 subsidies or any other government funds shall enter into a
25 Memorandum of Agreement with the Government in accordance
26 with Regulations and guidelines established by the Secretary of
27 Finance pursuant to the Financial Management Act.

28 **§116 Special Revenue Fund.**

29 Any money in excess of an appropriation made in Schedule 3 (Special
30 Revenue Funds) may be expended during the Financial Year only in
31 accordance with terms of the Act establishing such Special Revenue Fund.

32

1 §117 Effective Date.

2 This act shall take effect on the date of certification in accordance with
3 Article IV, Section 21 of the Constitution and in accordance with the Rules of
4 Procedures of the Nitijela.

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35
- 36
- 37
- 38
- 39
- 40
- 41
- 42

1

2

3

4

5

SCHEDULE 1

APPENDIX A

APPENDIX A	
RECURRENT GENERAL FUND APPROPRIATIONS	
	FY2017
PRESIDENT & CABINET	4,543,130
Office of the President	490,386
President & Ministers	552,860
Cabinet Operations	539,742
V7AB	420,242
Red Cross	123,000
Postal Services-Ebeye	316,900
SDGs	100,000
Disaster Response & Unforeseen Emergency Fund	2,000,000
CHIEF SECRETARY	934,311
Administration	300,061
Deputy Chief Secretary-Ebeye Office	113,160
EPPSO	380,213
OEPPC	140,877
SPECIAL APPROPRIATIONS	18,225,438
Majuro Electricity	2,746,093
Land and Building Leases	1,200,000
International Subscriptions/Membership Fees	412,845
ADB Loan Repayment	4,100,000
Centralized Utility Bills-Majuro	1,250,000
Centralized Utility Bills-Ebeye	80,000
Lease Housing	328,500
Contingency Fund	200,000
National Energy Support Account	650,000
MISSA Subsidy	2,300,000
Solid Waste Matching	108,000
Capital Building	3,000,000
Border Management System	800,000
Court Judgement	550,000
Seawall project	500,000
COUNCIL OF IROIJ	545,192

Administration	107,375
Council of Iroj Members	437,817
NITIJELA	2,338,017
Nitijela Operation	557,864
General Membership	1,151,809
Speaker's Contingency	120,452
Committee Expense	133,644
Legislative Counselors	149,248
Senators office Rental	-
Systems	200,000
Gratuity	25,000
AUDITOR GENERAL	583,646
Administration (0.8%)	
Office of the Auditor General	83,646
Single Audit Match	500,000
FOREIGN AFFAIRS	4,204,591
Administration	1,045,598
Compact Office	260,800
Washington D.C. Embassy	576,557
RMI-USAKA Office	108,090
Honolulu Consulate	172,433
United Nations Mission - New York	433,707
Japan Embassy - Tokyo	463,543
ROC Embassy - Taipei	329,312
Fiji Embassy - Suva	359,376
Arkansas Consulate	122,743
Korea Embassy	248,782
Climate Change Ambassador	61,650
Nuclear Victims Day	10,000
Nuclear Claims Tribunal	12,000
PUBLIC SERVICE COMMISSION	672,040
Public Service Commission	113,717
PSC Administration	464,523
Additional Operation	93,800
JUDICIARY	1,475,859
General Courts	820,847
Traditional Rights Court	142,536
Community Court	103,902
Judicial Service Commission	454
Judicial Fund	15,120

Micronesia Legal Service Corporation	93,000
Majuro Jail Project	300,000
ATTORNEY GENERAL	928,348
Attorney General Office	706,479
Immigration - Majuro	174,783
Immigration - Ebeye	47,086
HEALTH	4,374,078
Health Administration	2,078,529
Health Planning & Statistics	154,017
Majuro Hospital Medical Services	1,638,641
Kwajalein Atoll Hospital Services	472,500
Wellness	30,391
Environmental Sector	226,835
EPA	186,835
Surveillance Vessel	40,000
EDUCATION	9,993,661
National Board of Education	15,000
College of the Marshall Islands	2,000,000
CMI-CLCC	185,890
Scholarship Board	770,608
Administration	185,439
Leadership & Management	207,001
Policy and Planning	207,978
Elementary Support Services	381,341
Secondary Ed. & Support Services	54,432
Contracted Teachers	684,007
Property and Maintenance	334,601
RMI/USP Joint Project	500,000
National Training Council	104,862
PSS Outer Island District	127,504
PSS Budget	271,066
PSS Reform	1,563,932
Hot Lunch	1,500,000
CMI Endowment	100,000
Aid to Private Schools	200,000
Achieve 3000	250,000
Distant Learning	250,000
4 Specialist	100,000
TRANSPORTATION & COMMUNICATION	6,552,494
Office of the Secretary	385,144

Directorate of Civil Aviation	257,350
AMI	1,700,000
Marshall Islands Shipping Cooperation	1,450,000
Repairs & Maintenace (MISC)	460,000
NTA	2,200,000
Aviation Task Force	50,000
Uliga Terminal	50,000
RESOURCES & DEVELOPMENT	7,125,109
Administration	223,503
Agro-Forestry	686,714
Trade & Investment	235,127
Renewable Energy Office	65,586
Small Business Development Center	56,484
OCI	424,195
Copra Price Stabilization Subsidy (Tobolar)	2,008,500
1 Island 1 product	300,000
Small & Medium Business Loan Program	2,850,000
MIVA	275,000
INTERNAL AFFAIRS	4,598,884
Administration	613,875
Historic Preservation Office	43,618
Land & Surveys	88,942
Local Government Affairs	64,341
Local Government Trust Fund	364,173
Grant in Aid	241,935
Child Rights Office	31,842
Youth Services Bureau	42,226
Gender and Development	40,302
Sports & Recreation Bureau	70,930
Electoral Administration	98,613
Identification Division	22,696
Registrar's Office	44,167
Central Adoption Administration	35,218
Price Monitoring Office	38,107
Ebeye Office	70,376
Community Development	23,868
Community Training Center	32,873
Alele Corporation	178,691
Disability office	21,782
Constitution Day	65,000
Constitutional Convention (CONCON)	625,309
Outer Island Economic Development Fund	1,000,000
Weto in mour (WUTMI)	120,000

Youth Service Corp	500,000
Mayor Salary Adjustments	90,000
Social workers	30,000
JUSTICE	3,301,197
Public Defender - Majuro	231,406
Public Safety - Majuro	1,921,510
Public Safety - Ebeye	497,122
Sea Patrol	536,709
Land Registration Authority	114,450
FINANCE	3,826,370
Secretary's Office	407,858
Accounting & Administration	587,142
Revenue Division Majuro	304,369
Custom Division	289,817
Treasury Division	99,033
Budget & Procurment	267,270
Procurement & Supply Division	251,987
Ebeye - Finance	150,459
Ebeye Revenue/Custom Office	138,590
Division of International Development Assistance	168,845
Pacific Islands Development Bank (RMI Contribution)	1,000,000
New Post PFM including information	93,000
MOF Supplies & Vehicles	68,000
BANKING COMMISSION	310,350
Administration	310,350
PUBLIC WORKS	8,462,749
Operation & Maintenance - Majuro	397,710
Carpentry (CGMA)	256,820
AC & Electrical	256,198
Landing Craft/Outer Islands Projects	679,963
Road & Grounds	262,044
Equipment Repair & Maintenance	501,110
MAWC	154,030
Ebeye Public Works	700,000
Public Works Repair & Maintenance -Majuro	69,939
Public Works Repair & Maintenance -Ebeye	46,000
Outer Island & Majuro Public Works Project	133,935
MIR (Sea Wall reinforcement)	150,000
Jaluit & Wotje CIP Engine (MEC)	678,000
Solar Household Due	500,000
Outer islands runway projects	2,000,000

Ebeye Morge	200,000
Port Authority (Delap Dock Repair - Matching Fund)	1,477,000
TOTAL GENERAL FUND EXPENDITURES	83,222,299
COMPACT FUNDS	Schedule 2
AUDITOR GENERAL	500,000
Single Audit	500,000
HEALTH	7,170,010
MOH Utility	634,978
<i>Kumit Wellness</i>	50,000
Majuro Hospital	3,365,922
Primary Health Care	978,880
Outer Islands Dispensaries	875,044
Leprosy Program	141,083
TB Program	54,000
<i>One Stop Shop NCD</i>	49,000
Kwajalein Atoll Health Administration	37,725
Ebeye Preventive Services	128,244
Ebeye Dental Services	98,331
Kwajalein Atoll Dispensaries	40,858
Ebeye Hospital Operations	715,945
EBEYE SPECIAL NEEDS - HEALTH	1,957,635
Ebeye Hospital	1,757,635
Ebeye Wellness Center	200,000
ENVIRONMENTAL SECTOR	557,040
Kwajalein Environmental Impact Assessment	237,820
Majuro Atoll Waste Company	319,220
EDUCATION	11,084,413
College of the Marshall Islands (Compact Designated)	987,003
Scholarship Board	592,202
PSS Administration & Human Resources	416,000
PSS Budget & Finance	485,846
MOE Policy, Planning and Research	69,000
MOE Curriculum Instructions and Assessment	9,000
Elementary Education and Support Services	3,700
Majuro Middle School	514,615

Elementary Education - UES	274,051
Elementary Education - RES	419,071
Elementary Education - DES	447,807
Elementary Education - APES	151,702
Elementary Education - WES	113,392
Elementary Education - LES	187,439
Elementary Education - RRES	216,744
Elementary Education- LIES	86,991
Elementary Education - EES	38,690
Elementary Education - EPES	445,451
Elementary Education Northern School District	592,443
Elementary Education Southern School District	458,100
Elementary Education Eastern School District	299,535
Elementary Education Western School District	150,293
Elementary Education Central School District	316,027
Secondary Education - MIHS	1,348,046
Secondary Education - LHS	301,115
Secondary Education - JHS	673,273
Secondary Education - NIHS	633,614
Secondary Education - KAHS	454,263
Aid to Private School	295,000
MOE Property & Maintenance	104,000
EBEYE SPECIAL NEEDS - (EDUCATION)	2,697,699
Elementary and Secondary Schools	2,372,699
Kwajalein Scholarship	200,000
Adult Education - CMI	125,000
SUPPLEMENTAL EDUCATION GRANT (SEG)	5,577,466
National Training Council	403,750
World Teach and Dartmouth Programs	275,000
Industrial Arts & Life Skills Program	265,812
School Enrichment Program	156,903
Elementary Schools Equip, Supplies and Materials	420,000
Secondary Schools Equip, Supplies and Materials	123,000
School accreditation	116,020
High School Practicum Program	19,000
Secondary Textbook	95,000
Music/Arts Program	63,780
Student Exchange Program	5,700
School Debate Program	16,000
Majolizing the Curriculum (Pre-Ninth)	176,745
Adult Education and Literacy (CMI)	288,325
Close Up Program	20,000
Instructional Technology Supportt	177,531

Instructional Service Center	101,013
Professional Development	519,102
MOE Contractual	220,000
Elementary Textbook	250,000
Kindergarten Program	1,585,909
MOE Data Improvement Project	278,876
TOTAL COMPACT SECTOR GRANTS	29,544,263
COMPACT CAPITAL FUND	9,132,288
College of the Marshall Islands	500,000
PSS Projects (Majuro)	900,000
Pss Projects (Kwaj)	1,123,450
MOH Hospital (Majuro)	2,000,338
PMU Operation	608,500
MAWC	2,000,000
Water & Sewer Improvemnet Proect -Ebeye	2,000,000
EBEYE SPECIAL NEEDS - Capital	1,409,076
IN KARE	1,409,076
OTHER COMPACT DESIGNATED	37,694,470
Kwajalein Landowners	21,403,800
Compact Disaster Grant	237,820
Compact Trust Fund	16,052,850
Kwajalein Developemen Fund	2,259,290
PMU	200,000
Midcorridor	275,000
Kajur	1,327,860
Ebeye Water Sewer Project	456,430
TOTAL COMPACT EXPENDITURES	80,039,387
	Schedule 3
SPECIAL REVENUE EXPENDITURES	8,730,074
Health Care Fund	7,400,000
Environment Protection Authority	100,000
Ministry of Internal Affairs Fund	40,000
Ministry of Justice Fund	350,000
National Training Council Fund	500,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	40,000

Public Work Fund	100,000
MAWC	195,074
	Schedule 4
OTHER DEVELOPMENT ASSISTANCE EXPENDITURES	30,093,436
U.S. FEDERAL GRANT EXPENDITURES	14,373,447
Health Programs	7,334,859
Education Programs	1,682,139
CMI Federal Grant	4,528,999
R&D	64,000
4 Atoll Feeding	574,000
IA	189,450
ASIAN DEVELOPMENT BANK	6,000,000
PFM	2,000,000
Others	4,000,000
ROC CAPITAL PROJECTS	7,400,000
Office of the President	150,000
Hosted International Conference	150,000
Office of Chief Secretary	237,820
Disaster Matching	237,820
Ministry of Internal Affairs	1,500,000
Outer Islands Economic Development Fund	1,500,000
Ministry of Public Works	1,570,680
Infrastructure Capital Maintenance Fund (Compact Matching)	449,080
Ebeye Boat	100,000
Ebeye Public Ramp	400,000
NCD Sports Facility	310,000
Majuro Seawall	311,600
Ministry of R&D	1,391,500
Tobolar	991,500
Laura Farm	350,000
MIVA	50,000
Ministry of Finance	1,450,000
Trust Repayment	350,000

Majuro Developmen Project	600,000
Outer Islands Community Development Project	500,000
Ministry of Health	950,000
RMI Medical & Services Upgrade project	450,000
MOH Internship	200,000
MOH DATA System	300,000
Ministry of Justice	150,000
Public Safety Uniform & Equipment	150,000
World Bank	1,830,000
PROP-MIMR	1,830,000
World Health Organization	78,617
Human Resources	78,617
University of Hawaii	85,673
UH	85,673
Global Fund	160,378
HIV/ST/TB	160,378
UNFPA	165,321
Reproductive Health	165,321
TOTAL ALL FUNDS EXPENDITURE	202,085,196
ALL REVENUES APPROPRIATION	
	Schedule 5
GENERAL FUND REVENUES	83,222,299
Tax Items	30,546,499
Marshallese Income Tax	8,956,339
Expat Income Tax	4,821,639
Business Gross Revenue Tax	8,368,335
Non-resident Business Gross Income Tax	91,776
CMI Tax	960,100
Import Tax	5,877,298
Hotel & Resort Tax	59,396
Fuel Tax	608,400

Immovable Property Tax	690,000
Penalties and Interest Charges	40,428
Tax Audit Adjustments	72,788
Non Tax Items	52,675,800
Fishing Rights	40,129,700
Fees and Charges	2,374,100
Ship Registry	6,500,000
ROC (Taiwan) Grants	3,600,000
Anticipated MIMRA Revenue	72,000
	Schedule 6
SPECIAL REVENUE FUNDS	8,730,074
Health Care Fund	7,400,000
Environment Protection Authority	100,000
Ministry of Internal Affairs Fund	40,000
Ministry of Justice Fund	350,000
National Training Council Fund	500,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	40,000
Public Work Fund	100,000
MAWC	195,074
	Schedule 7
COMPACT REVENUE FUNDS	80,039,387
Compact Base Grants	18,573,643
Compact Base Grants - Ebeye Special Needs	6,064,410
Compact Special Education Grant (SEG)	5,577,466
Compact Disaster Assistance Matching	237,820
Compact Single Audit	500,000
Compact Capital Funds	9,132,288
Kwajalein Environmental Impact Assessment	237,820
Kwajalein Development Fund	2,259,290
Kwajalein Landowners	21,403,800
Trust Fund (Compact Contribution)	16,052,850
	Schedule 8
ALL OTHER REVENUE	30,093,436
U.S. Federal Grants	14,373,447
World Bank (PROP)	1,830,000
ROC (Taiwan) Capital Grants	7,400,000
World Health Organization (MOH)	78,617
Asian Development Bank (ADB) Grant	6,000,000
Global Funds	160,378
UNFPA	165,321

UH Grant	85,673
TOTAL ALL REVENUE	202,085,196
Total ALL EXPENDITURES	202,085,196
Variance	-

APPENDIX B

APPENDIX B:ECONOMIC POLICY STATMENT (EPS)

Section 1: Economic Performance Overview (FY15)

This overview provides information from FY15.

RMI Economic Growth: RMI economic growth recorded a positive, but lackluster performance in FY2015 with a 0.6 percent growth in GDP, an improvement over the previous year's decline of 0.9 percent. However, the economy was largely flat; fisheries output was unchanged on the prior year as well as construction activity, which remained at low levels reflecting the continuing absence of Compact infrastructure grant usage. While activity in the wholesale and retail trade fell, financial intermediation and education services showed signs of growth. Reflecting the large reductions in international fuel prices, inflation as recorded through the CPI, fell by 2.2 percent, but by the first quarter of 2016 had returned to positive territory.

The RMI Budget Status: Preliminary data for FY2015 indicates the RMI fiscal outturn in FY2015 recorded a positive result with a fiscal surplus of 2.9 percent of GDP. Tax revenues grew by 6 percent, which mainly reflected a significant increase in ship registry fees. Without the ship registry fees, tax revenues grew by 0.5 percent reflecting the weak growth in the economy. Receipt of grants grew although use of the Compact infrastructure grant fell. A large increase of \$3.5 million was recorded in the use of fishing royalties. On the expense side payroll costs were contained and grew by a modest 1.4 percent while use of goods and services fell by 0.8 percent. The major growth item of expense was a large increase in subsidy payments to the SOE sector of \$5.6 million. Transfers to government agencies also increased by \$1.5 million.

RMI External Debt: *RMI external debt remains significant, and was characterized by the IMF in a recent Debt Sustainability Analysis (DSA) as reaching levels that placed the RMI at a "high risk of debt distress". Nevertheless, external debt continued to decline as a percentage of GDP, falling from a level of 72 percent of GDP at the start of the amended Compact to 50 percent in FY2015.*

The RMI Compact Trust Fund (CTF): experienced market losses during FY2015 of -4.14 percent; however, scheduled contributions from the U.S. and Republic of China (ROC) and an additional contribution from the RMI enabled the fund to grow in size by just over \$7 million to an end of FY15 balance of \$247.1 million. During the period of investment since the outset of FY2006, the annualized rate of return has been 5.12 percent. Assuming the pledged contributions from the Republic of China (ROC) continue, the fund would only need to grow at 4.27 percent annually to achieve a level sufficient to provide a smooth transition to CTF

distributions from FY2024 onward at the real value of sector grants that terminate at the end of FY2023 and in the absence of market volatility. However, achieving such a level does not mean the risk of subsequent periodic fiscal shocks are eliminated. Such risks primarily result from the fundamental reliance upon market returns which carries with it volatility. In addition, certain design characteristics of the mutually agreed CTF distribution mechanism require the attention of the CTF Committee in collaboration with the U.S. and RMI governments. Characteristics of the CTF Agreement that may require attention include:

- problematic design characteristics of the buffer account mechanism;
- a distribution mechanism that conflicts with the prevailing practice of confirming annual allocation decisions each August; and
- distribution rules that could better protect the real value of the *corpus* over the long-run while also reducing the volatility of distribution levels and reducing the frequency of shortfalls in annual fiscal support to the RMI.

Changes to the Agreement itself, of course, require approval by the U.S. Congress.

RMI economic growth recorded a positive, but lackluster performance in FY2015 with a 0.6 percent growth in GDP, an improvement over the previous year's decline of 0.9 percent. However, the economy was largely flat; fisheries output was unchanged on the prior year as well as construction activity, which remained at low levels reflecting the continuing absence of Compact infrastructure grant usage. While activity in the wholesale and retail trade fell, financial intermediation and education services showed signs of growth. Reflecting the large reductions in international fuel prices, inflation as recorded through the CPI, fell by 2.2 percent, but by the first quarter of 2016 had returned to positive territory.

Social security sustainability. The major pressing fiscal issue facing the RMI is the imminent collapse of the Social Security System. Without reform the system is projected to collapse by FY2020 and beneficiaries will only receive 50 cents on the dollar. In 2011 a set of reforms were proposed and tabled in the Nitijela as bill 43. The reforms were not acted upon in the intervening years, until the new President established a task force in 2016 to come up with a revised set of proposals. While the proposals currently under consideration are not as far reaching as those in bill 43, they will initiate the process, and are an important step in the right direction, although further action will be required down the road.

Booming donor support and capacity limitations. After a period of relative calm in donor support, the RMI is set for a period of significant activity. As a result of the policy to declare the RMI at risk of high debt stress, the ADB has placed the nation on a grant only basis with a commitment to an annual transfer of \$6 million. The former World Bank ICT reform project under IDA 17, which failed to garner support, has a remaining \$11 million of funds available for other projects. The EU has an EDF 11 grant of €9 million for energy related investments and budgetary support. There is further support of another \$11 million from the World Bank for climate resilience, and an on-going donor supported Post Disaster Needs Assessment for rehabilitation subsequent to the 2016 El Nino. Finally, the government is proposing an enhanced budget of \$14 million drawing on MIMRA reserves; major components include

renovations to the national government capital complex (\$3 million), disaster response (\$2 million), runway reconstruction (\$2 million), \$1 million additional price support for copra plus many other smaller projects. All in all, there is a quantum leap in planned activity but severely limited capacity to implement the projects on the ground. For an office that has limited capacity to prepare its annual audits on-time, the Ministry of Finance hardly has time to entertain all the visiting missions, let alone prioritize and organize implementation.

Development of an RMI Decrement Management Plan (DMP) dominated JEMFAC meetings between the RMI and the U.S. in recent years, highlighting the need to develop a planned response to the annual decline in sector funding and lack of full inflation adjustment contained in the Compact. In July of 2014, a RMI leadership meeting was held to develop a DMP. A series of measures were incorporated into the framework: expenditure reduction, tax reform, regularization of a substantial portion of fishing fee income into the annual budgetary process, reductions in subsidies to SOEs and a reduction of special transfers to Majuro landowners. While the regularization of MIMRA proceeds into the budget has occurred, implementation of the program has stalled in the face of the changed revenue environment.

The Reform Agenda. During the amended Compact the RMI has entertained numerous reform initiatives that have failed to achieve successful implementation. The expenditure proposals of the Comprehensive Adjustment Program (CAP) were not implemented, and although new government has requested an assessment of the tax reform initiative, the outcome is uncertain with a lack of public awareness of what the reforms entail. While the SOE Act has become law, adoption of the “best practices” enshrined in the Act require effective implementation. The fiscal responsibility and debt management bill of 2012 appears to be no longer part of the legislative agenda. While there is no doubt the refinancing of the Marshalls Energy Corporation (MEC) debt under an ADB program (policy reform) loan was a beneficial move, the fiscal targets of the program were not achieved.

Given the medium-term boom in revenues from donor funding, and long-term fiscal realities of reduced grant availability from the Compact Trust Fund post FY2023, the RMI needs to take stock of the reform agenda. A long-term fiscal strategy needs to be developed that ensures increased donor funding finds its way into productive investment, booming fishing revenues are used to resolve pressing needs such as the failing Social Security System, and funds are set aside to shore up the CTF. Without a disciplined and structured policy environment, booming revenues and grants are likely to wind up in low-priority projects.