

**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS  
38<sup>TH</sup> CONSTITUTION REGULAR SESSION, 2017**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**APPROPRIATIONS (FINANCIAL YEAR 2018) ACT 2017**

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**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS  
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Republic of the Marshall Islands  
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**APPROPRIATIONS (FINANCIAL YEAR 2018) ACT 2017**

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 \$206,919,609 to meet the expenditures of the Government for the Financial Year 2018, 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.

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

**§101. Short title.**

This Act may be cited as the Appropriations (Financial Year 2018) Act 2017.

**§102. 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 2018 as provided in the FY 2018 Budget Schedule which includes the Economic Policy Statement attached as Appendix A and B respectively.
- (2) In this Act, a Medium Term Budget Investment Framework (MTBIF), 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.

**§103. Interpretation**

In this Act:

“**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 meeting pursuant to Article VIII, Section 7 of the Constitution; 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, pursuant to Article VIII, Section 7 of the Constitution, before the expenditures could reasonably be authorized by an Appropriation Act or a Supplementary Appropriation Act.

**§104. Appropriations and re-appropriations from the General Fund.**

Total Appropriation (and re-appropriation) from the General Fund.

- (1) The sum of \$77,503,920 is hereby appropriated and re-appropriated, and may be withdrawn from the Marshall Islands General Fund and expended pursuant to Article VIII of the Constitution for program areas as set out in Schedule 1 – inclusive of the amount that may be spent or payable under the continuing appropriation:

- (2) The sum of \$77,503,920 referenced in Subsection (1) above inclusive of:
  - (a) the sum of \$73,849,077, as revenue granted through General Fund, a total sum of \$73,849,077; and
  - (b) the sum of \$3,654,843 appropriated under P.L 2016-15 for the program areas pursuant to Schedule 9 of this Act, and set to lapse at this end of this fiscal year, and hereby re-appropriated in the next fiscal year.

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

Special Revenue Funds.

The sum of \$9,384,295 is hereby appropriated, and may be withdrawn from the Special Revenue Funds as set out in Schedule 3 subject to Section 16 of this Act.

### **§106. Compact Fund.**

- (1) Total Appropriations.

All Funds provided under the Compact of Free Association, as Amended, in the amount \$81,432,546 shall be credited to the General Fund and shall be appropriated in accordance with the relevant provisions and Schedule 2 of Appendix A of this Act.

- (2) Restrictions on Reprogramming of Compact Funds.

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

- (3) Lapse of Compact Funds.

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

- (4) Unaudited entities and organizations.

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

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

- (1) The sum of \$38,598,848 being the total amount of special U.S. Federal Grants including capital grants from the Republic of China (Taiwan), Asian Development Bank, Global Fund, World Bank, World Health Organization, UH Grants, and UNFPA Fund is appropriated and may be withdrawn from the Marshall Islands General Fund pursuant to Article VIII of the Constitution, for program areas in accordance with Schedules 4 and 5, during the Financial Year.
- (2) The amounts set out in Schedules 4 and 5 are not available for expenditure as reprogrammed expenditure under Article VIII Section 7 of the Constitution, except as authorized by or under the agreements with the donor nation and/or institution.
- (3) The appropriation made by Subsection (1) shall not lapse at the end of the Financial Year, but shall continue until either the grant expires or the funds are expended, whichever occurs first.

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

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

Schedule 1, Schedule 3 and Republic of China (ROC) capital grants as appropriated in Schedule 5. Provided however, any funds under Schedule 1, Schedule 3 and Schedule 5 which are not subject to the zero point eight percent (0.8%) shall be identified by the Secretary of Finance with the concurrence of the Minister of Finance pursuant to the Financial Management Act.

**§109. 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.

**§110. Unanticipated Income.**

- (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.

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

When any money is received under Section 110 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.

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

Any increase in the amount prescribed for the Contingencies Fund provided for by Section 109 (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.

**§113. 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.

**§114. 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.

**§115. 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.
  - (7) Ministry of Finance shall acted as a receivership in an event that 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, unable to comply with all the audit requirements.

**§116. 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.

**§117. Effective Date.**

This act shall take effect on the date of certification in accordance with Article IV.

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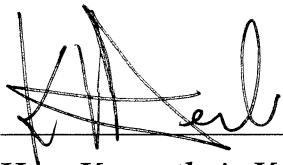
**CERTIFICATE**

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**I hereby certify:**

1. That Nitijela Bill No: 89ND2 was passed by the Nitijela of the Republic of the Marshall Islands on the 27<sup>th</sup> day of September 2017; and
2. That I am satisfied that Nitijela Bill No: 89ND2 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 28<sup>th</sup> day of September 2017.



**Hon. Kenneth A. Kedi**

Speaker

Nitijela of the Marshall Islands

**Attest:**



**Morean Watak**

Clerk

Nitijela of the Marshall Islands

## SCHEDULE

## SCHEDULE SUBHEADING

<b>RECURRENT GENERAL FUND APPROPRIATIONS</b>	<b>FY2018</b>
	<b>SCHEDULE 1</b>
<b>PRESIDENT &amp; CABINET</b>	<b>2,091,158</b>
Office of the President	439,386
President & Ministers	553,860
Cabinet Operations	574,912
V7AB	
Red Cross	123,000
Postal Services-Ebeye	-
SDGs	100,000
Disaster Response & Unforeseen Emergency Fund	300,000
<b>CHIEF SECRETARY</b>	<b>1,061,006</b>
Administration	385,843
Deputy Chief Secretary-Ebeye Office	103,069
EPPSO/ Price Monitoring Office (\$43,654)	405,387
OEPPC	166,707
<b>SPECIAL APPROPRIATIONS</b>	<b>14,463,352</b>
Majuro Electricity	2,746,093
Land and Building Leases	1,417,172
International Subscriptions/Membership Fees	468,596
ADB Loan Repayment	4,100,000
Centralized Utility Bills-Majuro	1,250,000
Centralized Utility Bills-Ebeye	80,000
Lease Housing	328,500
Prior Year Liability	199,991
Contingency Fund	200,000
MISSA Subsidy	3,000,000
Solid Waste Matching	108,000
KADA PIDB Housing Program	500,000
Anne's Palace Pavement	65,000
<b>COUNCIL OF IROIJ</b>	<b>545,192</b>
Administration	107,375
Council of Iroj Members	437,817
<b>NITIJELA</b>	<b>2,451,017</b>
Nitijela Operation	557,864
General Membership	1,172,809
Speaker's Contingency	120,452
Committee Expense	131,842
Legislative Counselors	151,050
Senators Office Rental	67,000
Systems	
Gratuity	
Constitutional Convention Education	250,000

<b>AUDITOR GENERAL</b>	<b>583,646</b>
Administration (0.8%)	-
Office of the Auditor General	83,646
Single Audit Match	500,000
<b>FOREIGN AFFAIRS</b>	<b>4,692,591</b>
Administration	1,121,598
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	576,764
ROC Embassy - Taipei	329,312
Fiji Embassy - Suva	359,376
Arkansas Consulate	122,743
Korea Embassy	87,081
Climate Change Ambassador	61,650
Nuclear Victims Day	10,000
Nuclear Claim Tribunal	72,480
Compact Review Commission	150,000
National Nuclear Commission	250,000
<b>PUBLIC SERVICE COMMISSION</b>	<b>772,240</b>
Public Service Commission	169,746
PSC Administration	527,494
ADD ON	75,000
<b>JUDICIARY</b>	<b>1,175,860</b>
General Courts	818,488
Traditional Rights Court	143,863
Community Court	104,935
Judicial Service Commission	454
Judicial Fund	15,120
Micronesian Legal Service	93,000
<b>ATTORNEY GENERAL</b>	<b>1,877,823</b>
Attorney General Office	824,554
Immigration- Majuro	1,006,183
Immigration - Ebeye	47,086
<b>MINISTRY OF HEALTH &amp; HUMAN SERVICES</b>	<b>4,925,778</b>
Health Administration	2,425,748
Kumit Wellness	25,891
Health Planning & Statistics	154,017
Majuro Hospital Medical Services	2,182,451
Kwajalein Atoll Hospital Services	88,200
Identification Division-MOH	22,951
Registrar's Office	44,520
<b>Environmental Sector</b>	<b>186,835</b>
EPA	186,835
MAWC	-

Surveillance Vessel	
<b>MINISTRY OF EDUCATION, SPORTS &amp; TRAINING</b>	<b>10,791,151</b>
National Board of Education	15,000
College of the Marshall Islands	2,000,000
CMI-CLCC	185,890
Scholarship Board	772,517
Administration	746,440
Leadership & Management	218,874
Policy and Planning	216,349
Elementary Support Services	484,542
Secondary Ed. & Support Services	94,792
Contracted Teachers	776,668
Property and Maintenance	637,921
RMI/USP Joint Project	500,000
National Training Council	92,502
PSS Outer Island District	130,229
PSS Budget	280,203
PSS Reform	1,666,134
Hot Lunch	560,000
CMI Endowment	100,000
Aid to Private School	500,000
Achieve 3000	250,000
Distant Learning	250,000
4 Specialist	100,000
Teacher, Standard, Licensing Board	16,600
Sports & Recreation	196,490
<b>MINISTRY OF TRANSPORTATION, COMMUNICATION &amp; IT</b>	<b>5,705,096</b>
Office of the Secretary	487,745
Communication	-
Directorate of Civil Aviation	346,151
AMI	1,300,000
Marshall Islands Shipping Cooperation	1,461,600
Repairs & Maintenance (MISC)	460,000
MISC (Vessel Delivery)	100,000
NTA	1,500,000
Aviation Task Force	49,600
Uliga Terminal	-
<b>MINISTRY OF FISHERIES, AGRICULTURE, COMMERCE &amp; TRADE</b>	<b>4,810,834</b>
Administration	503,636
Agro-Forestry	801,434
Trade & Investment	173,154
Renewable Energy Office	65,586
OCI	684,524
Copra Price Stabilization Subsidy (Tobolar)	2,032,500
1 Island 1 Product	225,000
Small & Medium Business Loan Program	-
MIVA	325,000
<b>MINISTRY OF CULTURE, SOCIAL SERVICES &amp; OUTER ISLANDS AFFAIRS</b>	<b>4,770,185</b>

Administration	668,531
Historic Preservation Office	44,724
Land & Surveys	108,604
Local Government Affairs	64,805
Local Government Trust Fund	611,194
Grant in Aid	241,935
Child Rights Office	49,464
Youth Services Bureau	41,993
Gender and Development	59,947
Electoral Administration	225,791
V7AB Radio Division	447,632
Central Adoption Administration	36,972
Ebeye Office	71,344
Community Development	24,998
Community Training Center	36,907
Alele Corporation	178,691
Disability office	21,653
Constitution Day	65,000
Outer Island Economic Development Fund	650,000
Weto in Mour (WUTMI)	50,000
Youth Service Corp	300,000
Mayor Salary Adjustments	90,000
Social Workers	30,000
Referendum	650,000
<b>JUSTICE, IMMIGRATION &amp; LABOR</b>	<b>3,303,221</b>
Public Defender – Majuro	262,105
Public Safety – Majuro	1,902,295
Public Safety – Ebeye	492,151
Sea Patrol	531,341
Land Registration Authority	115,330
<b>MINISTRY OF FINANCE, BANKING &amp; POSTAL SERVICES</b>	<b>3,264,927</b>
Secretary's Office	455,202
Accounting & Administration	659,630
Revenue Division Majuro	350,885
Custom Division	336,639
Treasury Division	83,786
Budget & Procurement	256,435
Procurement & Supply Division	279,728
Ebeye – Finance	216,198
Ebeye Revenue/Custom Office	218,766
Division of International Development Assistance	262,852
PMEU (HR & Internal Audit Unit)	141,806
<b>POSTAL SERVICES</b>	<b>179,000</b>
Postal Service	179,000
<b>BANKING COMMISSION</b>	<b>510,350</b>
Administration	510,350

<b>Works, Infrastructure &amp; Utilities (WIU)</b>	<b>9,327,658</b>
Administration	471,555
Carpentry Dept	236,394
Electrical & Plumbing	198,607
Landing Craft Operation	318,384
Road & Grounds	291,486
Equipment Repair & Maintenance	521,737
MAWC Support	304,030
Ebeye Public Works Support	595,025
Repair & Maintenance Majuro	569,520
Repair & Maintenance Ebeye	50,000
Repair & Maintenance OI	287,280
Solar Household Due	624,960
Outer Islands Runway Project	1,000,000
MIPA Dock Repairs	750,000
Sea Wall Repairs	200,000
Nitijela Repair	100,800
WIU Office Expansion	53,480
National Energy Support Account	554,400
Capital Building	1,500,000
Embassy Renovations (Fiji & Hawaii)	700,000
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>77,503,920</b>
<b>COMPACT FUNDS</b>	<b>SCHEDULE 2</b>
<b>AUDITOR GENERAL</b>	<b>500,000</b>
Single Audit	500,000
<b>HEALTH</b>	<b>6,869,098</b>
MOH Utility	334,066
<i>Kumit Wellness</i>	50,000
Majuro Hospital	3,367,882
Primary Health Care	574,094
Outer Islands Dispensaries	877,544
Leprosy Program	146,038
TB Program	54,000
<i>One Stop Shop NCD</i>	47,110
<i>Dental Program</i>	397,261
Kwajalein Atoll Health Administration	40,225
Ebeye Preventive Services	128,244
Ebeye Dental Services	98,331
Kwajalein Atoll Dispensaries	40,858
Ebeye Hospital Operations	713,445
<b>EBEYE SPECIAL NEEDS - HEALTH</b>	<b>2,430,135</b>
Ebeye Hospital	2,230,135
Ebeye Wellness Center	200,000
<b>ENVIRONMENTAL SECTOR</b>	<b>421,546</b>
Kwajalein Environmental Impact Assessment	240,780
Majuro Atoll Waste Company	180,766
<b>EDUCATION</b>	<b>11,026,710</b>
College of the Marshall Islands (Compact Designated)	987,003

Scholarship Board	592,202
PSS Administration & Human Resources	24,000
PSS Budget & Finance	523,802
MOE Policy, Planning and Research	69,000
MOE Curriculum Instructions and Assessment	9,000
Elementary Education and Support Services	3,700
Majuro Middle School	399,363
Elementary Education - UES	198,592
Elementary Education - RES	290,050
Elementary Education - DES	419,632
Elementary Education - APES	169,947
Elementary Education - WES	106,606
Elementary Education - LES	169,327
Elementary Education - RRES	242,491
Elementary Education- LIES	87,722
Elementary Education - EES	36,501
Elementary Education - EPES	485,271
Elementary Education Northern School District	645,561
Elementary Education Southern School District	478,347
Elementary Education Eastern School District	325,433
Elementary Education Western School District	156,707
Elementary Education Central School District	333,322
Secondary Education and Support Services	18,499
Secondary Education – MIHS	1,593,105
Secondary Education – LHS	353,059
Secondary Education – JHS	734,492
Secondary Education – NIHS	684,400
Secondary Education – KAHS	499,035
Aid to Private School	295,000
MOE Property & Maintenance	95,543
<b>EBEYE SPECIAL NEEDS - (EDUCATION)</b>	<b>2,697,699</b>
Elementary and Secondary Schools	2,372,699
Kwajalein Scholarship	200,000
Adult Education – CMI	125,000
<b>SUPPLEMENTAL EDUCATION GRANT (SEG)</b>	<b>5,577,466</b>
National Training Council	403,750
World Teach and Dartmouth Programs	275,000
Industrial Arts & Life Skills Program	307,879
School Enrichment Program	158,351
Elementary Schools Equip, Supplies and Materials	420,000
Secondary Schools Equip, Supplies and Materials	123,000
School accreditation	143,300
High School Practicum Program	19,000
Secondary Textbook	95,000
Music/Arts Program	70,830
Student Exchange Program	5,700
School Debate Program	16,000
Majolizing the Curriculum (Pre-Ninth)	190,660



Adult Education and Literacy (CMI)	288,325
Close Up Program	20,000
Instructional Technology Support	177,826
Instructional Service Center	104,488
Professional Development	519,102
MOE Contractual	220,000
Elementary Textbook	18,363
Kindergarten Program	1,702,016
Tutorial Program	20,000
MOE Data Improvement Project	278,876
<b>TOTAL COMPACT SECTOR GRANTS</b>	<b>29,522,654</b>
<b>COMPACT CAPITAL FUND</b>	<b>9,372,346</b>
College of the Marshall Islands	500,000
MOH Majuro Equipment	300,000
Infrastructure Maintenance Fund -Majuro	468,617
Education Preventive	200,000
PMU Operation	648,224
Water & Sewer Improvement Project -Ebeye	1,000,000
PSS Projects (Kwaj)	2,424,122
MOH Hospital (Majuro)	2,000,000
MAWC	1,500,000
PSS & MOH In House Maintenance	81,383
Majuro & Ebeye Hospitals	250,000
<b>EBEYE SPECIAL NEEDS - Capital</b>	<b>1,484,556</b>
Ebeye Master Land Lease (Annual)	360,000
Community Basketball Court Project	134,556
Sidewalk Repair & Replacement	100,000
Public Works Improvement Project	700,000
Beach Park	190,000
<b>OTHER COMPACT DESIGNATED</b>	<b>38,765,580</b>
Kwajalein Landowners	21,670,200
Compact Disaster Grant	240,780
Compact Trust Fund	16,854,600
<b>Kwajalein Development Fund</b>	<b>2,287,410</b>
PMU	200,000
Mid-corridor	275,000
Kajur	1,327,860
Ebeye Water Sewer Project	484,550
<b>TOTAL COMPACT EXPENDITURES</b>	<b>81,432,546</b>
	<b>SCHEDULE 3</b>
<b>SPECIAL REVENUE EXPENDITURES</b>	<b>9,384,295</b>
Health Care Fund	7,860,390
Environment Protection Authority	269,145
Ministry of Internal Affairs Fund	23,000
Ministry of Justice Fund	350,000
National Training Council Fund	500,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	48,000

Public Work Fund	150,000
MAWC	178,760
	<b>SCHEDULE 4</b>
<b>U.S. FEDERAL GRANT EXPENDITURES</b>	<b>15,648,217</b>
Health Programs	8,109,439
Special Education Program	1,682,329
CMI Federal Grant	4,528,999
R&D	64,000
4 Atoll Feeding	574,000
Chief Secretary NAAO Weather Station Grant	500,000
IA	189,450
	<b>SCHEDULE 5</b>
<b>OTHER DEVELOPMENT ASSISTANCE EXPENDITURES</b>	<b>22,950,631</b>
<b>ASIAN DEVELOPMENT BANK</b>	<b>6,000,000</b>
Others (MEC Fuel Tanks Refurbish)	4,400,000
PSS(3 year funding of \$5million)	1,600,000
<b>ROC CAPITAL PROJECTS</b>	<b>7,400,000</b>
<b>Office of the President</b>	<b>150,000</b>
Hosted International Conference	150,000
<b>Office of the Chief Secretary</b>	<b>240,780</b>
Disaster Matching	240,780
<b>Ministry of Internal Affairs</b>	<b>1,500,000</b>
Outer Islands Economic Development Fund	1,500,000
<b>Works, Infrastructure &amp; Utilities</b>	<b>1,587,217</b>
Infrastructure Capital Maintenance Fund (Compact Matching)	468,617
Majuro Seawall & Walkway	500,000
MAWC Transfer Center	460,680
ICC Renovation	157,920
<b>Ministry of R&amp;D</b>	<b>1,341,500</b>
Tobolar	991,500
Laura Farm	350,000
<b>Ministry of Finance, Banking &amp; Postal Services</b>	<b>2,080,503</b>
Trust Repayment (Account D)	350,000
Majuro Development Project	600,000
Outer Islands Community Development Project	500,000
Trust Fund Account A	630,503
<b>Ministry of Health</b>	<b>500,000</b>
MOH Internship	200,000
MOH Data System	300,000
<b>Ministry of Justice</b>	<b>-</b>

Public Safety Uniforms & Equipment	-
<b>World Bank</b>	<b>9,210,000</b>
PROP-MIMR	1,830,000
ICT TA Grant	950,000
RMI Pacific Resilience	4,900,000
PREP Phase 2 PPA	500,000
Sustainable Energy Development Project (SEDP)	600,000
HIES	430,000
<b>World Health Organization</b>	<b>78,617</b>
Human Resources	78,617
<b>University of Hawaii</b>	<b>85,673</b>
UH	85,673
<b>Global Fund</b>	<b>176,341</b>
HIV/ST/TB	176,341
<b>TOTAL ALL FUNDS EXPENDITURE</b>	<b>206,919,609</b>
<b>ALL REVENUES APPROPRIATION</b>	<b>SCHEDULE 6</b>
<b>GENERAL FUND REVENUES</b>	<b>77,503,920</b>
<b>TAX ITEMS</b>	<b>32,584,077</b>
Marshallse Income Tax	9,450,050
Expat Income Tax	5,087,950
Business Gross Revenue Tax	7,573,077
Non-resident Business Gross Income Tax	170,000
CMI Tax	1,050,000
Import Tax	7,504,000
Hotel & Resort Tax	107,000
Fuel Tax	683,000
Immovable Property Tax	642,000
Penalties and Interest Charges	48,000
Tax Audit Adjustments	269,000
<b>NON TAX ITEMS</b>	<b>44,919,843</b>
Fishing Rights	28,000,000
Fees and Charges	
Interest Income	160,000
Other Sales, Charges and Service Fees	1,032,000
Driver License Fee	
Reimbursable Grants to Local Org	
Ship Registry	7,500,000
ROC (Taiwan) Grants	3,600,000
Tax Audit Adjustments	
Tobacco & Alcohol License	
Dividends from Joint Venture	973,000
Re-appropriated Funds	3,654,843
<b>SPECIAL REVENUE FUNDS</b>	<b>9,384,295</b>
Health Care Fund	7,860,390
Environment Protection Authority	269,145
Ministry of Internal Affairs Fund	23,000

Ministry of Justice Fund	350,000
National Training Council Fund	500,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	48,000
Public Work Fund	150,000
MAWC	178,760
	<b>SCHEDULE 7</b>
<b>COMPACT REVENUE FUNDS</b>	<b>81,432,546</b>
Compact Base Grants	18,076,574
Compact Base Grants - Ebeye Special Needs	6,612,390
Compact Special Education Grant (SEG)	5,577,466
Compact Disaster Assistance Matching	240,780
Compact Single Audit	500,000
Compact Capital Funds	8,903,675
Infrastructure Maintenance Fund (IMF)	468,671
Kwajalein Environmental Impact Assessment	240,780
Kwajalein Development Fund	2,287,410
Kwajalein Landowners	21,670,200
Trust Fund (Compact Contribution)	16,854,600
ESN Prior Year Allocation	472,500
	<b>SCHEDULE 8</b>
<b>ALL OTHER REVENUE</b>	<b>38,598,848</b>
U.S. Federal Grants	15,648,217
World Bank	9,210,000
ROC (Taiwan) Capital Grants	7,400,000
World Health Organization (MOH)	78,617
Asian Development Bank (ADB) Grant	6,000,000
Global Funds	176,341
UNFPA	-
UH Grant	85,673
<b>TOTAL ALL REVENUE</b>	<b>206,919,609</b>

<b>REAPPROPRIATED AMOUNTS</b>	<b>SCHEDULE 9</b>
<b>Sources</b>	
Border Management system	\$800,000
Capital Building	\$2,476,843
Youth Services Corps	\$378,028
<b>TOTAL</b>	<b>\$3,654,871.00</b>

**APPENDIX B : ECONOMIC POLICY STATEMENT (EPS)****Section 1: Economic Performance Overview (FY16)**

This overview provides information from FY16.

**RMI Economic Growth:** RMI economic growth recorded a positive performance. GDP recorded an improved performance in FY2016 with a 1.9 percent growth in GDP after two years of negative growth. The major driver of the improved performance was an increase in construction activity following resumption in disbursements of the Compact infrastructure grant after the halt in FY2014 and FY2015. Public administration also contributed to the outturn reflecting increases in central government, local government and agency spending. On the downside fisheries activity slowed as Pan Pacific underwent regulatory issues in conforming to international shipping regulations.

***Fiscal Performance of RMI Economy***

The RMI achieved a record fiscal surplus in FY2016 of 4.0 percent of GDP; the third year in a row of strong performance. Revenues grew strongly reflecting growth in taxes, but dominated by growth in non-tax revenue: fishing fees and receipts from the corporate and ship registry. From a level of \$4 million in FY2012 fishing fees received by government have now attained \$26 million. On the expenditure side, payroll expense grew modestly in FY2016 by 2.2 percent, but use of goods and services expanded by 22 percent (\$5.7 million). While subsidies and transfers to other public-sector entities continue to pose a significant fiscal threat, they remained unchanged at their FY2015 levels. Outlays on miscellaneous project expenses also grew strongly by 68 percent (\$4.8 million).

The very significant improvement in the fiscal position has unfortunately been accompanied by large matching increases in expansionary budgets during the last two fiscal periods. While the attainment of significant surpluses is to be congratulated, the lack of discipline in controlling expenditures is of serious concern. Fiscal policy lacks a fiscal responsibility framework to encourage the prudential management of abundant current resources to meet future needs arising from declining Compact grants, an insufficient Compact Trust Fund (CTF) corpus to reliably replace the grants, and a perilously underfunded Social Security System.

**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 43 percent in FY2016. In terms of debt service, total debt repayments of principal and interest represent 11 percent of general fund revenues: a measure of unconstrained government revenues. Debt service was a major issue for the government in the past with periods of delinquency. However, the RMI has resolved these issues and has been up to date during recent years. As a result of being designated at “*high risk of debt distress*”, the RMI has now been accorded “grant” only status by the World Bank and ADB, and is no longer eligible for concessionary loan finance. This has both benefits and costs, but ushers in a period of enforced declining debt to GDP as existing loans are repaid.

**The RMI Compact Trust Fund (CTF):** RMI Trust Fund experienced market gains during FY2016 of 10.4 percent; together with a scheduled contribution from the U.S. of \$15.3 million at the outset of the fiscal year, from Taiwan of \$2.4 million and from the RMI itself of \$2.2 million, those gains enabled the fund to grow in size by \$47.4 million to an end of FY2016 balance of \$294.5 million. During the period of investment since the outset of FY2006, the annualized rate of return has been 5.6 percent.

***RMI economic Outlook***

With an expansionary fiscal policy and booming donor funding the medium-term prospects for the economy are positive. Baseline projections indicate an acceleration of growth attaining 4 percent in FY2017 and 2 percent in FY2018 as recent budgets are enacted and the large pool of donor funds are drawdown. For the remainder of the amended Compact period without significant private sector initiative, the economy is expected to return to modest growth of about 1 percent

***Social security sustainability.***

The major pressing fiscal issue facing the RMI is the collapse of the Social Security System. In an effort to avoid collapse the Nitijela enacted legislation in 2017 to raise employer and employee contributions from 7 to 8 percent, to increase the maximum quarterly taxable wage from \$5,000 to \$10,000, reduce benefits from 0-10 percent, and extend the retirement age to 65 over a number of years. The impact of the

reforms is to push the projected collapse data from 2021 to 2025, in essence kicking the can just a short way down the road. The mismatch between contributions and benefits is wide and growing over time. With little growth in the work force and increasing numbers reaching retirement age, the system is extraordinarily fragile. In order to stabilize the system, the government will need to provide transfers to the Fund from \$3 million in FY2017, rising in annual increments of \$1 million per annum, to a total of \$9 million by 2025.

***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 high risk of debt distress, the ADB has placed the nation on a grant only basis with a commitment to an annual transfer of \$6 million with a total of possible projects in the pipeline of \$61 million. The former World Bank ICT reform project under IDA 17, which failed to garner support, has a remaining \$10 million of funds available for other projects. Under IDA 18 and with grant only status, the World Bank is understood to have further resources to the tune of \$20 million annually; with a total of over \$100 million of potential projects in the pipeline. The EU has an EDF 11 grant of €9 million for energy related investments and budgetary support, coupled with a GIZ project of \$10.6 million. JICA has projects of \$10 million with further contributions from Taiwan of \$4 million and \$1 million under NZ aid. All in all, there is over \$200 million in possible projects, a quantum leap in planned donor supported activity, but there is a severely limited capacity to implement the projects on the ground. For an office that is pressed 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.

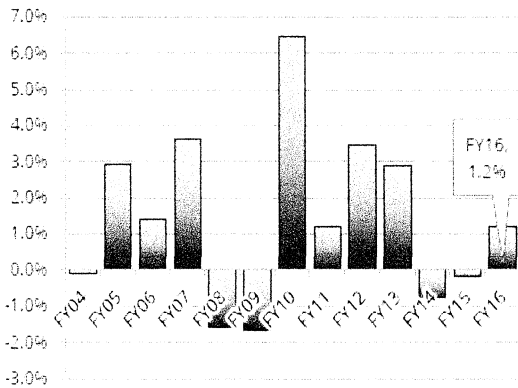
***Medium Term Budget Investment Framework*** The RMI Government has completed the FY2016 to FY2021 Revenue and Expenditure Forecasts based on policies including gapping recurrent expenditures, implementing the various reforms including Public Financial Reform, Tax Reform, etc

***Section 2:***

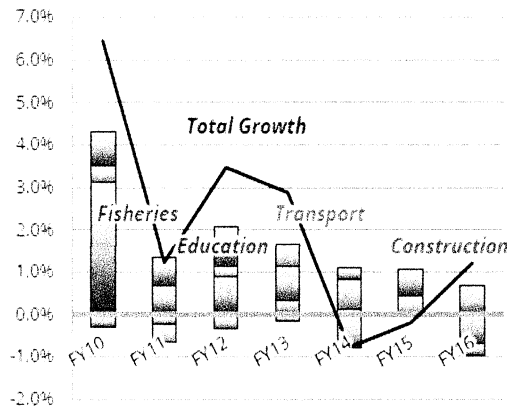
***RMI GDP Growth***

During FY2015-FY2016 the economic growth showed positive result in FY2016 as compared to a negative growth in FY15. Fisheries output and the movements on Compact infrastructure projects were the main reasons for the growth. Public administration and education continued to grow modestly supporting the level of economic activity.

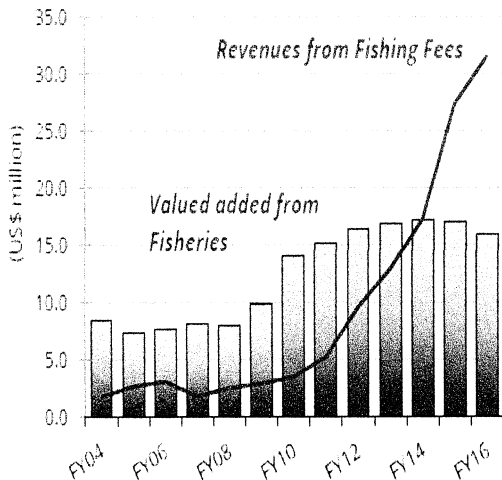
Economic growth improves in FY2016, after two years of negative growth and stagnation



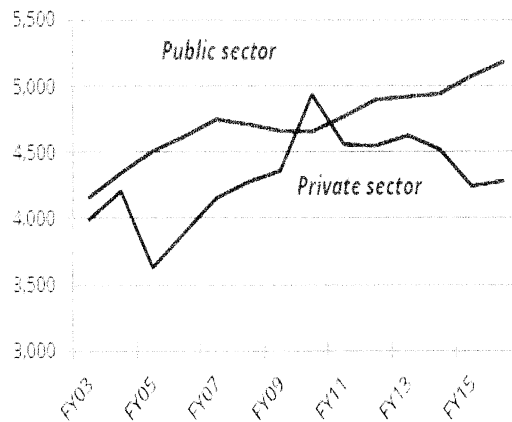
Construction activity drives economic growth in FY2016, but is offset by decline in fisheries



Strong Growth in fisheries and revenues from the Vessel Day Scheme (VDS), \$m



Significant growth in public sector employment, but lack luster private sector performance



Real wages decline, but recent improvement with negative inflation; wage differential remains large

Inflation turns negative in FY15 and FY16



	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
<b>General Fund Revenues</b>	<b>65,574</b>	<b>83,222</b>	<b>69,521</b>	<b>68,736</b>	<b>70,896</b>	<b>72,018</b>
Growth on previous year		26.9%	-16.5%	-1.1%	3.1%	1.6%
Income Tax Payable By Individuals	11,680	13,778	14,538	13,403	13,676	13,901
Immovable Property Tax	627	690	642	650	659	668
Business Gross Revenue Tax	5,341	8,368	6,245	6,663	6,976	7,257
Ship Registry	6,750	6,500	7,250	7,500	7,500	7,875
Import Duties	6,013	5,877	7,504	7,297	7,627	7,936
Fuel Tax	497	608	683	628	661	631
CMI Tax	1,129	960	1,050	1,049	1,048	1,044
Other Taxes	290	264	269	279	285	302
ROC (Taiwan) Grants	3,600	3,600	3,600	3,600	3,600	3,600
Interest and dividends	849	-	973	1,015	1,050	1,083
MIMRA Fishing Revenue	27,780	40,130	25,000	25,000	25,000	24,368
Other Revenue	1,019	2,446	1,767	1,652	2,814	3,352

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
<b>Special Revenue Funds</b>	<b>9,329</b>	<b>8,730</b>	<b>9,384</b>	<b>9,362</b>	<b>9,393</b>	<b>9,423</b>
Growth on previous year		-6.4%	7.5%	-0.2%	0.3%	0.3%
Ministry of Justice	646	563	355	766	796	824
Resident Workers Training Account	464	500	500	463	461	460
Health Care Fund	7,961	7,400	7,860	7,860	7,860	7,860
Other	257	267	669	273	276	279

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
<b>Compact Revenue Funds</b>	<b>73,107</b>	<b>80,039</b>	<b>80,960</b>	<b>81,648</b>	<b>82,855</b>	<b>83,196</b>
Growth on previous year		9.5%	1.2%	0.8%	1.5%	0.4%
Compact Base Grants	18,640	18,574	18,077	18,803	18,719	18,633
Compact Base Grants - Ebeye Special Needs	4,704	6,064	6,140	6,226	6,317	6,409
Compact Special Education Grant (SEG)	5,577	5,299	5,577	5,577	5,577	5,577
SEG Performance Indicators/Data Project	279	279	0	0	0	0
Compact Disaster Assistance Matching	236	238	241	244	248	251
Compact Single Audit	500	500	500	500	500	500
Compact Capital Funds	4,349	9,132	9,372	8,058	8,022	7,086
Kwajalein Environmental Impact Assessment	235	238	241	244	248	251
Kwajalein Development Fund	2,140	2,259	2,287	2,319	2,353	2,388
Kwajalein Landowners	21,163	21,404	21,670	21,974	22,294	22,621
Compact Trust Fund	15,284	16,053	16,855	17,701	18,578	19,479
	<b>2016 Actual</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>
<b>Other Grants</b>	<b>18,169</b>	<b>30,093</b>	<b>52,024</b>	<b>28,825</b>	<b>30,322</b>	<b>30,293</b>
Growth on previous year		65.6%	72.9%	-44.6%	5.2%	+0.1%
U.S. Federal Grants	9,841	14,373	14,374	8,966	8,978	8,990
Asian Development Bank	0	6,000	6,000	6,000	6,000	6,000
European Union Grants	26	0	0	3888	222	222
Other Direct Assistance	869	2,320	24,251	2,371	7,522	7,481
Republic of China Projects	7,433	7,400	7,400	7,600	7,600	7,600

The tables below show Expenditure projections categorized by recurrent and capital for FY18 through FY21 for all Funds. (General Funds, Special Revenue, Compact Grants and other Grants. The third table the total expenditures (all Funds) by Government Agencies.

### Expenditure Projections

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
<b>Total Recurrent Expenditure</b>	<b>111,356</b>	<b>172,624</b>	<b>170,617</b>	<b>173,371</b>	<b>173,666</b>	<b>174,209</b>
General Fund	63,735	72,722	66,521	67,737	69,896	71,018
Compact Fund	30,813	67,239	67,816	68,407	69,583	69,846
Special Revenue	7,400	8,730	9,384	9,362	9,362	9,362
US Federal Grants	8,268	14,373	14,374	14,373	14,373	14,373
Other Revenue/Grants	1,140	9,559	12,523	13,493	10,451	9,611

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
<b>Total Capital Expenditure</b>						
General Fund	-	10,500.00	3,000.00	1,000.00	1,000.00	1,000.00
Compact Capital Fund	6,732.44	12,800.65	13,144.31	13,241.41	13,272.31	13,350.64
ROC Projects	7,400.00	6,011.50	5,528.50	5,529.00	5,529.00	5,529.00
Other Grants	-	-	19,600.00	-	-	-

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
<b>Total Expenditure</b>	<b>119,972</b>	<b>202,085</b>	<b>211,890</b>	<b>188,571</b>	<b>193,467</b>	<b>194,930</b>
President and Cabinet	1,892	4,693	1,940	1,992	2,045	2,100
Chief Secretary	1,838	1,172	1,732	1,092	1,124	1,156
Council of Iroij	452	545	545	561	577	594
Nitijela	1,798	2,338	2,113	2,174	2,237	2,302
Auditor General	1,341	1,084	1,084	1,084	1,084	1,084
Foreign Affairs	3,057	4,245	4,205	4,327	4,452	4,581
Public Service Commission	454	672	672	692	712	732
Judiciary	1,063	1,476	1,176	1,238	1,238	1,238
Attorney General	768	928	976	1,003	1,031	1,059
Health	25,771	29,677	29,304	23,663	28,332	28,434
Environment	718	884	1,056	461	467	473
Education	24,613	36,064	37,828	38,379	37,738	37,983
Transportation and Communicati-	481	6,552	6,513	5,725	5,891	6,061
Resources and Development	1,196	10,411	7,394	7,515	7,639	7,767
Internal Affairs	2,413	6,328	5,307	5,411	5,518	5,628
Justice	3,189	3,806	3,656	3,806	3,806	3,806
Finance	13,766	53,214	53,519	58,120	58,238	58,583
Banking Commission	-	310	310	319	329	338
Public Works	5,823	19,460	38,682	17,132	17,132	17,132
Special Appropriations	29,337	18,225	13,877	13,877	13,877	13,877