

NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS

36TH CONSTITUTIONAL REGULAR SESSION, 2015

BILL NO.: 83ND2

P.L. 2015-44

AN ACT

To provide:

- (a) in accordance with Article VIII of the Constitution, for the issuance from the Marshall Islands General Fund, including funds provided under the Compact of Free Association, as Amended, and other funds, a total sum of **\$177,178,480** to meet the expenditures of the Government for the Financial Year 2016, and to appropriate sums to program areas; and
- (b) for a Contingencies Fund in accordance with Section 9 of Article VIII of the Constitution; and
- (c) for contingent appropriation of amounts that may be received in the future; and
- (d) for delegation of expenditures approval under Section 5 of Article VIII of the Constitution; and
- (e) for controls on reprogramming and transfer of funds within appropriation areas; and
- (f) for control on specific expenditures.

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

Section 1. Short Title.

This Act may be cited as the Appropriations (Financial Year 2016) Act, 2015 and shall be deemed to have come into effect in accordance with Article IV, Section 21 of the Constitution and in accordance with the Rules of Procedures of the Nitijela.

Section 2. **Statement of National Objective.**

(1) It is the intention of the Government of the Republic of the Marshall Islands to enact and implement a national budget for the whole of the Financial Year 2016 as provided in the FY 2016 Budget Schedule which includes the Economic Policy Statement attached as **Appendix A** and **B** respectively.

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

Section 3. **Interpretation.**

In this Act:

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

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

(a) becomes available for expenditures from a source at a time when the Nitijela is not in session; and

(b) has not been specifically included in the budget estimates for the Financial Year, which the Cabinet is satisfied should, in the interests of the Republic of the Marshall Islands, be expended before the expenditures could reasonably be authorized by an Appropriation Act or a Supplementary Appropriation Act.

1 Section 4. **Appropriations from the Marshall Islands General Fund**

2 **Total Appropriation.**

3 The sum of \$61,860,821 is hereby appropriated, and may be withdrawn from the
4 Marshall Islands General Fund and expended pursuant to Article VIII of the
5 Constitution for program areas as set out in Schedule 1 – inclusive of the amount that
6 may be spent or payable under the continuing appropriation.

7
8 Section 5: **Appropriations from the Special Revenue Fund.**

9 **Special Revenue Funds.**

10 The sum of \$8,770,000 is hereby appropriated, and may be withdrawn from the Special
11 Revenue Funds as set out in Schedule 3 subject to Section 16 of this Act.

12
13 Section 6. **Compact Funds.**

14 **(1) Total Appropriations.**

15 All Funds provided under the Compact of Free Association, as Amended, in the amount
16 of \$79,392,606 shall be credited to the General Fund and shall be appropriated in
17 accordance with the relevant provisions and Schedule 2 of Appendix A of this Act.

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

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

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

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

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

7 Notwithstanding the provisions of any other law or agreement, any entity or organization
8 receiving funds under the Compact of Free Association as Amended, shall not receive
9 such funding if the Auditor General or its contractors have determined that the books,
10 accounts and financial records of any such entity or organization have not been auditable
11 for the past three preceding fiscal years until such time as the Auditor General or its
12 contractor determine that such entity or organization has taken necessary corrective
13 action to render such books, accounts and financial records in an auditable condition to
14 permit a financial audit to proceed.

15
16 Section 7. **Appropriation of U.S. Federal Grants and other Foreign Grants.**

17 **(1)** The sum of \$27,155,053 being the total amount of special U.S. Federal Grants including
18 capital grants from the Republic of China (Taiwan), Asian Development Bank, Global
19 Fund, World Bank and UNFPA Fund is appropriated and may be withdrawn from the
20 Marshall Islands General Fund pursuant to Article VIII of the Constitution, for program
21 areas in accordance with Schedules 4 and 5, during the Financial Year.

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

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

7
8 **Section 8. Funding of the Office of the Auditor General.**

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

15 (2) The zero point eight percent (0.8%) of funds to be withheld and deposited under
16 Subsection 1 shall apply only to the General Fund in Schedule 1, Schedule 3 and
17 Republic of China (ROC) capital grants as appropriated in Schedule 5. Provided
18 however, any funds under Schedule 1, Schedule 3 and Schedule 5 which are not subject
19 to the zero point eight percent (0.8%) shall be identified by the Secretary of Finance
20 with the concurrence of the Minister of Finance pursuant to the Financial Management
21 Act.

Section 9. Contingencies Fund.

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

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

Section 10. Unanticipated Income.

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

Section 11. Notification to the Cabinet by the Minister.

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

Section 12. Lapsing of Certain Appropriations.

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

- (a) on the effective date of the next Appropriation Act or Supplementary Appropriation Act enacted after the date referred to in Section (1) of this Act; or
- (b) on the adoption of a Resolution to that effect by the Nitijela, whichever occurs first.

Section 13. Delegation of Authority to Approve.

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

- (a) The member of the Cabinet primarily responsible for that program area and;
- (b) If the responsible member of the Cabinet so directs by instrument in writing, and subject to any limitations imposed by the instrument and to general control by the member, an appropriate person, authority, or agency;
- (c) The Chief Justice of the High Court pursuant to the Judiciary Fund in accordance with the provisions of 27 MIRC Chapter 1; or
- (d) The Minister of Finance in particular to appropriations made under special appropriations in schedule 1 and the Republic of China (Taiwan) in Schedule 5 of this Act.

(2) Any expenditure other than in accordance with Schedule 1, 2, 3, 4 and 5 shall require the approval of the Cabinet in accordance with Article VIII, Section 5(1) of the Constitution.

Section 14. Reprogramming of Funds.

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

Section 15. General.

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

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

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

(4) All Government Ministries, statutory corporations and agencies must have been audited and have complied with all the audit recommendations prior to receiving any quarterly allocation. Any Government Ministries, statutory corporations and agencies unable to

comply with all the audit requirements must provide an expense report before release of any funds.

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

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

Section 16. Special Revenue Fund.

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

Section 17. Effective Date.

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

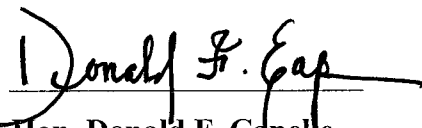
CERTIFICATE

I hereby certify:

1. That Nitijela Bill No.83ND2 was passed by the Nitijela of the Republic of the Marshall Islands on the 24th day of September, 2015; and
2. That I am satisfied that Nitijela Bill No.83ND2 was passed in accordance with the relevant provisions of the Constitution of the Republic of the Marshall Islands and the Rules of Procedures of the Nitijela.

I hereby place my signature before the Clerk this 30th day of September 2015.

Attest:



Hon. Donald F. Capelle

Speaker

Nitijela of the Marshall Island



Tarjo Arelong

Clerk

Nitijela of the Marshall Islands

APPENDIX A	
RECURRENT GENERAL FUND APPROPRIATIONS	
	Schedule 1
PRESIDENT & CABINET	1,701,730
Office of the President	340,386
President & Ministers	575,360
Cabinet Operations	459,742
V7AB	326,242
CHIEF SECRETARY	725,926
Administration	278,738
Deputy Chief Secretary-Ebeye Office	77,746
EPPSO	237,984
OEPPC	131,458
SPECIAL APPROPRIATIONS	28,811,502
Majuro Electricity	1,778,424
Land and Building Leases	955,768
International Subscriptions/Membership Fees	412,845
Copra Price Stabilization Subsidy (Tobolar)	600,000
Anne's Palace Final Payment	400,000
Anne's Palace Renovations	150,000
ADB Loan Repayment	4,071,270
Constitution Day - Majuro	10,000
Constitution Day - Ebeye	5,000
Centralized Utility Bills-Majuro	1,230,000
Centralized Utility Bills-Ebeye	72,049
Nuclear Victims Day	10,000
Nuclear Claim Tribunal	50,000
Constitutional Convention (CONCON)	800,000
Outer Island Solar Support	350,000
Micronesian Legal Service Corporation	75,000
Lease Housing	328,500
Prior Year Liability	2,278,488
PSC Training	30,000
Contingency Fund	200,000

<i>NTA</i>	1,500,000
MISC Ship Dry-dock	481,000
MISC Ship	1,700,000
Water Project	1,852,000
Public works Repair and Maintenance Majuro	69,939
Public works Repair and Maintenance Ebeye	46,000
MAWC	131,732
AMI	500,000
Trust Fund	3,300,000
National Energy Support Account	600,000
Marshall Shipping Corporation	1,270,247
Hot lunch	800,000
CMI Endowment	100,000
November 2015 Election	400,000
I-law software for Nitijela	100,000
Outer Island & Majuro Public Works Projects	350,000
Outer Island Economic Development Project	1,000,000
USP Renovation	500,000
Disaster Matching	3,240
Ebeye Public Works	20,000
Majuro Seaport Terminal	80,000
Senator's Office Rental	200,000
COUNCIL OF IROIJ	503,239
Administration	93,081
Council of Iroij Members	410,158
NITIJELA	1,903,408
Nitijela Operation	544,255
General Membership	1,087,809
Speaker's Contingency	88,452
Committee Expense	47,644
Legislative Counselors	135,248
AUDITOR GENERAL	583,646
Administration (0.8%)	-

Office of the Auditor General	83,646
Single Audit Match	500,000
FOREIGN AFFAIRS	3,322,521
Administration	878,120
Washington D.C. Embassy	386,057
RMI-USAKA Office	91,946
Honolulu Consulate	166,433
United Nations Mission - New York	425,232
Japan Embassy - Tokyo	447,668
ROC Embassy - Taipei	302,312
Fiji Embassy – Suva	253,228
Arkansas Consulate	122,743
Korea Embassy	248,782
PUBLIC SERVICE COMMISSION	474,379
Public Service Commission	95,875
PSC Administration	378,504
JUDICIARY	1,063,344
General Courts	783,117
Traditional Rights Court	144,773
Community Court	100,368
Judicial Service Commission	454
Judicial Fund	34,632
ATTORNEY GENERAL	835,942
Attorney General Office	614,073
Immigration – Majuro	174,783
Immigration – Ebeye	47,086
HEALTH	4,293,186
Health Administration	2,083,778
Kumit Wellness	-
Health Planning & Statistics	154,017
Majuro Hospital Medical Services	1,582,891
Kwajalein Atoll Hospital Services	472,500

ENVIRONMENTAL PROTECTION AUTHORITY	185,604
Administration	185,604
EDUCATION	6,752,632
College of the Marshall Islands	1,833,300
CMI-CLLC	185,890
Scholarship Board	764,663
Administration	277,180
Leadership & Management	163,535
Policy and Planning	177,529
Elementary Support Services	367,697
Contracted Teachers	1,062,855
Property and Maintenance	332,380
RMI/USP Joint Project	426,239
National Training Council	59,597
PSS Outer islands district	129,525
PSS Budget	257,261
PSS Reform	714,981
TRANSPORTATION & COMMUNICATION	604,494
Office of the Secretary	382,644
Directorate of Civil Aviation	221,850
RESOURCES & DEVELOPMENT	1,256,380
Administration	212,702
Agro-Forestry	270,872
Trade & Investment	235,127
Renewable Energy Office	62,356
Small Business Development Center	51,128
OCI	424,195
INTERNAL AFFAIRS	2,116,084
Administration	518,487
Historic Preservation Office	44,598
Land & Surveys	111,315
Local Government Affairs	80,150

Local Government Trust Fund	364,173
Grant in Aid	241,935
Child Rights Office	24,352
Youth Services Bureau	45,933
Gender and Development	77,127
Sports & Recreation Bureau	86,742
Electoral Administration	91,798
Identification Division	31,962
Registrar's Office	47,443
Central Adoption Administration	38,352
Price Monitoring Office	49,599
Ebeye Office	66,325
Disability Office	23,856
Community trainer	43,237
Alele Corporation	128,700
JUSTICE	3,275,599
Public Defender - Majuro	231,406
Public Safety - Majuro	1,998,407
Public Safety – Ebeye	427,325
Sea Patrol	527,111
Land Registration Authority	91,350
FINANCE	2,230,024
Secretary's Office	234,629
Accounting & Administration	601,046
Revenue Division Majuro	272,282
Custom Division	221,019
Treasury Division	67,610
Budget and OIDA	242,000
Procurement & Supply Division	197,198
Ebeye – Finance	150,459
Ebeye Revenue/Custom Office	151,392
Grant Writing Office (GWO)	92,389
BANKING COMMISSION	191,438
Administration	191,438

Majuro Atoll Waste Company	320,760
EDUCATION	11,176,743
College of the Marshall Islands (Compact Designated)	987,003
Scholarship Board	592,202
MOE Administration and Human Resources	422,339
MOE Finance & Budget	487,422
MOE Policy, Planning and Research	74,598
MOE Curriculum Instructions and Assessment	10,857
Elementary Education and Support Services	3,455
Majuro Middle School	497,106
Elementary Education - UES	257,446
Elementary Education - RES	416,794
Elementary Education - DES	444,809
Elementary Education - APES	162,013
Elementary Education - WES	108,289
Elementary Education - LES	188,500
Elementary Education - RRES	201,577
Elementary Education - EES	37,915
Elementary Education - LIES	107,706
Elementary Education - EPES	447,788
Elementary Education - NSD	608,293
Elementary Education - SSD	461,886
Elementary Education - ESD	303,150
Elementary Education - WSD	155,736
Elementary Education - CSD	307,034
Secondary Education - MIHS	1,378,072
Secondary Education - LHS	312,124
Secondary Education - JHS	678,728
Secondary Education - NIHS	637,132
Secondary Education - KAHS	454,263
Aid to Private School	296,101
MOE Property & Maintenance	136,405
EBEYE SPECIAL NEEDS - (EDUCATION)	2,697,699
Elementary and Secondary Schools	2,372,699
Kwajalein Scholarship	200,000

PUBLIC WORKS	1,029,743
Operation & Maintenance - Majuro	367,495
CGMA	368,941
Outer Islands Projects	116,407
Landing Craft	176,900
TOTAL GENERAL FUND EXPENDITURES	61,860,821
COMPACT FUNDS	Schedule 2
AUDITOR GENERAL	500,000
Single Audit	500,000
HEALTH	7,230,142
MOH Utility	679,500
Waste	15,500
Majuro Hospital	3,368,462
Primary Health Care	975,160
Outer Islands Dispensaries	875,224
Leprosy Program	144,083
TB Program	54,000
<i>One Stop Shop NCD</i>	47,110
Kwajalein Atoll Health Administration	37,725
Ebeye Preventive Services	56,244
Kwajalein Atoll Public Health	68,940
Ebeye Dental Services	103,426
Kwajalein Atoll Dispensaries	29,063
Ebeye Hospital Operations	725,705
Wellness Center	50,000
EBEYE SPECIAL NEEDS - HEALTH	1,957,635
Ebeye Hospital	1,757,635
Ebeye Wellness Center	200,000
ENVIRONMENTAL SECTOR	556,500
Kwajalein Environmental Impact Assessment	235,740

Adult Education - CMI	125,000
SUPPLEMENTAL EDUCATION GRANT (SEG)	5,577,466.00
National Training Council	403,750
World Teach and Dartmouth Programs	275,000
Industrial Arts & Life Skills Program	272,507
Elementary Schools Equip, Supplies and Materials	527,352
Secondary Schools Equip, Supplies and Materials	134,932
School accreditation	112,965
High School Practicum Program	19,000
High school Textbook	122,854
Music/Arts Program	57,780
Student Exchange Program	5,700
School Debate Program	19,000
Majolizing the Curriculum (Pre-Ninth)	173,750
Adult Education and Literacy (CMI)	288,325
Close Up Program	23,750
Instructional Technology Support	125,000
Instructional Service Center	119,284
Professional Development	450,000
MOE Contractual	248,900
Elementary Textbook	184,510
Kindergarten Program	1,584,209
Tutorial Program	-
School Enrichment Program	150,022
MOE Data Improvement Project	278,876
TOTAL COMPACT SECTOR GRANTS	29,696,185
COMPACT CAPITAL FUND	9,325,415
College of the Marshall Islands	500,000
Majuro Hospital Project	4,200,000
MOH (Majuro) Equipment	190,915
MOH Ebeye Equipment	96,000
Outer islands Dispensaries Maintenance	300,000
Ebeye Water & Sewer	1,000,000
Infrastructure Maintenance Fund Hospital Majuro	303,900

Infrastructure Maintenance Fund- Ebeye	160,000
Infrastructure Maintenance Fund Education Preventive	716,100
PMU Operation	608,500
Solid Waste Disposal Project – Majuro	600,000
Solid Waste Disposal Project – Ebeye	200,000
Water and Sewer Improvement Project – Majuro	290,000
Water and Sewer Improvement Project –Ebeye	160,000
EBEYE SPECIAL NEEDS – Capital	1,356,036
IN KARE	1,306,036
Ebeye Causeway	50,000
OTHER COMPACT DESIGNATED	36,775,440
Kwajalein Landowners	21,216,600
Compact Disaster Grant	235,740
Compact Trust Fund	15,323,100
Kwajalein Development Fund	2,239,530
PMU	200,000
Mid-corridor	275,000
Kajur	1,327,860
Ebeye water/sewer project	436,670
TOTAL COMPACT EXPENDITURES	79,392,606
	Schedule 3
SPECIAL REVENUE EXPENDITURES	8,770,000
Health Care Fund	7,485,000
Environment Protection Authority	100,000
Ministry of Internal Affairs Fund	40,000
Ministry of Justice Fund	350,000
National Training Council Fund	440,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	40,000
Public Work Fund	50,000
MAWC	260,000
	Schedule 4

U.S. FEDERAL GRANT EXPENDITURES	14,270,699
Public Works	179,426
Health Programs	7,002,685
Education Programs	1,682,139
CMI Federal Grants	4,528,999
Resources and Development	64,000
Finance (4-Atoll Feeding)	574,000
Chief Secretary Office	50,000
Internal Affairs	189,450
	Schedule 5
OTHER DEVELOPMENT ASSISTANCE EXPENDITURES	\$12,884,354
ROC CAPITAL PROJECTS	7,400,000
Disaster Matching	232,500
Infrastructure Capital Maintenance Fund (Compact Matching)	463,900
Outer Islands Economic Development Fund	1,500,000
Outer island Community Dev. Project	500,000
Ebeye Public Works	250,000
MIVA	242,500
Tobolar	991,500
Tobolar Tanker Truck	65,500
Educational Projects	500,000
Trust Fund Repayment	350,000
Majuro Development Project	600,000
Majuro Seawall Project	311,600
RMI Medical and Services Upgrade project	200,000
Hosted International Conference	200,000
International and Cooperation Conference	200,000
Alele Repair	100,000
Overseas missions renovations	492,500
Climate Change Project for Early Warning	200,000
ADB	3,000,000
Outer islands Airport	3,000,000
World Health Organization	209,200

MOH World Health Organization Fund	209,200
UNFPA	229,221
Reproductive Health	229,221
Global Funds	215,933
HIV	215,933
World Bank	1,830,000
PROP-MIMRA	1,830,000
TOTAL ALL FUNDS EXPENDITURE	\$177,178,480
ALL REVENUES APPROPRIATION	
	Schedule 6
GENERAL FUND REVENUES	61,860,821
Marshallse Income Tax	8,498,039
Expat Income Tax	4,574,600
Business Gross Revenue Tax	8,105,854
Non-resident Business Gross Income Tax	183,936
CMI Tax	914,412
Import Tax	5,374,698
Hotel & Resort Tax	119,080
Fuel Tax	608,428
Immovable Property Tax	63,882
Penalties and Interest Charges	81,030
Fishing Rights	20,000,000
Fees and Charges	2,000,000
Other Sales, Charges and Service Fees	722,809
Driver License Fee	314,000
Ship Registry	6,125,000
Ship Registry 2017 Advance	500,000
ROC (Taiwan) Grants	3,600,000
Tax Audit Adjustments	72,553
Tobacco & Alcohol License	2,500
	Schedule 7
SPECIAL REVENUE FUNDS	8,770,000

Health Care Fund	7,485,000
Environment Protection Authority	100,000
Ministry of Internal Affairs Fund	40,000
Ministry of Justice Fund	350,000
National Training Council Fund	440,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	40,000
Public Work Fund	50,000
MAWC	260,000
	Schedule 8
COMPACT REVENUE FUNDS	79,392,606
Compact Base Grants	18,727,645
Compact Base Grants - Ebeye Special Needs	6,011,370
Compact Special Education Grant (SEG)	5,577,466
Compact Disaster Assistance Matching	235,740
Compact Single Audit	500,000
Compact Capital Funds	9,325,415
Kwajalein Environmental Impact Assessment	235,740
Kwajalein Development Fund	2,239,530
Kwajalein Landowners	21,216,600
Trust Fund (Compact Contribution)	15,323,100
ALL OTHER REVENUES	27,155,053
U.S. Federal Grants	14,270,699
Asian Development Bank	3,000,000
World Bank (IDA Grant)	1,830,000
ROC (Taiwan) Capital Grants	7,400,000
World Health Organization (MOH)	209,200
Global funds	215,933
UNFPA	229,221
TOTAL ALL REVENUES	177,178,480

APPENDIX B: Economic Policy Statement

Section 1: Economic Performance Overview (FY13)

This overview provides information from FY13. At the current time RMI is in the process of completing the FY14 economic performance review.

RMI Economic Growth: In FY13 continued the solid performance achieved in FY12, with the RMI economy growing by an additional 3.5 percent. Production at the PanPacific Foods tuna-joining plant expanded, even though purse seine operations fell. Overall, fisheries added 0.7 percent to gross domestic product (GDP) growth.

Even with continuing problems regarding the use of the infrastructure grant, completion of the Federal Aviation Administration (FAA) airport road realignment project boosted GDP, as construction contributed 0.7 percent to growth. Both transport services (increased hours of operation of the ailing Air Marshall Islands) and public administration made positive contributions.

Inflationary forces were low during the year, and the CPI fell to 0.8 percent during the last quarter of 2013, compared to a year earlier.

The RMI Budget Status: The FY13 budget recorded a surplus of \$0.4 million, or 0.2 percent of GDP. This is an improvement from the \$0.4 million deficit realized in FY12. During FY13 the RMI received significant additional unconditioned budget support from the Asian Development Bank (\$5 million) and World Bank (\$3 million). This was complemented with growth in fishing fees of \$4 million. In contrast to strong revenue growth, expenditures also grew with increases in payroll, continued state-owned enterprise (SOE) subsidies, expenses associated with hosting the Pacific Island Forum (PIF) meeting, and drought in the northern islands.

RMI External Debt: Debt remained high in FY13 but continued to decline as a percentage of GDP falling from a level of 72% of GDP at the start of the amended Compact to 51% in FY13.

Subsidies and capital transfers to SOEs remained high in FY13, at \$9.6 million, representing twice the expense of debt service. Debt service was down from the previous year of \$11.2 million, but this reflects the current point in the economic cycle rather than any structural reform in public policy.

The RMI Compact Trust Fund (CTF): Performance was strong during FY13. The CTF attained a level of \$206.2 million by end of FY13. The rate of return reflected general market conditions. It is projected that the CTF will need to grow at an annual rate of 8.2 % to achieve a level sufficient to provide a smooth transition to provide adequate funding levels. This estimate is based on the continued additional funding from the Republic of China (ROC).

With that additional funding and 8 percent growth, the CTF is currently projected to achieve 102 percent of the sufficiency estimate. Achieving such a level does not mean the risk of subsequent periodic fiscal shocks is eliminated. Such risk results primarily from the fundamental reliance on market returns, which are volatile.

Development of an RMI Decrement Management Plan (DMP) has dominated Joint Economic Management and Financial Accountability Committee (JEMFAC) meetings between the RMI and the U.S. in recent years. The focus was the requirement to develop a planned response to the annual decline in sector funding and lack of full inflation adjustment contained in the Compact.

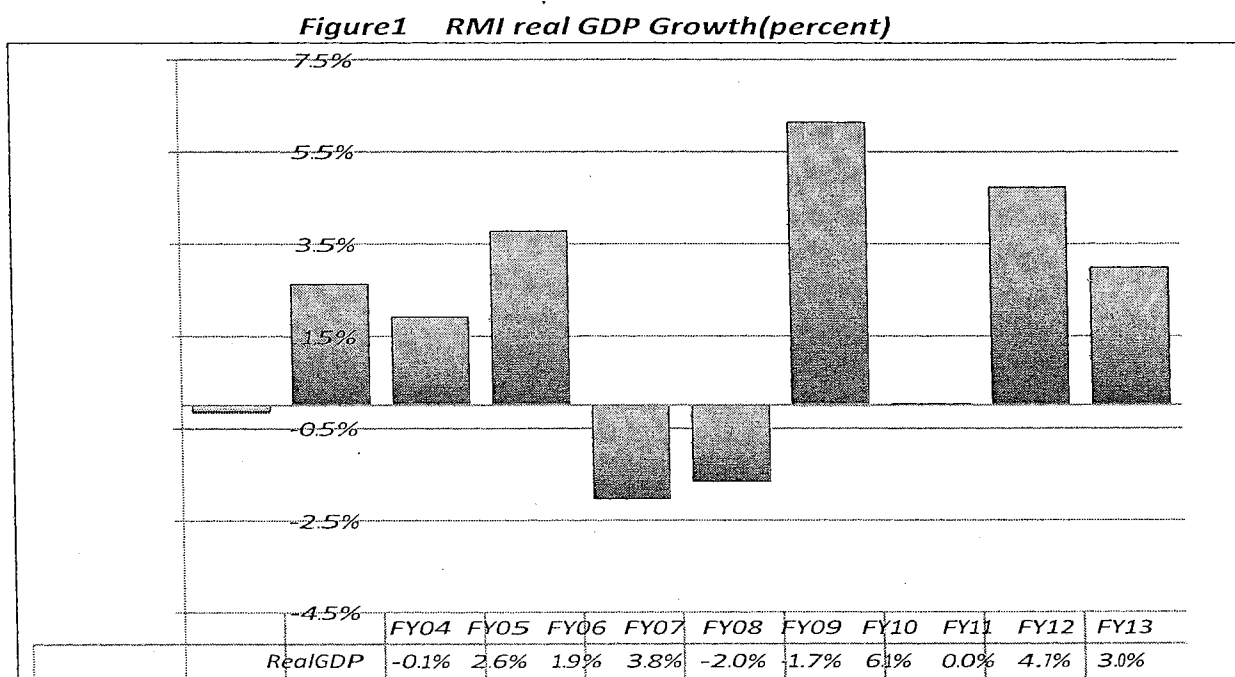
In July of 2014, an RMI leadership meeting was held over a two-day period to develop a DMP. Numerous measures were incorporated into the framework, including: expenditure reduction, tax reform, regularization of the fishing fee income into the annual budgetary process, reductions in subsidies to the SOEs, and special transfers to Majuro landowners.

Looking ahead, the Decrement Management Plan comprises the most recent set of reform measures, similar to many others which have been proposed over the years. JEMFAC will undoubtedly monitor implementation of the DMP, leveraging the timely disbursements of annual sector grants as an incentive to produce a better result than prior efforts.

Section 2: RMI GDP Growth

Economic performance in FY11 was lackluster, but both FY12 and FY13 were strong, recording a rate of growth of 4.7% and 3% in each of the two years, respectively. The fisheries industry was an important contributor to this growth, with the output of domestic purse seiners operated by Pan Pacific Foods increasing in FY12, and an increase in loining plant output in FY13.

Construction activity fell in FY12, reflecting the imposition of a moratorium on Compact infrastructure projects. In FY13, despite continuing infrastructure issues the completion of the FAA airport road realignment project had a positive economic impact. Public administration continued to make positive contributions in both years, while education expanded in FY12. Figure 1 illustrates RMI Real GDP Growth.

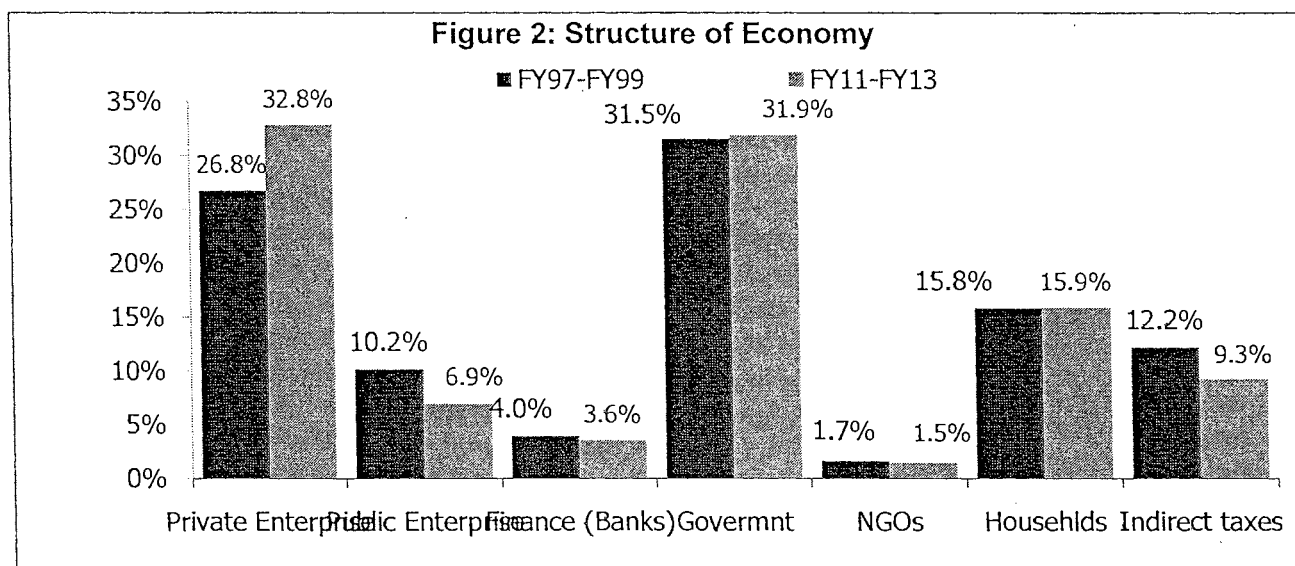


Section 3: Sector Structure of RMI Economy

Changes in the structure of the RMI economy from FY97 to FY13 are summarized in Figure 2 below. Given the recent changes in the economy and growth of the fisheries sector, it is not

surprising that the share of the private sector has grown from 26.8% during the period FY97-99 to 32.8% during the last three years, FY11-13. The current economic structure shows a reduction in the public sector (both government and SOEs) from 41.7% to 38.8% and indirect taxes from 12.2% to 9.3%

Although the public sector share has been reduced government services have held a constant share, with that of the SOEs falling from 10.2% to 6.9%. In the case of the SOEs, the reduction mirrors the large increases in subsidies and negative impact on the sector's value added, rather than any decline in the sector's significance. The share of the household sector, which represents subsistence and home ownership, has remained largely unchanged, while that of the commercial banking sector has declined slightly to 3.6% of GDP.

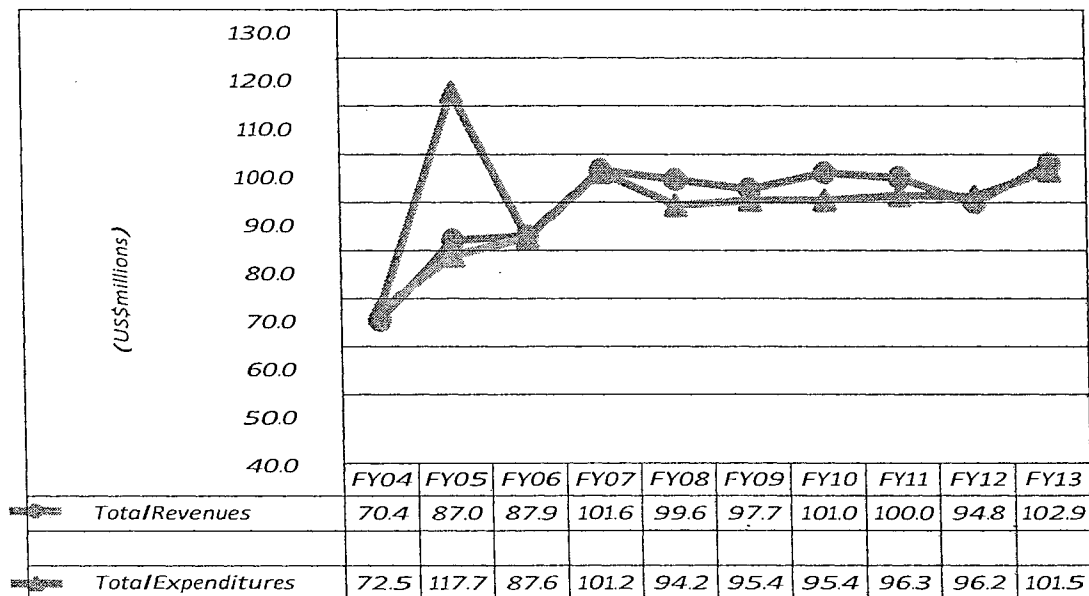


Section 3: Fiscal Performance of RMI Economy

Figure 3 shows recent trends in the fiscal position. In the FY2010-FY2013 period, the economy improved, and tax revenues grew by 10% although that was below the rate of nominal GDP growth of 17%. Government expense grew by 18% over this period, with the wage bill growing by 9% and the use of goods and services increasing by 16%.

The area generating the large increase in expense was the persistent growth in subsidies to the SOE sector. The major source of higher revenue during this period was the rapid rise in fishing fees increasing from \$2 million in FY10 to \$7.9 million in FY13. As a result, the fiscal position remained in surplus, although it fell from a level of \$6.4 million in FY10 to \$2.4 million in FY13.

Figure 3: RMI consolidated revenues and expenditures, FY04-13



Section 4: Fiscal Structure of RMI Economy

As seen in Figure 4 below grants as percent of GDP rose from 33% in FY04 to 46.4% in FY07 and have slowly declined since that time, falling to 35 percent in FY13. A similar trend is observed in terms of grants as a percent of total revenues, rising to a high in FY07 and then falling back through to FY13 level of 60.4%.

With an increasing level of nominal GDP and stagnant level of Compact transfers, after decrement and lack of full indexation, a declining trend can be anticipated in the future. Receipt of grants from other governments (mainly ROC) and federal programs has fluctuated but has displayed a downward trend.

Tax revenues as a percent of GDP grew in the early part of the 2000's reaching a peak in FY07, and since that time have displayed a gradually declining trend. Public expenditure, including outlays on nonfinancial assets, has displayed a more stable pattern and has also shown a downward trend, reflecting the basic fiscal forces at work. In FY13 total government expenditures fell to 57.2% of GDP, but this remains a very high level of government involvement in the economy.

Figure 4: Comparative analysis of fiscal structure, percent GDP, FY2004-FY2013

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Grants	33.4%	41.1%	40.5%	46.4%	44.4%	44.4%	43.2%	40.1%	35.4%	35.0%
Grants as % Revenues	62.3%	65.0%	66.1%	68.5%	68.0%	68.5%	67.5%	65.5%	62.5%	60.4%
Tax Revenue	17.5%	18.3%	18.2%	19.2%	18.4%	18.3%	17.9%	17.8%	17.5%	17.1%
Total Expenditure	55.2%	85.5%	61.0%	67.4%	61.7%	63.3%	60.4%	59.1%	57.6%	57.2%
Current Balance	3.2%	-13.9%	10.6%	13.1%	12.6%	12.3%	14.0%	10.3%	3.5%	4.8%
Overall Balance	-1.6%	-22.3%	0.2%	0.3%	3.5%	1.5%	3.6%	2.3%	-0.8%	0.8%

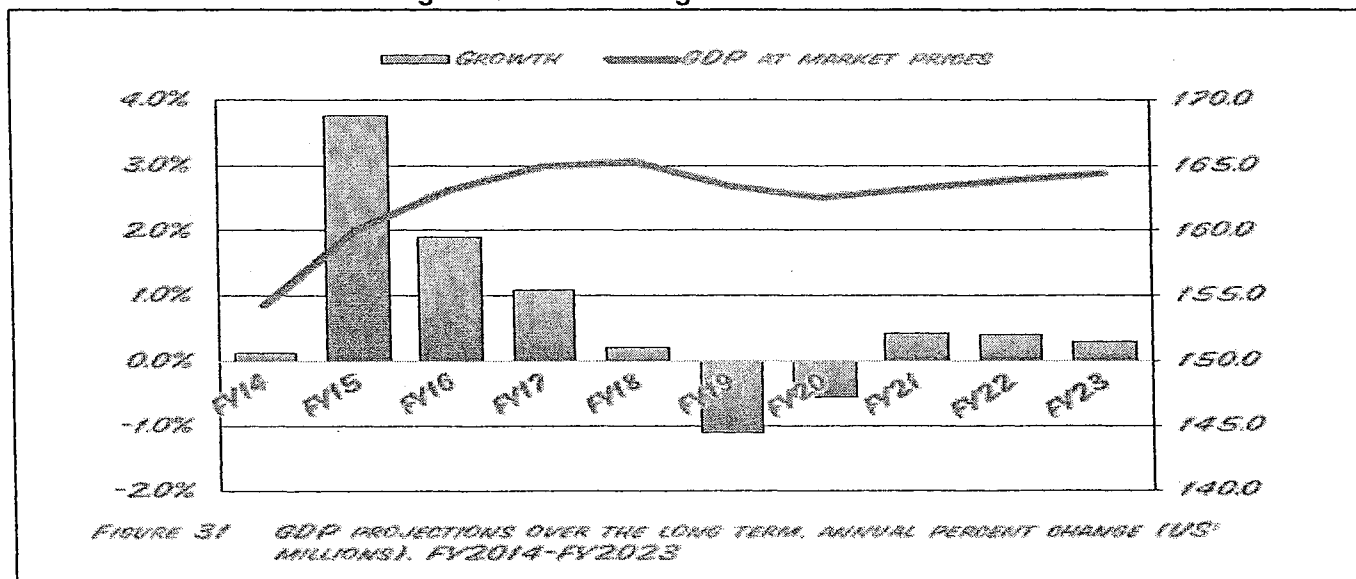
Section 5: Forecasting RMI Economic Growth

Growth in FY13 was driven mainly by strong fishery performance as domestic purse seiners landed larger catches. Weak construction and lower compact grant disbursements for education and health care suppressed demand for associated services such as transport, storage, and communications. The release of Fiscal Year 2014 sector grants was delayed because of the failure to update decrement plan to accommodate anticipated decreases in compact funding.

After growing by 3.0% in FY13, the RMI economy grew by a mere 0.5% in FY14 (ended 30 September 2014) for lack of new infrastructure projects. This followed the completion in FY13 of airport road realignment funded by the US Federal Aviation Authority and reflected unforeseen delays affecting other scheduled capital projects.

Progress in infrastructure project implementation is expected to stimulate the RMI economy in the medium term. Accelerated work on delayed projects and the commencement of new initiatives are projected to push GDP growth to 3.5% in FY15. Growth is then seen to slow again to 1.5% in FY16 as projects near completion and construction winds down (Figure 5)

Figure 5: Forecasting GDP Growth



Section 6: RMI External Debt Projections

FY13 external debt stood at \$97.6 million but in relation to GDP fell to 51% (from 72% in FY04). Debt servicing was \$6.3 million in FY13, of which \$3.0 million was due for government debt to the ADB. This represents 15% and 7% of the RMI general fund respectively.

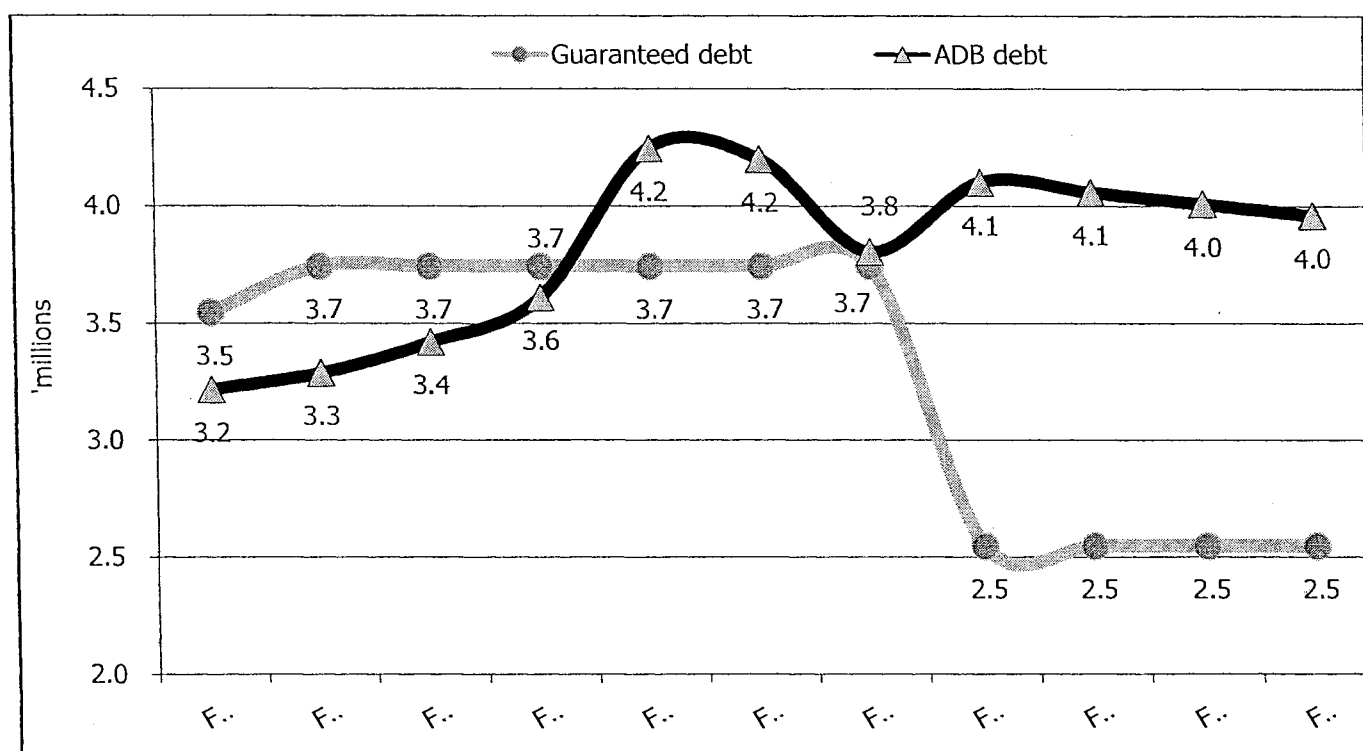
Two major trends have emerged during the amended Compact:

- A decline in the debt to GDP ratio, as new loan drawdowns have been limited and nominal GDP has risen
- A significant increase in debt service as loan grace periods have expired

External debt management has presented the RMI government with a major challenges, through two debt servicing components:

- Government debt on concessional terms to the ADB
- Government guaranteed debt incurred by the SOE sector (**Figure 6**)

Figure 6: External Debt Projections



Appendix C: Medium Term Financial Management Framework (MTFMF) FY16-18

Medium Term Financial Management Framework (MTFMF) FY16-18

The Medium Term Financial Management Framework (MTFMF) has been developed by the Ministry of Finance (MOF) through the integration of the Financial Management Model (FMM) provided to the RMI by the Asian Development Bank and the Medium Term Budget and Investment Framework (MTBIF) which was developed by EPPSO to meet RMI budget forecasting needs.

The purpose of the MTFMF is to provide a policy environment and guidance for RMI government spending as well as direction for budgeting in the medium term.

The MTFMF document provides economic information with regard to how the FY16 budget was developed and how projected budgets for FY17 and FY18 respectively can be estimated. The purpose of the MTFMF is to provide RMI Leaders with:

An overview of RMI budget

A summary of budget and economic trends

A estimate of medium term (3 years) implications of for the RMI budget

The MTFMF worksheet (attached) is designed in a projection format (excel based) with a projection period up to 10 years. This worksheet is updated annually based on actual economic performance and does not commit the government to any estimates or predictions.

The RMI uses this framework to satisfy evolving budgeting requirements. The MTFMF is strategic in nature and is subject to revision based on current and unexpected circumstances. Revenue and expenditure information for both the RMI General Fund and the RMI Global Budget is provided. The MTFMF also is critical for Ministry strategic planning and for aligning the National Strategic Plan (NSP) with actual budget figures.

Fiscal worksheet

(in local currency, \$US millions)

BASELINE SCENARIO	Prior Year	Current	Upcoming		
	2014	2015	2016	2017	2018
Revenue	146.20	174.70	175.38	167.15	170.12
Excluding Grants (General Fund)	38.33	45.73	60.12	53.95	56.29
Tax	24.71	25.14	28.46	29.67	30.93
Import duties (CMI)	0.95	1.00	0.91	0.96	1.01
Import duties	6.67	5.76	5.40	5.70	6.01

Income taxes	10.14	10.53	13.00	13.51	14.03
Gross Revenue	6.15	6.39	8.10	8.42	8.74
Immovable Property	0.00	0.67	0.06	0.06	0.06
Fuel Tax	0.69	0.73	0.61	0.64	0.68
Penalties and Interest	0.06	0.00	0.08	0.08	0.08
Other	0.05	0.06	0.30	0.31	0.31
Nontax	13.62	20.59	31.66	24.28	25.35
Fishing licenses	4.50	11.00	18.00	11.00	11.00
Fees and Charges	0.57	0.77	2.00	2.05	2.10
Investment Income	0.00	0.00	0.00	0.00	0.00
ROC Direct Budget Support	3.60	3.60	3.60	3.60	3.60
Ship Registry	4.00	4.75	7.00	6.50	7.50
Other	0.95	0.47	1.06	1.13	1.16
Special Revenue	7.93	7.96	8.75	8.35	8.55
Grants	99.94	121.01	106.50	104.85	105.28
US Compact Fund	75.59	78.38	79.35	79.19	79.27
US Federal Grants	12.25	12.47	14.27	14.61	14.96
ROC (Taiwan)	7.40	7.40	7.40	7.40	7.40
World Bank	0.00	2.00	1.83	0.00	0.00
Australia	0.00	0.00	0.00	0.00	0.00
ADB	0.50	9.00	3.00	3.00	3.00
EU	0.00	11.76	0.00	0.00	0.00
Other	4.20	0.00	0.65	0.65	0.65
	2014	2015	2016	2017	2018
Expenditure	146.20	174.70	175.37	167.15	170.12
Current	135.08	133.63	153.93	144.87	146.98
President and Cabinet	1.62	1.39	1.70	1.77	1.84
Office of the Chief Secretary	0.67	0.66	0.73	0.76	0.79
Special Appropriations	8.28	15.89	26.80	16.34	13.43
Council of Iroij	0.44	0.43	1.20	0.52	0.54
Nitijela	1.80	1.90	1.90	1.97	2.05
Office of the Auditor-General	1.08	1.08	1.08	1.13	1.17
Public Service Commission	0.47	0.47	0.47	0.49	0.51

Judiciary	1.02	1.02	1.06	1.10	1.14
Office of the Attorney-General	0.86	1.09	1.09	1.13	1.17
Ministry of Education	37.97	31.45	32.19	33.43	34.73
Ministry of Health	25.72	24.14	28.47	28.83	29.96
Ministry of Transportation and Communications	0.62	0.60	0.60	0.62	0.65
Ministry of Resources and Development	0.75	1.14	1.18	1.22	1.26
Ministry of Internal Affairs	2.40	2.21	2.35	2.44	2.54
Ministry of Justice	3.49	3.15	3.38	3.51	3.65
Ministry of Finance	42.36	41.55	43.82	43.47	45.17
Ministry of Foreign Affairs and Trade	3.05	3.10	3.36	3.49	3.63
Ministry of Public Works	1.51	1.27	1.26	1.31	1.36
Environmental Protection Agency	0.85	0.97	1.10	1.14	1.19
Banking Commission	0.12	0.12	0.19	0.20	0.21
Nuclear Claims Related	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00
Principal Repayment	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00
Capital Outlay	11.12	39.07	21.44	22.28	23.14
Others	0.00	2.00	0.00	0.00	0.00
Overall Balance	0.00	0.00	0.00	0.00	0.00