



Republic of the Marshall Islands
Jepilpilin Ke Ejukaan

APPROPRIATION (FINANCIAL YEAR 2019) ACT 2018.

Sponsored by:

HON. MINISTER BRENSEN WASE

Received by:

HON. SPEAKER KENNETH A. KEDI

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**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS
39TH CONSTITUTION REGULAR SESSION, 2018**



Republic of the Marshall Islands
Jepilpilin Ke Ejukaan

APPROPRIATION (FINANCIAL YEAR 2019) ACT 2018.

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Republic of the Marshall Islands
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APPROPRIATION (FINANCIAL YEAR 2019) ACT 2018.

AN ACT to (a) authorize, in accordance with Article VIII of the Constitution, the issuance from the Marshall Islands General Fund, including funds provided under the Compact of Free Association, and other funds, a total sum of \$220,116,630 to meet the expenditures of the Government for the Financial Year 2019; and (b) appropriate sums to program areas; and, (c) to provide for:

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- (i) a Contingencies Fund in accordance with Section 9 of Article VIII of the Constitution; and
 - (ii) contingent appropriation of amounts that may be received in the future; and
 - (iii) the delegation of authority to approve expenditures under Section 5 of Article VIII of the Constitution; and
 - (iv) controls on the reprogramming and transfer of funds within and between program areas; and
 - (v) control of specific expenditures.

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

§101. Short title.

This Act may be cited as the *Appropriation (Financial Year 2019) Act 2018..*

§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 2019 as provided in the attached Fiscal Year 2019 Budget Schedule and the Economic Policy Statement attached as Appendix A.
- (2) In this Act, the Medium Term Budget Investment Framework (MTBIF) is strategic in nature and serves as a policy guidance for expenditures by the Government of the Republic of the Marshall Islands and as a directive for the budgeting process for the medium term, attached herewith as Appendix B.

§103. Interpretation.

In this Act:

- (1) “**program area**” means program areas set out in Schedules 1 to Schedule 9 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.
- (3) “**Compact**” means the Compact of Free Association (as amended) between the Republic of the Marshall Islands and the United States of America.

- (4) “General Fund Reserve” as referred to in Schedule 1 under Special Appropriations shall serve the purposes of:
 - (a) smoothing imbalances between revenues and expenditures; and
 - (b) accumulate budget stabilization reserves to mitigate wide swings in the General Fund Revenue.

§104. Appropriations from the Marshall Islands General Fund.

The sum of \$82,757,322 is hereby 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.

§105. Appropriations from the Special Revenue Funds.

The sum of \$9,749,584 is hereby appropriated, and may be withdrawn from the Special Revenue Funds as set out in Schedule 3 subject to Section 116 of this Act.

§106. Compact Funds.

(1) Total Appropriations.

All Funds provided under the Compact, in the amount \$82,042,874 shall be credited to the General Fund and shall be appropriated in accordance with the relevant provisions and Schedule 2 of this Act.

(2) Restrictions on Reprogramming of Compact Funds.

Fund received under the Compact 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 and its Subsidiary Agreements.

(3) Compact Funds shall not lapse.

All moneys received under the Compact 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, 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 auditible 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 auditible condition to permit a financial audit to proceed.

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

- (1) The sum of \$45,511,398 being the total amount of special U.S. Federal Grants including capital grants from the Republic of China (Taiwan), Asian Development Bank, Global Fund, University of Hawaii, European Development Fund (11th) and the Special Grant Assistance (Republic of China (Taiwan) Scholarship) 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. The sum of \$11,500,000 referenced under Schedule 5 is inclusive of:
 - (a) the sum of \$8,000,000, as revenue through Republic of China (Taiwan) Capital Projects, a total sum of \$8,000,000; and
 - (b) the sum of \$3,500,000 appropriated under P.L 2017-47 for the program areas pursuant to Schedule 5 of this Act and hereby re-appropriated in the next fiscal 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, 2, 3, 4 and 5, and the sum so withheld and deposited may be withdrawn and expended by the Auditor – General. Provided, however, that such withdrawal and expenditure by the Auditor – General shall be made in consultation with the Secretary of Finance.
- (2) The zero point eight percent (0.8%) of funds to be withheld and deposited under Subsection 1 shall apply only to the programs areas that are subject to any audit by the Auditor – General under Schedule 1, Schedule 2, Schedule 3, Schedule 4, and Schedule 5. Provided, however, that any funds under Schedule 1, Schedule 2, Schedule 3, Schedule 4 and Schedule 5 which are not subject to the zero point eight percent (0.8%) shall be identified by the Secretary of Finance.

§109. Contingencies Fund.

- (1) In accordance with Article VIII, Section 9(1) of the Constitution, up to \$500,000 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.

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 109 (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.

§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) and any increase in the amount of an appropriation to a program area affected by Section 110 lapses:

- (a) at the end of a financial year for which this Appropriation Act applies or Supplementary Appropriation Act is enacted after the date referred to in Section 118 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 Schedule in 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 auditible, 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 act 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.
- (8) Subsidies received by any State-owned Enterprise shall not be expended during the financial year for any purposes other than the permissible uses of those funds as provided for in the Act establishing that State-owned Enterprise or any other Act.

§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. Contribution to the Marshall Islands Trust Fund.

Where at the close of the financial year there is an unexpended surplus, the Government may transfer an amount not exceeding \$1,750,000 to the Marshall Islands Trust Fund.

§118. Effective Date.

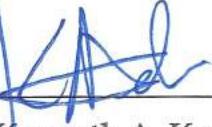
This act shall take effect on the date of certification in accordance with Article IV, Section 21 of the Constitution and the Rules of Procedures of the Nitijela.

CERTIFICATE

I hereby certify:

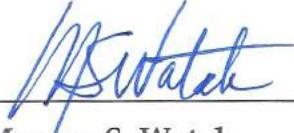
1. That Nitijela Bill No: 136ND1 was passed by the Nitijela of the Republic of the Marshall Islands on the 21st day of September 2018; and
2. That I am satisfied that Nitijela Bill No: 136ND1 was passed in accordance with the relevant provisions of the Constitution of the Republic of the Marshall Islands and the Rules of Procedures of the Nitijela.

I hereby place my signature before the Clerk this 26th day of September 2018.



Hon. Kenneth A. Kedi
Speaker
Nitijela of the Marshall Islands

Attest:



Morean S. Watak
Clerk
Nitijela of the Marshall Islands



FISCAL YEAR 2019 BUDGET SCHEDULE

SCHEDULE 1: RECURRENT GENERAL FUND APPROPRIATIONS.

RECURRENT GENERAL FUND APPROPRIATIONS	FY2019 SCHEDULE 1
PRESIDENT & CABINET	2,380,502
Office of the President	391,000
President & Ministers	662,133
National & International Hosted Conferences	250,000
Cabinet Operations	587,369
Sustainable Development Goals	100,000
Marshall Islands Council of Non Government Organizations	120,000
National Nuclear Commission	270,000
Ministry of Environment	403,273
Office of Environment Policy, Planning & Coordination	182,651
Office of Environment Policy, Planning & Coordination (Ebeye)	33,787
Environmental Protection Authority	186,835
CHIEF SECRETARY	1,261,491
Administration	525,476
Deputy Chief Secretary - Ebeye Office	109,662
Economic Policy Planning & Statistics	488,353
Red Cross (Majuro & Ebeye)	138,000
SPECIAL APPROPRIATIONS	21,703,389
Majuro Landowners Electricity	2,844,778
Land and Building Leases	1,417,172
International Subscriptions/Membership Fees	468,596
Asian Development Bank Loan Repayment	3,830,400
Centralized Utility Bills – Majuro	1,000,000
Centralized Utility Bills – Ebeye	80,000
Lease Housing	200,000
Tobolar Capital & Maintenance	400,000
Prior Year Liability	1,850,112
Contingency Fund	500,000
Marshall Islands Social Security Administration Subsidy	2,316,600
Kwajalein Solid Waste	310,464
Kwajalein Atoll Development Authority Operation (KADA)	40,000
Trust Fund Contribution	3,250,000
Employee Pension Fund	916,186
Outer Islands Local Government Social Security Dues (OIEDF)	405,000
General Fund Reserve	548,180
Ebeye Wellness	200,000
Infrastructure Matching Fund Matching	468,617
Disaster Matching	244,260

Constitutional Convention	239,024
Green Climate Fund WATER PROJECT CO-FINANCING	174,000
COUNCIL OF IROIJ	589,462
Administration	150,035
Council of Iroij Members	439,427
NITIJELA	2,781,037
Nitijela Operations	613,999
General Membership	1,554,964
Speaker's Operations	120,000
Committee Expense	133,560
Legislative Counselors	138,514
Senators Office Rental	120,000
Association of Pacific Islands Legislatures General Assembly	100,000
AUDITOR GENERAL	583,646
Administration (0.8%)	
Office of the Auditor General	83,646
Single Audit Matching	500,000
MINISTRY OF FOREIGN AFFAIRS & TRADE	5,134,741
Administration	1,401,225
Office of Compact Implementation	360,800
Washington D.C. Embassy	673,776
RMI-USAKA Office	115,079
Honolulu Consulate	269,081
United Nations Mission - New York	491,886
Japan Embassy – Tokyo	527,594
Republic of China (Taiwan) Embassy - Taipei	399,459
Fiji Embassy – Suva	432,358
Arkansas Consulate	193,924
South Korea Embassy – Seoul	187,081
Nuclear Victims Day	10,000
Nuclear Claims Tribunal	72,480
PUBLIC SERVICE COMMISSION	734,131
Public Service Commission	174,646
PSC Administration	559,485
JUDICIARY	1,086,678
General Courts	822,306
Traditional Rights Courts	143,863
Community Court	104,935
Judicial Service Commission	454
Judicial Fund	15,120
MINISTRY OF HEALTH & HUMAN SERVICES	5,165,315
Health Administration	2,509,226
Kumit Wellness	25,891
Health Planning & Statistics	154,017
Majuro Hospital Medical Services	1,978,218
Primary Health Care Administration	131,431

Outer Islands Health Services	11,178
Behavioral Health Services	14,662
Kwajalein Atoll Hospital Services	60,692
Wound Care Project	60,000
Offset Compact Decrement	60,000
Health Assistants Training Program	160,000
MINISTRY OF EDUCATION, SPORTS, & TRAINING	12,288,152
National Board of Education	50,000
College of the Marshall Islands ("CMI")	2,000,000
CMI - Customary Law & Language Commission	185,890
CMI – Bilingual Program	250,000
CMI-Youth Service Corps(new)	150,000
Scholarship Board	770,845
Human Resources & Administration	780,551
Leadership & Management	308,979
Policy and Planning	254,259
Elementary Support Services	608,600
Secondary Education & Support Services	94,792
Contracted Teachers	811,830
Property and Maintenance	336,310
RMI/University of South Pacific Joint Program	600,000
National Training Council	92,502
Public School System ("PSS") Outer Island District	135,804
PSS Budget & Finance	289,714
PSS Teachers Certification Program	2,105,868
Hot Lunch (Majuro & Outer Islands)	1,160,000
CMI Endowment	100,000
Aid to Private School	500,000
Achieve 3000	250,000
CMI-Distant Learning	250,000
Teacher, Standard, Licensing Board	16,600
Sports & Recreation	185,608
MINISTRY OF TRANSPORTATION, COMMUNICATIONS & IT	5,231,695
Administration	460,544
Directorate of Civil Aviation	346,151
Airlines of the Marshall Islands	950,000
Marshall Islands Shipping Corporation	1,600,000
Marshall Islands Shipping Corporation Repairs & Maintenance	450,000
National Telecommunication Authority	1,200,000
Aviation Task Force	25,000
Sustainable Transport Project	200,000
MINISTRY OF NATURAL RESOURCES & COMMERCE	5,612,805
Administration	488,217
Agro-Forestry	801,434
Trade and Investment	173,154

FISCAL YEAR 2019
BUDGET SCHEDULE

Appropriation (Financial Year 2019) Act 2018.

Office of Commerce and Investment	800,000
Copra Price Stabilization Subsidy (Tobolar)	3,250,000
1 Island 1 Product	100,000
MINISTRY OF CULTURE AND INTERNAL AFFAIRS	4,167,357
Administration	947,122
Historic Preservation Office	44,724
Land & Survey	110,385
Local Government Affairs	80,195
Local Government Trust Fund	611,194
Grant in Aid	241,935
Child Rights Office	49,674
Youth Services Bureau	44,868
Gender and Development	47,445
Electoral Administration & Election Preparation	345,791
V7AB Radio Division	340,729
Central Adoption Administration	42,472
Ebeye Office	105,838
Community Development	50,998
Community Training Center	36,662
Alele Corporation	178,691
Disability Office	22,628
Constitution Day	65,000
Outer Island Economic Development Fund	500,000
Weto in Mour (WUTMI)	75,000
Social Workers	50,000
Registrar's Office	47,520
Senior Citizens Office	27,646
Human Rights Committee	50,000
Marshall Islands Mayors Association Support Fund	50,840
MINISTRY OF JUSTICE, IMMIGRATION, & LABOR	5,768,605
Public Defender - Majuro	240,641
Public Safety – Majuro	2,263,518
Public Safety – Ebeye	563,482
Sea Patrol	714,065
Land Registration Authority	115,330
Attorney General Office	968,545
Immigration – Majuro	348,683
Immigration – Ebeye	351,446
Labor Division – Majuro	69,519
Labor Division – Ebeye	17,425
Identification Division	22,951
Micronesian Legal Service	93,000
MINISTRY OF FINANCE	3,370,574
Administration (Secretary's Office)	346,019
Accounting & Administration	726,468
Revenue Division Majuro	379,557

FISCAL YEAR 2019 BUDGET
SCHEDULE

Appropriation (Financial Year 2019) Act 2018.

Custom Division	316,359
Treasury Division	83,786
Budget & Procurement	266,752
Procurement & Supply Division	307,626
Finance Office – Ebeye	222,061
Revenue/Custom Office - Ebeye	180,108
Division of International Development Assistance	274,211
Personnel Monitoring & Evaluation Unit (HR & Internal Audit Unit)	169,825
State-owned Enterprises Monitoring Unit	97,802
POSTAL SERVICES	240,000
Postal Service	240,000
BANKING COMMISSION	509,609
Administration	509,609
MINISTRY OF WORKS, INFRASTRUCTURE, & UTILITIES	3,744,860
Administration	424,168
Carpentry Department	186,052
Electrical & Plumbing	198,789
Landing Craft Operation	306,532
Road & Grounds	328,453
Equipment Repair & Maintenance	484,434
Project Management Unit	71,621
Majuro Atoll Waste Company Support	404,030
Ebeye Public Works Support	540,751
Repair & Maintenance Support Ebeye	197,607
Public Service Commission Maintenance & Repair	65,000
Custom Office Extension –Repair	17,000
National Energy Support Account	520,423
TOTAL GENERAL FUND EXPENDITURES	82,757,322

SCHEDULE 2: COMPACT FUNDS.

COMPACT FUNDS	SCHEDULE 2
AUDITOR GENERAL	500,000
Single Audit	500,000
HEALTH	6,809,098
MOHHS Utility	274,066
Kumit Wellness	59,000
Majuro Health Care Services	3,389,817
Primary Health Care Services	393,038
Outer Islands Dispensaries	845,880
Leprosy Program	133,897
Tuberculosis Program	54,000
One Stop Shop Non Communicable Diseases	110,745

Dental Program	395,261
Behavioral Health Services	124,911
Kwajalein Atoll Health Administration	39,840
Ebeye Preventive Services	131,302
Ebeye Dental Services	105,552
Kwajalein Atoll Dispensaries	38,345
Kwajalein Atoll Health Care Services	713,444
EBEYE SPECIAL NEEDS - HEALTH	1,957,635
Ebeye Hospital	1,957,635
ENVIRONMENTAL SECTOR	244,260
Kwajalein Environmental Impact Assessment	244,260
EDUCATION	10,966,710
College of the Marshall Islands	987,003
Scholarship Board	592,202
Public Schools System Administration & Human Resources	42,292
Public Schools System Budget & Finance	463,802
Ministry of Education Policy, Planning and Research	69,000
Ministry of Education Curriculum Instructions and Assessment	9,000
Elementary Education and Support Services	3,700
Majuro Middle School	411,823
Elementary Education - Uliga Elementary School	228,569
Elementary Education – Rita Elementary School	273,897
Elementary Education – Delap Elementary School	405,661
Elementary Education – Ajeltake Public Elementary School	162,828
Elementary Education – Woja Elementary School	99,921
Elementary Education – Laura Elementary School	176,039
Elementary Education – Rairok Rainbow Elementary School	242,491
Elementary Education - Long Island Elementary School	92,266
Elementary Education – Ejit Elementary School	43,470
Elementary Education – Ebeye Public Elementary School	492,917
Elementary Education Northern School District	628,707
Elementary Education Southern School District	521,983
Elementary Education Eastern School District	330,779
Elementary Education Western School District	130,984
Elementary Education Central School District	342,192
Secondary Education and Support Services	24,280
Secondary Education – Marshall Islands High School	1,531,366
Secondary Education – Laura High School	485,933
Secondary Education – Jaluit High School	669,799
Secondary Education – Northern Islands High School	628,963
Secondary Education – Kwajalein Atoll High School	491,347
Aid to Private School	295,000
PSS Property & Maintenance	88,496
EBEYE SPECIAL NEEDS - (EDUCATION)	2,697,699
Elementary and Secondary Schools	2,372,699
Kwajalein Scholarship	200,000

FISCAL YEAR 2019 BUDGET
SCHEDULE

Appropriation (Financial Year 2019) Act 2018.

Adult Education (CMI)	125,000
SUPPLEMENTAL EDUCATION GRANT (SEG)	5,577,418
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 Support	177,531
Instructional Service Center	101,013
Professional Development	519,102
Ministry of Education Contractual	220,000
Elementary Textbook	250,000
Kindergarten Program	1,585,909
MOE Data Improvement Project	278,828
TOTAL COMPACT SECTOR GRANTS	28,752,820
COMPACT CAPITAL FUND	9,459,397
College of the Marshall Islands	500,000
Health Projects	5,000,000
Ebeye Water & Sewer	1,135,370
Project Management Unit Operations	661,275
MOH Hospital (Majuro)	1,272,752
PSS maintenance	300,000
PSS Schools & MOHHS Health Center Repairs	250,000
Majuro & Ebeye Hospitals	340,000
EBEYE SPECIAL NEEDS - Capital	1,573,345
Guggegue Park Project	370,000
Shell Island Picnic Shelters	120,000
Ebeye Beach Park Phase 2	345,000
Ebeye Master Land Lease	367,000
Ebeye Basketball/Tennis Court Additional Works	250,000
Ebeye Sidewalk Project	35,000
Causeway Supplement	86,345
OTHER COMPACT DESIGNATED	39,936,824
Kwajalein Landowners	21,983,574
Compact Disaster Grant	244,260
Compact Trust Fund	17,708,990

KWAJALEIN IMPACT FUND	2,320,488
Project Management Unit	200,000
Mid-corridor Housing	417,628
Mid-corridor Utilities	275,000
Kwajalein Atoll Joint Utilities Resources	1,327,860
Ebeye Water Sewer Project	100,000
TOTAL COMPACT EXPENDITURES	82,042,874

SCHEDULE 3: SPECIAL REVENUES EXPENDITURES.

SPECIAL REVENUE EXPENDITURES	9,749,584
Health Care Fund	7,925,439
Environmental Protection Authority	269,145
Ministry of Internal Affairs Fund	40,000
Ministry of Justice Fund	400,000
National Training Council Fund	560,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	90,000
Public Works Fund	200,000
Majuro Atoll Waste Company	260,000

SCHEDULE 4: U.S. FEDERAL GRANTS EXPENDITURES.

U.S. FEDERAL GRANT EXPENDITURES	SCHEDULE 4
	15,748,217
Health Programs	8,892,957
Special Education Program	1,682,329
College of the Marshall Islands Federal Grants	4,528,999
Ministry of Natural Resources & Commerce	64,000
4 Atoll Feeding	574,000
Chief Secretary	600,000
Ministry of Culture & Internal Affairs	189,450

SCHEDULE 5: OTHER DEVELOPMENT ASSISTANCE EXPENDITURES.

OTHER DEVELOPMENT ASSISTANCE EXPENDITURES	SCHEDULE 5
World Bank	9,210,000
Pacific Resilience Project (PREP) II	1,500,000

FISCAL YEAR 2019 BUDGET
SCHEDULE

Appropriation (Financial Year 2019) Act 2018.

Pacific Islands Regional Oceanscape Program (PROP)	1,850,000
Sustainable Energy Development Project	2,000,000
Marshall Islands Maritime Investment Project	1,000,000
Early Child Development Project	1,500,000
Telecommunication and ICT Development Project	360,000
Project for Activity Performance in Financial Management	1,000,000
Asian Development Bank (ADB) Grant	6,000,000
World Health Organization (MOH)	127,300
Global Funds	172,133
University of Hawaii Grant	96,700
European Development Fund (11 th) Energy Office	200,197
European Development Fund (11 th) Support to Reform of the Energy Sector	1,512,353
Special Grant Assistance (ROC scholarship)	1,000,000
ROC CAPITAL PROGRAMS AND PROJECTS	11,500,000
Ministry of Culture & Internal Affairs	1,000,000
Outer Islands Programs and Projects	1,000,000
Ministry of Justice, Immigration & Labor	1,535,000
Lomor Drydock	535,000
MIPD Building	1,000,000
Works, Infrastructure & Utilities	4,680,000
Seawall & Walkway	1,500,000
(MAWC) Transfer Center	30,000
Roads	700,000
Ebeye Projects	500,000
Ebeye (OICDP)	500,000
Banking Commission	200,000
Majuro Development Project	600,000
MV Majuro Repair & Maintenance	300,000
Majuro Water and Sewer Company	350,000
Ministry of Natural Resources and Commerce	2,300,000
Tobolar	1,950,000
Laura Farm	350,000
Ministry of Finance, Banking & Postal Services	1,285,000
Outer Islands Community Development Project	500,000
Prior Year Liability	369,778
Landowner's Electricity	355,222
Abu Dhabi Fund for Development Loan Interest Buy down	60,000
Ministry of Health and Human Services	700,000
MOHHS Internship	250,000
MOHHS Equipment	150,000
MOHHS Data System	300,000
TOTAL ALL FUND EXPENDITURES	220,116,680

SCHEDULE 6: ALL REVENUES APPROPRIATION.

ALL REVENUES APPROPRIATION	SCHEDULE 6
GENERAL FUND REVENUES	82,757,322
TAX ITEMS	34,892,940
Marshallse Income Tax	9,977,651
Expat Income Tax	6,048,185
Business Gross Revenue Tax	7,817,415
College of the Marshall Islands Tax	1,333,000
Import Tax	7,744,128
Hotel and Resort Tax	86,454
Fuel Tax	1,126,000
Immovable Property Tax	682,292
Penalty & Interest	77,815
NON TAX ITEMS	47,864,382
Fishing Rights	27,500,000
Interest and Dividends Income	4,793,215
Other Revenues	3,645,167
Ship Registry	7,676,000
Ship Registry Trust fund Contribution	250,000
ROC (Taiwan) Grants	4,000,000

SCHEDULE 7: SPECIAL REVENUE FUNDS.

Special Revenue Funds	SCHEDULE 7
Health Care Fund	7,925,439
Environmental Protection Authority	269,145
Ministry of Internal Affairs Fund	40,000
Ministry of Justice Fund	400,000
National Training Council Fund	560,000
Sea Patrol Fund	5,000
Labor Special Revenue Fund	90,000
Public Works Fund	200,000
Majuro Atoll Waste Company	260,000

SCHEDULE 8: COMPACT REVENUE FUNDS.

COMPACT REVENUE FUNDS	SCHEDULE 8
Compact Base Grants	17,775,808
Compact Base Grants - Ebeye Special Needs	6,228,679

Compact Special Education Grant (SEG)	5,577,418
Compact Disaster Assistance Matching	244,260
Compact Single Audit	500,000
Compact Capital Funds	9,459,397
Kwajalein Environmental Impact Assessment	244,260
Kwajalein Development Fund	2,320,488
Kwajalein Landowners	21,983,574
Trust Fund (Compact Contribution)	17,708,990

SCHEDULE 9: ALL OTHER REVENUES.

ALL OTHER REVENUE	SCHEDULE 9
	45,566,900
U.S. Federal Grants	15,748,217
World Bank	9,210,000
Republic of China (Taiwan) Capital Grants	11,500,000
World Health Organization (MOH)	127,300
Asian Development Bank (ADB) Grant	6,000,000
Global Funds	172,133
University of Hawaii Grant	96,700
European Development Fund (11 TH)	200,197
European Development Fund (11 TH) Support to Reform of the Energy Sector	1,512,353
Special Grant Assistance Republic of China (Taiwan) Scholarship	1,000,000
TOTAL ALL REVENUE	220,116,680

APPENDICES

APPENDIX A: ECONOMIC POLICY STATEMENT.

Section 1: Economic Performance Overview (FY17).

This overview provides information from FY17.

RMI Economic Growth:

The RMI economy performed well in FY2017 with 3.6 percent growth in GDP, improving on the 2.0 percent attained in FY2016 and the two previous years of negative growth. During the last two years the major driver of the improved performance was an increase in construction activity following a resumption in disbursements of the Compact infrastructure grant after the moratorium placed in the use of the grant in FY2014 and FY2015. In FY2017 fisheries production improved with increase in the fish catch. However, regulatory issues in conforming to international shipping requirements, which affected production in FY2016 and FY2017, have now been put in abeyance, while suitable measures to ensure compliance are put in place.

Without the impact of fisheries GDP in the underlying economy grew by 2.9 and 2.8 percent in FY2016 and FY2017, respectively. Public administration also had a significant impact on growth during the last two years with the expansionary fiscal policy pursued by Government

Fiscal Performance of RMI Economy

The RMI achieved a large fiscal surplus in FY2017 of 4.3 percent of GDP; the third year in a row of strong performance. Revenues grew strongly reflecting very buoyant growth in taxes, but also large increases 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 attained a level of \$40 million in FY2017 up from \$26 million a year earlier. However, this included a large transfer of prior fishing receipts accumulated by MIMRA, but not dispersed to government. The FY2017 revenue receipts were thus exceptional and are expected to return to former levels in FY2018.

On the expenditure side, payroll expense grew strongly in FY2017 by 8 percent (\$3.5 million) breaking with the restrained growth of prior years. Use of goods and services grew modestly by 1 percent (\$0.2 million). Subsidies and transfers which also grew strongly by \$3.6 million or 30 percent and continues to pose a significant fiscal threat. The other most rapidly growing item was “other” expenditures which ballooned out by \$6.4 million or 82 percent. Overall FY2017 was a “blow out” year for public expenditures, which grew by \$15 million or 14 percent.

The very significant improvement in the fiscal position has unfortunately been accompanied by large matching increases in expansionary budgets during the last three 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 an 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 35 percent in FY2017. 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. Recent interest in government to embark on social sector loan funded projects (\$80 million, or 34 percent of GDP), which is not compliant with the World Bank’s grant only status threaten to undermine access to donor grants and needs to be reviewed carefully. It is also understood viable projects such as energy sector loans can be granted an exception to the grant only restrictions on the basis that the terms of the loan are considered as concessional.

The RMI Compact Trust Fund (CTF): The RMI Compact Trust Fund experienced market gains during FY2017 of 14.1 percent. Together with a scheduled contribution from the U.S. of \$16.1 million at the outset of the year and of \$2.4 million from Taiwan mid-year, those gains enabled the fund to grow in size by \$62.4 million to an end of FY2017 balance of \$356.9 million. During the period of investment since the outset of FY2006, the annualized rate of return has been 6.46 percent.

RMI economic Outlook

The RMI economy performed well in FY2017 with 3.6 percent growth in GDP, improving on the 2.0 percent attained in FY2016 and the two previous years of negative growth. During the last two years the major driver of the improved performance was an increase in construction activity following a resumption in disbursements of the Compact infrastructure grant after the moratorium placed in the use of the grant in FY2014 and FY2015. In FY2017 fisheries production improved with increase in the fish catch. However, regulatory issues in conforming to international shipping requirements, which affected production in FY2016 and FY2017, have now been put in abeyance, while suitable measures to ensure compliance are put in place. Without the impact of fisheries GDP in the underlying economy grew by 2.9 and 2.8 percent in FY2016 and FY2017, respectively. Public administration also had a significant impact on growth during the last two years with the expansionary fiscal policy pursued by Government

Social security sustainability.

A major pressing fiscal issue facing the RMI has been the potential 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 by 0-10 percent, and extend the retirement age to 65 over a number of years. The impact of the reforms has been to defer the eventual collapse of the fund beyond 2030. However, the mismatch between contributions and benefits remains and is growing over time. With little growth in the work force and increasing numbers reaching retirement age, the system remains fragile. Recognizing these weaknesses, the government transferred \$3.3 million in FY2017 to shore up the fund. A level of payment which must be sustained into the future to avoid fund collapse without further basic reforms to the system. This will require strong commitment given other priorities the RMI will face post-FY2023 with anticipated reductions in Compact funding.

Booming donor support and capacity limitations.

After a period of relative calm in donor support, the RMI has embarked on 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 likely further increase to \$13 million. Under IDA 18 and with grant only status, the World Bank is understood to have resources to the tune of \$20 million annually. As such, the RMI has a total of over \$130 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 €9.5 million for low carbon emission sea transport. 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 approximately \$250 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 FY2017 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

The RMI economy performed well in FY2017 with 3.6 percent growth in GDP, improving on the 2.0 percent attained in FY2016 and the two previous years of negative growth. During the last two years the major driver of the improved performance was an increase in construction activity following a resumption in disbursements of the Compact infrastructure grant after the moratorium placed in the use of the grant in FY2014 and FY2015.



APPENDIX B: MEDIUM TERM BUDGET INVESTMENT FRAMEWORK.



**REPUBLIC OF THE MARSHALL ISLANDS
BUDGET BOOK
2016-2021**

Updated 2018

Legal Requirement of Budget

The Marshall Islands Budget is governed by the requirements set out in *the Constitution of the Republic of the Marshall Islands* as well as *the Financial Management Act 1990*. Article VIII of the Constitution outlines the founding principles for the management of finances in the Marshall Islands. In terms of the annual appropriation bill the Constitution states that:

- A. The Minister of Finance shall, in relation to each financial year, lay before the Nitijela, as soon as practicable after the commencement of its regular session, budget estimates of the revenues and expenditure of the Republic of the Marshall Islands for that financial year.
- B. The budget estimates shall cover all expected sources of revenue payable into the General Fund, including loans raised or to be raised, and all proposed expenditure from the General Fund including expenditure charged on the General Fund by this Constitution or by any Act, or payable under a continuing appropriation.
- C. Budget estimates relating to the raising of loans shall be accompanied by an analysis showing the future cost of servicing and repaying the loan.
- D. Budget estimates of capital expenditure shall be accompanied by an analysis showing the estimated future cost of maintaining the asset created or acquired.
- E. The program areas categorized in the budget estimates for that financial year (other than items charged on the General Fund by this Constitution or by Act or payable under continuing appropriation) shall be included in a single Bill, to be known as the Appropriation Bill, which shall be introduced into the Nitijela to provide for the issue from the General Fund of the sums necessary to meet the expenditure incurred in those program areas and the appropriation of those sums for the purposes specified in the Bill.

Part III of *The Financial Management Act 1990* governs the processes around the national budget. Section 120 outlines the policy of establishing a comprehensive system for national financial management which furthers the capacity of the Cabinet and the Nitijela to plan, program and finance projects and programs of the Republic Systems shall include procedures for:

- a) the orderly establishment, continuing review and periodic revision of national financial objectives, programs, and policies;
- b) the establishment of policies and procedures that conform with government accounting and auditing procedures;
- c) the development, coordination and review of long-range programs and financial plans that will implement established national objectives and policies;
- d) the preparation, coordination, analysis and enactment of a budget that is organized to focus on national programs and their costs, and that authorizes the implementation of the long-range plans in the succeeding budget period;
- e) the evaluation or alternatives to existing objectives, policies, plans and procedures that offer potential for more efficient and effective use of national resources; and
- f) the regular appraisal and reporting of program performance.

Section 120 outlines the Marshall Islands' national budget shall be governed by the following general principles:

- a) the budget shall be balanced;

- b) planning, programming, budgeting, evaluation, and appraisal reporting shall be by program areas or groups of program areas;
- c) the formulation and operation of the budget will serve as an implementation mechanism for the plan;
- d) the national program structure shall be such that it will enable meaningful decisions to be made by the Cabinet and the Nitijela at all levels of the structure. At its lowest level, it shall display those programs which are the simplest units of activities, about which resource allocation decisions are to be made by the Cabinet and the Nitijela;
- e) a program which serves two or more objectives shall be placed in the program structure along with that objective which it primarily serves, and where desirable, it shall also be placed with other objectives, but its cost is not to be included with the total cost of that objective or program area because it is included in some other objective or program area;
- f) the full cost, including research and development, capital and operating costs, shall be identified for all program areas regardless of the means of financing. Costs shall be displayed in the year of their anticipated expenditure, regardless of whether such costs have been authorized to be expended by prior appropriation acts or are authorized to be expended by existing law or require new appropriations or authorizations;
- g) objectives shall be stated for every level of national program structure;
- h) the effectiveness of program areas in attaining objectives shall be assessed;
- i) planning shall have a long-range view; and
- j) systematic analysis in terms of problems, objectives, alternatives, costs, effectiveness, benefits, risks and uncertainties shall constitute the core of program planning.

Section 126 outlines that:

1. The budget shall in general, contain:
 - a) the national program structure;
 - b) statements of national objectives;
 - c) the financial requirements to carry out the recommended programs; and
 - d) a summary of receipts and revenues in the last completed fiscal year, a revised estimate for the fiscal year in progress, and an estimate for the next fiscal year.
2. The information contained in the budget shall be presented generally in the following manner:
 - a) information shall be displayed by program areas;
 - b) program area financial requirements shall be appropriately crosswalk between the program areas and expending agencies;
 - c) data shall be appropriately summarized at each level of the program structure;
 - d) program costs shall include all costs, including research and development, operating and capital, regardless of the means of financing, except that the means of financing shall be expressly identified, and regardless of whether the expenditure of any sum was authorized by prior appropriations acts. is authorized by existing law, or requires new authorization, except that the amounts requiring new authorization shall be appropriately identified;
 - e) financial requirements shall be presented to the nearest dollar, omitting cents; and the summary of national receipts and revenues shall be presented to the nearest thousand dollars; and
 - f) the budget shall reflect the next fiscal year program areas contained in the five (5) year development plan.
3. The display of financial requirements for the next fiscal year shall more specifically include:
 - a) at the lowest level of the national program structure for each program area;

- i. the total recommended expenditures, including research and development, capital and operating costs, by cost categories and cost elements for the ensuing year; the planned allocation of the total annual request, by cost categories, and cost elements. The means of financing and the number of positions included in any cost category amount shall be appropriately identified;
 - ii. a summary showing means of financing the total recommended expenditures, those amounts requiring and those amounts not requiring legislative appropriation or authorization for spending for the fiscal year;
 - iii. a crosswalk of the total proposed annual expenditures between the program and expending agencies. The means of financing the number of positions included in any cost amount, and the net amount requiring appropriation or authorization shall be appropriately identified for each expending agency; and
 - iv. the proposed changes in the levels of expenditures, by cost categories, between the year in progress and the succeeding year, together with a brief explanation of the major reasons for each change, which reasons shall include, as appropriate, the following:
 - A. salary adjustments to existing positions of personnel;
 - B. the addition or deletion of positions;
 - C. changes in the number of persons being served or to be served by the program;
 - D. changes in the program implementation schedule;
 - E. changes in the actual or planned level of program effectiveness;
 - F. increases due to the establishment of a program not previously included in the national program structure;
 - G. decreases due to the phasing out of a program previously included in the national program structure; and
 - H. changes in the purchase price of goods or services.
- b) appropriate summaries of Clauses (3)(a)(i) and (3)(a)(iii) of this Section at every level of the national program structure. Such summaries shall be by the major groupings of programs encompassed within the level. The summaries of Clause (3)(a)(i) of this Section shall identify the means of financing and the number of positions included in any cost category amount;
- c) a summary listing of all capital improvements projects included in the proposed capital investment costs for the succeeding fiscal year. The listing shall be by programs at the lowest level of the national program structure and shall show for each project, by investment cost elements:
- i. the cost of the project;
 - ii. the amount of funds previously appropriated and authorized by the Nitijela; and
 - iii. the amount of new appropriations and authorizations proposed in the succeeding fiscal year. The amount of the new appropriations and authorizations proposed shall constitute the proposed new requests for the project in the succeeding fiscal year. In every instance, the means of financing shall be noted.

4. The summaries of the receipts and revenues shall more specifically include:

- a) the following financial summaries displaying the national financial condition:
 - i. a display of the proposed, total national expenditures, by cost categories, the total national resources anticipated from existing taxes and non-tax sources at existing rates, by resource categories (including the available fund balance or deficits and anticipated bond receipts), and

- the fund balance or deficit resulting therefrom for the fiscal year in progress and for the succeeding fiscal year;
- ii. the changes proposed to the existing tax and non-tax rates, sources or structure, and the estimated cumulative increases or reductions, and the estimated fund balance or deficit in the succeeding fiscal year as a result of such proposed changes. Proposals for changes in the existing tax and non-tax rates, sources or structure shall be made in every case where the proposed total national expenditures exceed the total national resources anticipated from existing tax and non-tax sources at existing rates. Such financial summaries shall be prepared for the total expenditures and resources and for the general fund and special fund portions thereof.
- b) a summary of the balances of each special fund, actual for the last completed fiscal year and estimated for the fiscal year in progress and for the succeeding fiscal year:
- c) a summary regarding bonds;
- d) a schedule of bonds;
- e) a schedule of projected debt service charges for general obligation bonds;
- f) a schedule of the current funded debt, legal debt limit and the legal debt margin, including the details thereof;
- g) separately for General Fund tax revenues, special fund tax revenues. General Fund non-tax revenues and special fund non-tax revenues:
- i. by kinds of taxes or sources, the amount of revenue from existing authorized taxes or sources at existing rates received in the last completed fiscal year and estimated to be received in the fiscal year in progress and in the succeeding fiscal year;
- ii. a summary of the proposed changes in the existing taxes or sources or rates, and the estimated increases or reductions in revenues in the succeeding fiscal year resulting from such changes; and
- iii. the total estimated revenues with and without the proposed changes.

5. The proposed budget shall include such other financial statements, information and data which in the opinion of the Cabinet are necessary or desirable in order to make known in all practical detail the programs, program plans, and financial conditions of the Republic.

The *Financial Management Act 1990* outlines that the budget shall be balanced and that planning shall have a long range view. The Government is committed to framing a balanced budget based on the principles of transparency, good governance and accountability. All line ministries and government agencies were required to heed this commitment in the development of the FY18 budget. There are several challenges facing the RMI budget, these include the:

- termination of several grants under the Amended Compact Agreement in FY24 as shown in
- capacity of the Compact Trust Fund to accommodate spending levels in FY24 currently in the budget;
- accommodating spending pressures on the budget; and
- Volatility in fishing revenue and strengthening the domestic revenue base.

Fiscal Outlook

The RMI Government's revenues have continued to grow from \$97.5 in FY2014 to \$145.5 in FY2017. This is largely due to growth in revenue from fishing fees but there has also been some growth in tax revenue. The Vessel Day Scheme has been successful in increases revenues and now earned the government over \$30 million in 2017. Overall fiscal balance was positive from FY2014 to FY2017. However, care needs to be taken not to

immediately spend all windfall revenues from fishing and maintaining fiscal discipline to make running government operations sustainable and efficient in the long-term.

- The expected end to a significant part of the grants under the Compact Agreement after 2023 poses a major risk to government finances but also to the Marshall Islands economy in general. In the worst case scenario, the government would lose \$26.1 million of revenues (13 % of GDP). We had a comparable situation in 2014 when our GDP per capita reached the level before that crisis. It

Demographics & Economic Statistics

Popular Statistics:

Population (2011 Census)	53,158
% Male	51%
% Female	49%

Employment by Institutional Sector

Economic Review 2016

Public Enterprise	941
Private	4,121
Banks	215
RMI Government	2,460
Government Agencies	708
Local Government	1,074
NGO's and Non-Profits	393
Households	21
Foreign Embassies	44
Kwajalein US Base	963

GDP Growth

Economic Review 2017

FY2015	-.4%
FY2016	1.3%
FY2017	3.7%

ing \$400 million (\$387 million in March 2018). However, given the current oil price levels in the USA it is unlikely to be enough to compensate for the projected decline in revenues we have to save more of our revenue and to deposit in the compact trust fund. The more prepared we will be to meet 2023 and the less severe its impact will be on our economy. As top increases in government expenditure now, than to be able to meet 2023 and the less severe its impact will be on our economy. As top increases in government expenditure now, than to be able to meet 2023 and the less severe its impact will be on our economy.

We will need to look at ways to transition into a modern tax system. This will not only help to increase tax collection but also to support the RMI economy.

Given the current oil price levels in the USA it is unlikely to be enough to compensate for the projected decline in revenues we have to save more of our revenue and to deposit in the compact trust fund. The more prepared we will be to meet 2023 and the less severe its impact will be on our economy.

In the Marshall Islands economy has now grown for two consecutive years. In FY2017 growth was almost four per cent (3.7%) which is the highest since 2014. The public sector, construction, fisheries, wholesale and retail were the main drivers of growth. The economy continues to be driven by the public sector and the private sector has contributed to the growth which means that part of the growth is driven by the public sector. Apart from the public sector, fisheries, wholesale and retail sectors have contributed to the growth which means that part of the growth is driven by the public sector.

Given the current oil price levels in the USA it is unlikely to be enough to compensate for the projected decline in revenues we have to save more of our revenue and to deposit in the compact trust fund. The more prepared we will be to meet 2023 and the less severe its impact will be on our economy.

- Public sector employment, including state owned enterprises and government agencies, has continued its growth.
- Private sector employment fluctuates from year to year but has no clear increasing or decreasing trend at the moment. In FY2017 employment grew in the construction sector. However, it appears this increase may have been just temporary due to the number of construction projects.

Inflation

- Even though the economy has expanded, inflation has remained low. There has been a slight increase in inflation levels since 2016 when world oil prices were low. If the world oil prices continue to grow prices might increase further in the near future.

Trade

Most of the goods in RMI continue to be imported. Despite of our fish exports, RMI's trade balance showed again a deficit in FY2017, this time of \$125 million. But this is typical for small islands states and challenging to change. Nevertheless, supporting the competitiveness of our private sector and making doing business easier would help.

State owned enterprises

- Stated owned enterprises received \$15.5 million in subsidies in FY2017. It was the third year in a row when the subsidies increased. This raises serious concerns about the efficiency of state owned enterprises, and the purpose of these subsidies, especially during times when the economy in general was doing well.

Money and banking

- Consumer indebtedness remains an issue of concern. Consumer loans are at around \$70 million although it looks like their growth has halted. However, the figure only includes loans from lenders under the Banking Commission. There are indications that indebtedness is affecting all sections of the population, including pensioners and low income families. MISSA has indicated that 80 % of pensioners have fully borrowed against their benefits. The consumer lending rates can also be excessively high. Business deposits in Marshallese banks have more than quadrupled in just four years and now stand at \$111 million (March 2018). This has means that there is more and more money available for lending.

General Fund

In FY19 local revenues are expected to reach \$78,627,322 million, an increase of 1.5% on estimated collections in the previous year. Total General Revenue include collections from income taxes, Business GRT, Import duties, Ship Registry and Fishing revenue and etc. The anticipated annual growth in FY 18 is due to both tax and non-tax revenue increases including budget support from ROC Taiwan's grant and three years' worth of dividends from Joint ventures.

Other Grants

In FY18 total grants (excluding the US contribution to the Compact Trust Fund) are expected to reach 41 million. These Grants are predominantly made from the Federal Grants and other bilateral and multilateral partners, including the Republic of China (Taiwan) the European Union, World Bank and the ADB.

Compact Revenue Funds: Total compact revenue funds (excluding the contribution to the Compact Trust Fund) are expected to slightly decline in FY18 due to reductions in Compact Base Grants, the Compact Special Education Grant and the SEG Performance Indicators Data Project being offset partially by an increase in the compensation for Kwajalein landowners.

Fishing revenue – The overall management of fishery resources is governed by the Marshall Islands Marine Authority (MIMRA) through the *Marshall Islands Marine Resources Authority Act 1997*. MIMRA has responsibility for the management of the Marshall Islands fishery resources. MIMRA collects fishing revenues from the vessel day scheme, fines, licensing and registration fees, transshipment fees, observer fees, boat chartering fees, and some other miscellaneous fees. *The Marshall Islands Marine Resources Authority Act 1997 (MIMRA Surplus Funds Amendment) Act 2016* amended Section 124 of the Act which outlined the payments out of the Marshall Islands Marine Resources Authority Fund (MIMRA Fund). Previously, payments could only be made from the MIMRA Fund to:

- carry out the powers and functions of MIMRA (fisheries monitoring, control and surveillance, training, research, and fisheries development);
- the costs and expenses of the MIMRA including administration;
- reward individuals who provide the necessary information leading to a civil or criminal fine or forfeiture against a commercial fishing vessel;
- provide working capital and petty cash for MIMRA; and
- giving effect to the provisions of the Act and subordinate regulations

The amendment allows the MIMRA Board, at any time during the fiscal year where the Nitijela is not in session, and at the request of Cabinet, to approve the transfer to the General Fund of any surplus funds from the MIMRA Fund to meet a Cabinet request. Surplus funds (which are defined as those amounts which are available in the MIMRA Fund and Accounts which exceed the funds approved by the Board each year for MIMRA's annual budget, generated from fishery activities) transferred to the RMI General Fund in this manner are considered unanticipated revenue in accordance with Article VIII of the Constitution, and may be apportioned by Cabinet among the different program areas in the RMI General Fund.

Key Principles for FY2019-21 Medium Term Budget:

Focus on the medium to long-term. While the annual budgeting process will allocate resources for the near-term (12 months), it should be shaped with the medium to long term economic, fiscal, environmental, social, and other factors in mind. Therefore, the annual budget should be accompanied by a sound MTBIF and underpinned by long-term fiscal and economic analysis.\

General Fund should support core recurrent operations, including maintenance. To the extent possible, GF resources should be focused on supporting government's recurrent operations (personnel and operations budgets) as well as maintenance and upkeep of property and assets to maximize their useful life. Large one-off expenditures like capital works and infrastructure should be presented in a separate budget/schedule, if possible.

Reserve some fiscal space. While annual budgets shall be balanced, every effort should be taken to create some fiscal space and to minimize the likelihood of running an annual fiscal deficit.

FY2019-21 TARGET: Begin with 1% "General Fund Reserve" allocation in FY2019, with increase to 2% in FY2020 and beyond.

Invest in our long-term fiscal sustainability. The budget should support recurrent operations, capital (infrastructure) development, and financial investment to secure our long-term fiscal sustainability. The annual budget should dedicate some amount towards the Compact Trust Fund (Account A) or the D Account.

FY2019-21 TARGET: Begin with \$1.5 million into D Account in FY2019, then raise to \$2 or \$3 million in FY2020 and beyond.

Manage discretionary spending more tightly. With the rise in GF revenues since FY2012 has come an equal rise in spending, including in discretionary categories such as travel, utilities, fuel (POL), and food stuffs. These need to be controlled and compressed as much as possible.

***FY2019-21 TARGET:** limit travel (domestic or international) to \$1.5 annually beginning in FY2019 (from around \$2 million in FY2017); cap POL, food stuffs, utilities, and other expenditures as much as possible from FY2019 and beyond.*

Cap or reduce major subsidies. Cap GF allocations to 11 major SOEs and gradually reduce Majuro Landowners Electricity Subsidy. SOE subsidies should be provided in exchange for clear service requirements and conditions (like debt limits) through formal contracts. Landowner subsidy should be better managed to discourage waste, reduce costs to the budget, and to curb emissions.

***FY2019-21 TARGET:** Cap GF allocation to SOE's at no more than \$7 million in FY2019 and reduce in FY2020 and beyond through continued reforms. Consider reducing landowner subsidy to 750 kWh per month and reduce number of recipients.*

Encourage efficiencies. Annual allocations should encourage efficiency gains, for example through targeted, incremental reductions in consumption of electricity and fuel (POL). This supports RMI's efforts to mitigate climate change, and is fiscally responsible.

Other Key Priorities for FY2019-21 Medium Term Budget:

PENSION FUND: Commit the estimated \$1.1 million as governments 3% matching share for employees' new pension savings scheme.

PRIOR YEAR LIABILITIES: Cap allocations to prior year liabilities due the fiscal constraints. Recommending around \$1 million allocation in FY2019 (if possible) to be allocated to different liabilities.

SUPPORT TO CIVIL SOCIETY: Conclude new Partnership Framework Agreement with Marshall Islands Council of Non-Governmental Organizations (MICNGOs) to strengthen civil society organizations and for MICNGOs and its members to assist with certain activities like strengthening financial literacy. Allocate \$100,000 for medium term FY2019-2021.

OTHER MEDIUM TERM PRIORITIES AND RULES:

- Proposed increases without justification will remain at the current level
- Define clear rules for contingency and representation funds
- Clarify items within COLA that qualify for acquittal
- Ensure minimum GF allocation of 20% to human development priorities (education and health)
- Reprogrammed funds following the budget allocations should not be used for new recurrent items
- Better assess MOFA budget growth, from \$2.9 million to \$4.4 million in past 3 years, with \$6.5 million proposal for FY2019
- Revenue projections should not be revised without clear and credible underlying analysis
- To support Agenda 2020 governance priorities, provide additional support to Attorney General and Auditor General for investigation and prosecution operations

Tables 1 to 5 shows revenue projections from all the resource including the General Fund, Compact Grants, Special Revenue and all other Development Partner's Grants. General Fund estimates for FY2020-FY2021 are slightly less compared to FY19 as there is a dividend recognition in FY2019. Additionally, dividends from Trust Fund D, previously appropriated in FY17, has been appropriated to invest into Trust Fund Account A. Compact Grants projections are based

on the annual decrement of \$500,000 plus the adjustments for projected inflation. All other development grants, notably World Bank, ADB and EU have also increased with already programmed projects and some that are in the pipeline

Table 1: Revenue Summary

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Revenue	153,014	187,036	195,140	185,027	176,603	176,603
Taxes	35,656	38,950	38,791	42,929	39,751	39,751
Taxes on income, profits, and capital gains	13,799	14,782	14,538	16,026	13,676	13,676
Taxes on payroll and workforce	7,961	7,400	7,860	7,860	7,860	7,860
Taxes on property	627	690	642	683	659	659
Taxes on goods and services	5,838	8,976	6,928	8,943	8,478	8,478
Taxes on international trade and transaction	7,142	6,837	8,554	9,077	8,792	8,792
Other taxes	290	264	269	340	285	285
Social contributions	-	-	-	-	-	-
Grants	79,592	97,680	119,730	96,772	98,600	98,600
Other revenue	37,766	50,406	36,619	45,327	38,253	38,253
Property income	35,379	46,630	33,223	39,793	33,550	33,550
Sales of goods and services	-	-	-	-	-	-
Fines, penalties, and forfeits	-	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-	-
Miscellaneous and unidentified revenue	2,387	3,777	3,396	5,534	4,703	4,703
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
General Fund Revenues	67,693	84,226	69,521	82,507	72,255	72,786
Special Revenue Funds	9,329	8,730	9,489	9,749	9,749	9,749
Compact Revenue Funds	73,107	80,039	80,960	81,648	82,855	83,196
All Other Revenues	18,169	30,093	52,024	28,825	30,322	30,293
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
General Fund Revenues	67,693	84,226	69,521	82,507	72,255	72,786
Growth on previous year		24.4%	-17.5%	18.7%	-12.4%	0.7%
Income Tax Payable By Individuals	13,799	14,782	14,538	16,026	13,676	13,901
Immovable Property Tax	627	690	642	683	659	668
Business Gross Revenue Tax	5,341	8,368	6,245	7,817	7,817	7,817
Ship Registry	6,750	6,500	7,250	7,500	7,500	7,875
Import Duties	6,013	5,877	7,504	7,744	7,744	7,744
Fuel Tax	497	608	683	1,126	661	631
CMI Tax	1,129	960	1,050	1,333	1,048	1,044
Other Taxes	290	264	269	340	285	302
ROC (Taiwan) Grants	3,600	3,600	3,600	4,000	4,000	4,000
Interest and dividends	849	-	973	4,793	1,050	1,083
MIMRA Fishing Revenue	27,780	40,130	25,000	27,500	25,000	24,368
Other Revenue	1,019	2,446	1,767	3,645	2,814	3,352
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Special Revenue Funds	9,329	8,730	9,489	9,749	9,749	9,749
Growth on previous year		-6.4%	8.7%	2.7%	0.0%	0.0%
Ministry of Justice	646	563	400	400	400	400
Resident Workers Training Account	464	500	560	560	560	560
Health Care Fund	7,961	7,400	7,860	7,860	7,860	7,860
Other	257	267	669	929	929	929

Table 6 below shows the FY19 proposed expenditures for each of the Government Ministries and agencies. Ministries and agencies were instructed to remain within the same ceiling of FY18. However, due to some changes in the minimum wage act, salaries increments and expanded operations, requested budgets were above the FY18 ceilings. The Government has for the first time set aside buffer within the upcoming budget and increased the Trust Fund contribution to the RMI Trust Fund Account. FY2020 to FY2021 projected expenditures were submission from each of ministries in anticipation of their medium term budget needs in these fiscal year. These include ongoing adjustments in salaries and increased budget support recurrent operations.

Table 6: Expenditure Projections

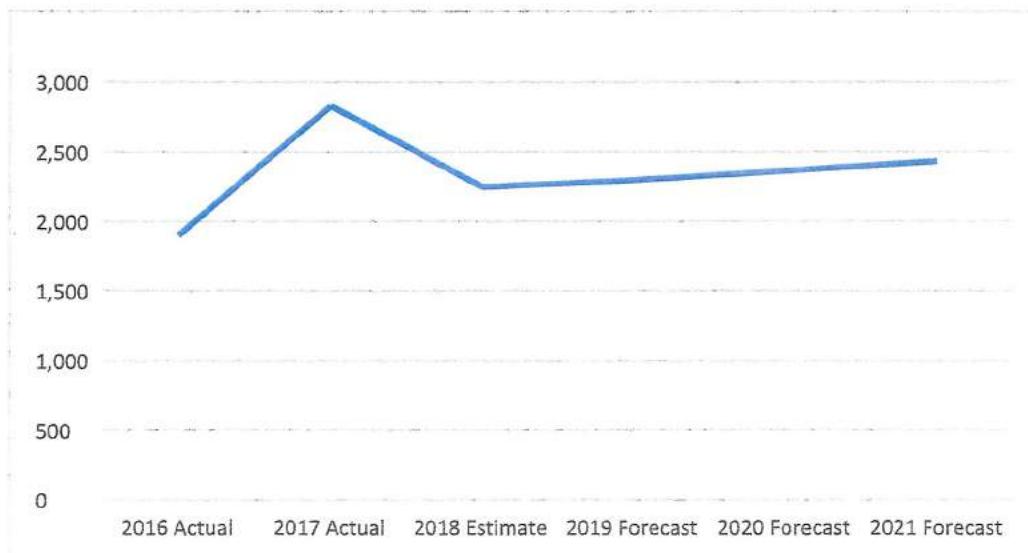
	2016 Actual	2017 Actual	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Total Expenditure	119,972	210,053	206,919	219,866	209,416	210,769
President and Cabinet	1,892	2,943	2,391	2,291	2,357	2,426
Chief Secretary	1,838	1,377	2,473	1,839	1,875	1,912
Council of Iroij	452	543	545	579	596	613
Nitijela	1,798	2,407	2,451	2,958	3,044	3,132
Auditor General	1,341	1,444	1,084	1,084	1,084	1,084
Foreign Affairs	3,057	4,039	4,741	5,175	4,051	4,051
Public Service Commission	454	613	772	724	745	767
Judiciary	1,063	974	1,176	1,179	1,230	1,234
Attorney General	768	798	1,878	1,647	1,683	1,720
Health	25,771	29,854	31,035	31,051	30,974	30,974
Environment	718	695	1,056	920	931	943
Education	24,613	36,064	37,828	39,541	39,860	40,241
Transportation and Communications	481	6,552	6,513	4,872	5,013	5,159
Resources and Development	1,196	10,411	7,394	8,962	9,084	9,210
Internal Affairs	2,413	6,328	5,307	5,324	5,429	5,537
Justice	3,189	3,806	3,656	4,402	4,104	4,253
Finance	13,766	53,214	59,856	64,671	65,314	65,309
Banking Commission	-	310	310	510	524	540
Public Works	5,823	14,156	21,923	17,712	14,120	14,124
Special Appropriations	29,337	33,524	14,528	24,425	17,397	17,541

Expenditures by Ministries & Agencies

President and Cabinet

The 2019 Portfolio Budget Statements for the Office of the President was organized around three organizational areas and related outcomes: In April 2017 the Office was reorganized and V7AB was moved back to the Ministry of Internal Affairs for FY18. This overview will focus on FY17 and look forward to the revised spending estimates for FY18-FY23. The purpose: Conduct Government leadership and decision making including all Head of State functions

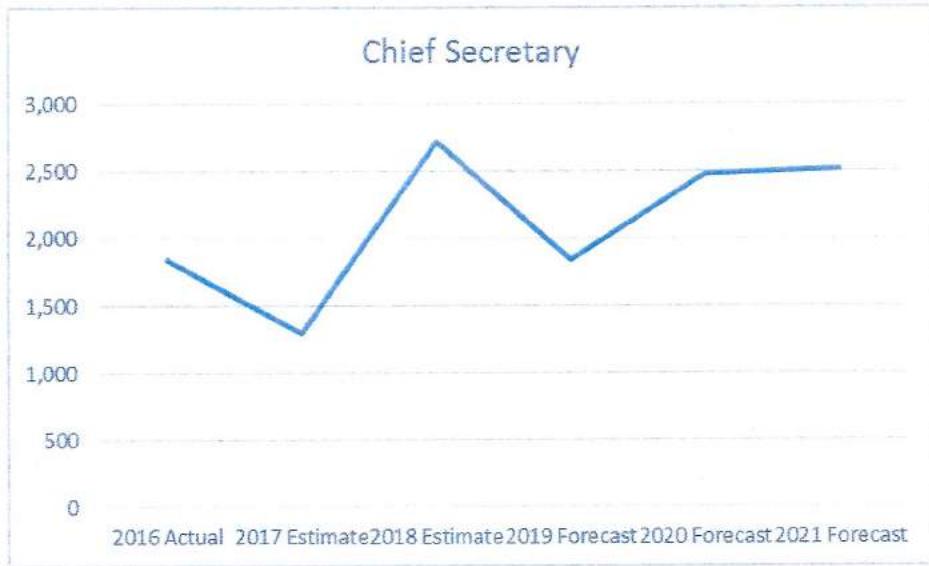
	2016 Actual	2017 Actual	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
President and Cabinet	1,892	2,823	2,241	2,291	2,357	2,426
Current	1,892	2,823	2,091	2,291	2,357	2,426
General Fund	1,742	2,823	2,091	2,291	2,357	2,426
Compact Fund	0	0	0	0	0	0
Special Revenue	0	0	0	0	0	0
US Federal Grants	0	0	0	0	0	0
Other Grants	150	120	0	0	0	0
Capital	0	0.0	150	0	0	0
General Fund	0	0.0	0	0	0	0
Compact Capital Fund	0	0	0	0	0	0
ROC Projects	0	0	150	0	0	0
Other Grants	0	0	0	0	0	0



Office of the Chief Secretary

The Office of the Chief Secretary serves as a Policy Advisor to the Cabinet. The Chief Secretary's Office also coordinates and oversees all functions of all Government Ministries and Agencies.

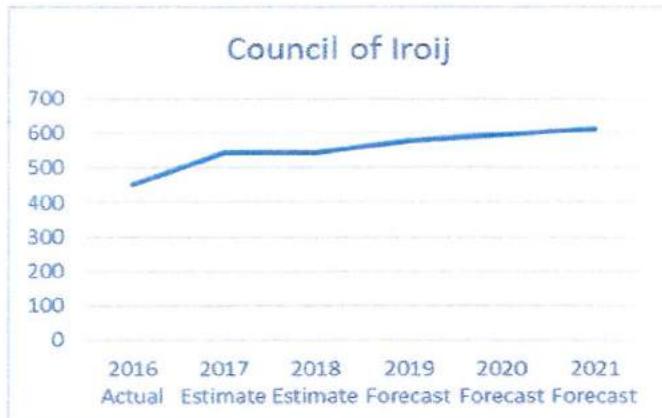
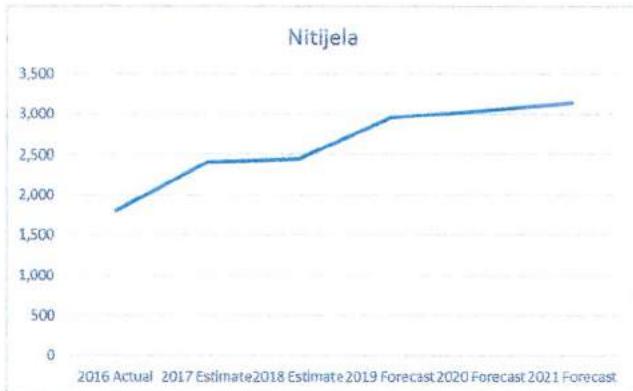
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Chief Secretary	1,838	1,307	2,714	1,839	2,475	2,512
Current	1,838	1,237	2,473	1,839	2,475	2,512
General Fund	1,838	960	1,061	1,239	1,275	1,312
Compact Fund	0	0	0	0	0	0
Special Revenue	0	0	0	0	0	0
US Federal Grants		39	500	600	600	600
Other Grants		238	430	0	600	600
Capital	0	70	241	0	0	0
General Fund	0	0	0	0	0	0
Compact Capital Fund	0	0	0	0	0	0
ROC Projects	0	70	241	0	0	0
Other Grants	0	0	0	0	0	0



Nitijela & Concil of Iroj

The 1979 constitution provides for a unicameral parliamentary system. However, the President is elected by members of the Nitijela (parliament), and serves as the head of government as well as the head of state. The Nitijela is comprised of 33 members, of which the Cabinet members are selected by the President. There are nine ministers selected for appointment to the Cabinet A consultative upper house for traditional leaders known as the Council of Irooj Advises on customary issues

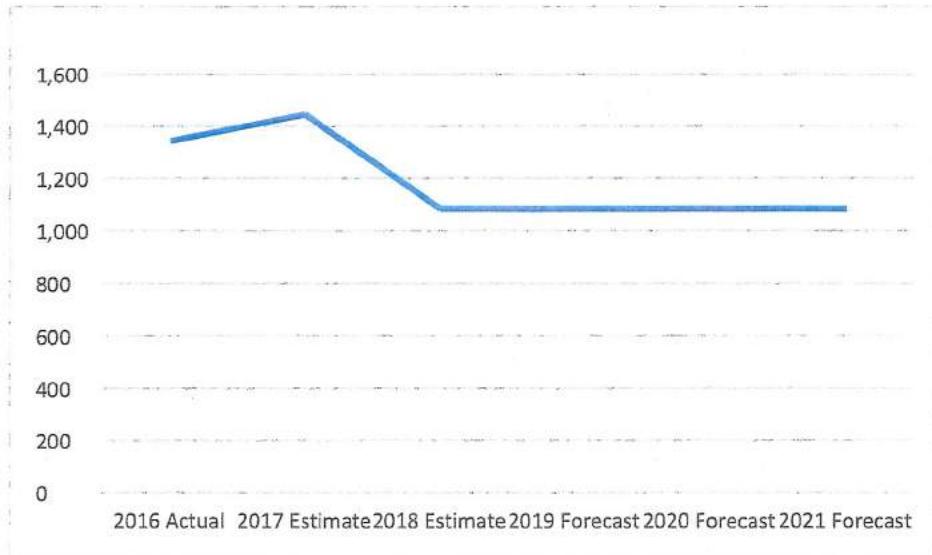
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Nitijela	1,798	2,407	2,451	2,958	3,044	3,132
Current	1,798	2,407	2,451	2,958	3,044	3,132
General Fund	1,798	2,407	2,451	2,958	3,044	3,132
Compact Fund	0	0	0	0	0	0
Special Revenue	0	0	0	0	0	0
US Federal Grants	0	0	0	0	0	0
Other Grants	0	0	0	0	0	0
Capital	0	0	0	0	0	0
General Fund	0	0	0	0	0	0
	0	0	0	0	0	0
ROC Projects	0	0	0	0	0	0
Other Grants	0	0	0	0	0	0



Auditor General

Office of the Auditor General established under 3 MIRC Ch. 9 (P.L.1986-25). The office conducts independent audits, investigations and other important reviews that provide useful recommendations to improve government operations and safeguard public resources by following the following goals and objectives.

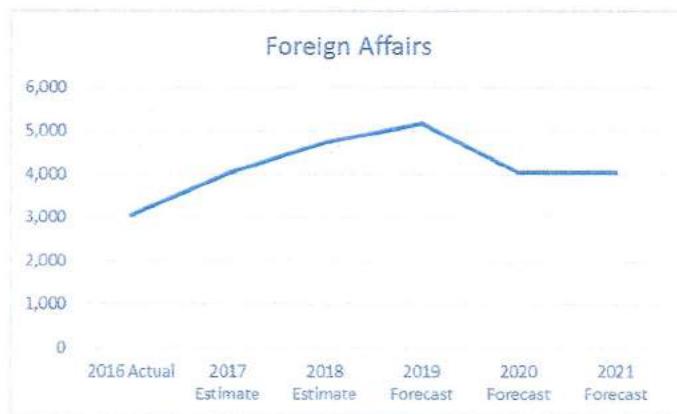
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Auditor General	1,341	1,444	1,084	1,084	1,084	1,084
Current	1,341	1,444	1,084	1,084	1,084	1,084
General Fund	953	1,009	584	584	584	584
Compact Fund	388		500	500	500	500
Special Revenue	0	0	0	0	0	0
US Federal Grants		37	0	0	0	0
Other Grants	0	398	0	0	0	0
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						



Ministry of Foreign Affairs

Ensure that the Ministry of Foreign Affairs through the overseas Missions further the interests of the government of the Republic and to collect and analyze information in areas of political, economic, commercial and trade, technological advancement, energy and other social developmental areas that may contribute and have a positive impact on the Republic's national goals and objectives including full use of the nation's Missions abroad toward the achievement of the national foreign policy goals and objectives.

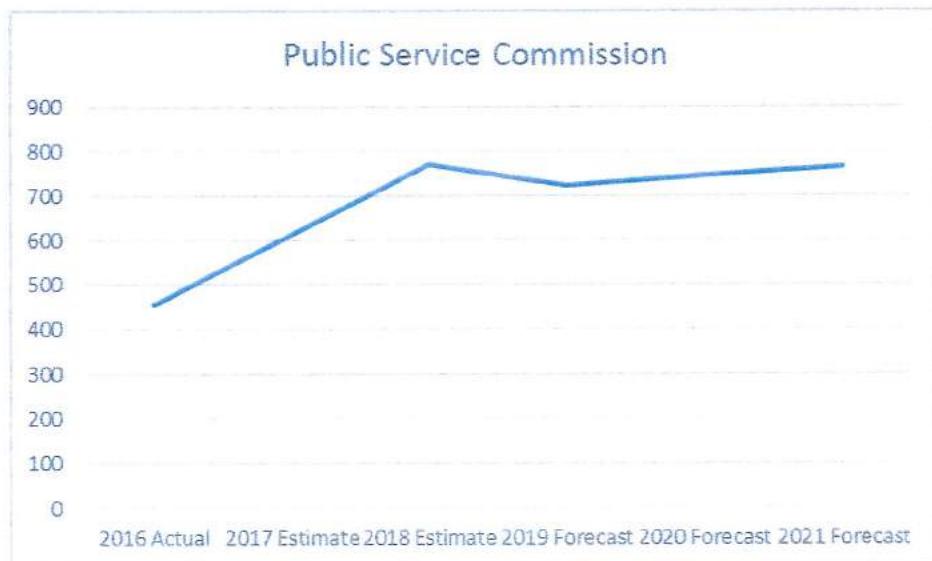
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Foreign Affairs	3,057	4,039	4,741	5,175	4,051	4,051
Current	3,057	4,039	4,741	5,175	4,051	4,051
General Fund	3,057	3,981	4,693	5,135	4,011	4,011
Compact Fund	0	0	0	0		
Special Revenue		30	48	40	40	40
US Federal Grants	0	0	0	0		
Other Grants		28				
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						



Public Service Commission

In accordance with the Constitution of the Republic of the Marshall Islands, Article VII, Sections 1 and 9, and the Public Service Commission (PSC) Act of 1979, the PSC is the employing authority of the government charged with the responsibility for developing, coordinating, regulating and administering all personnel matters relating to and affecting the Public Service.

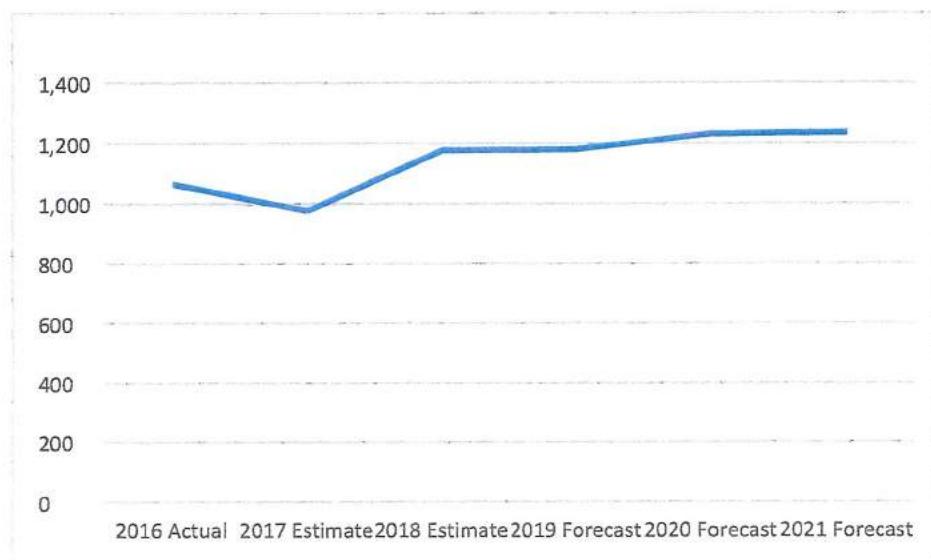
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Public Service Commission	454	613	772	724	745	767
Current	454	613	772	724	745	767
General Fund	454	613	772	724	745	767
Compact Fund				0		
Special Revenue				0		
US Federal Grants				0		
Other Grants				0		
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						



Judiciary

The mission of the Courts of the Marshall Islands is to fairly and efficiently resolve disputes properly brought before them, discharging their judicial duties and responsibilities in accordance with the Constitution, laws, and customs of this unique island nation, for the benefit of those who use the courts' services.

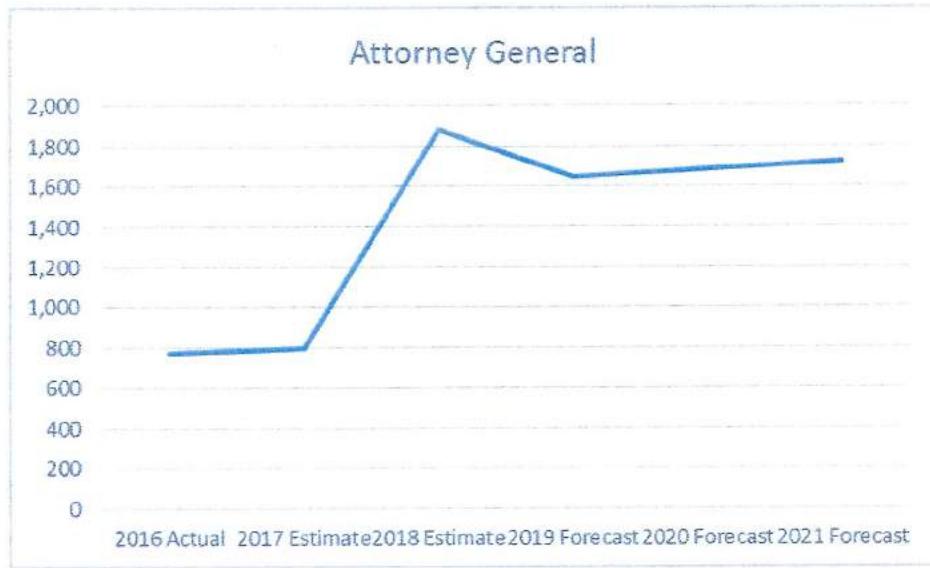
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Judiciary	1,063	974	1,176	1,179	1,230	1,234
Current	1,063	974	1,176	1,179	1,230	1,234
General Fund	1,063		1,176	1,179	1,230	1,234
Compact Fund						
Special Revenue		974				
US Federal Grants						
Other Grants						
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						



Attorney General:

The role of the Ministry of Justice is to promote good and safety of the citizens of the RMI. To oversee all administration of the Attorney General, prosecution of criminal cases in Republic, defend the Government from any civil suits and overseeing, incorporating and chartering of approved corporations

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Attorney General	768	798	1,878	1,647	1,683	1,720
Current	768	798	1,878	1,647	1,683	1,720
General Fund	768	798	1,878	1,247	1,283	1,320
Compact Fund						
Special Revenue				400	400	400
US Federal Grants						
Other Grants						
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						

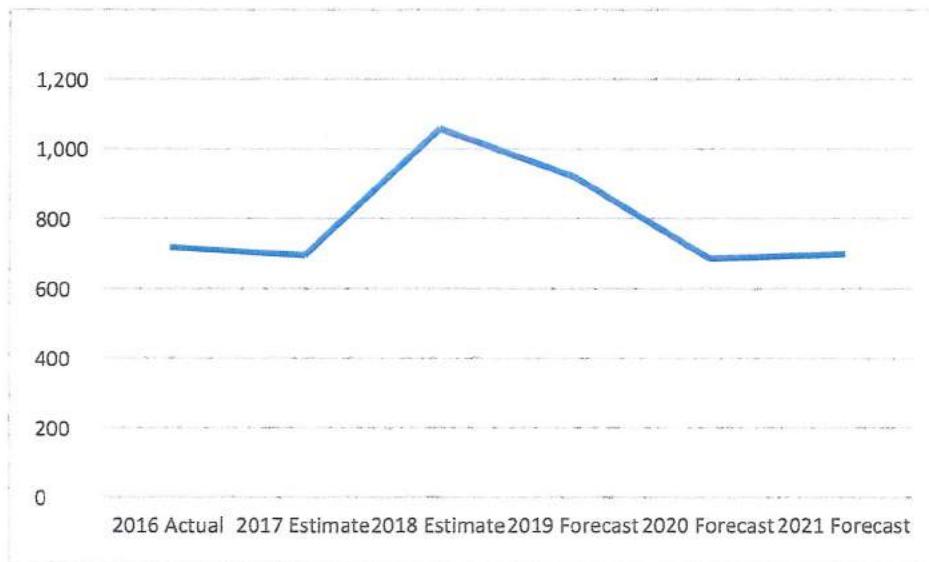


Ministry of Health: To strengthen the commitment on healthy islands concept in implementing health promotion to protect and promote healthy lifestyles to improve the lives of the people through primary health, and to build the capacity of Ministry of Health, communities, families and partners to actively participate and coordinate preventive services programs and activities as the core resources in primary health care services.

Ministry of Health	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
General Fund	25,771.0	27,745.0	30,694.50	30,391.0	30,391.0	30,391.0
Compact Fund	25,771.0	27,745.0	30,194.50	30,391.0	30,391.0	30,391.0
Special Revenue	3,944.9	4,870.0	4,926.00	5,248.0	4,917.0	4,917.0
US Federal Grants	6,732.0	9,095.0	9,299.10	8,768.0	6,869.0	6,869.0
Other Grants	7,400.0	8,412.0	7,860.40	7,925.0	7,925.0	7,925.0
Capital	7,694.1	5,368.0	8,109.00	8,109.0	8,788.0	8,788.0
General Fund		2,109.0	340.6	341.0	500.0	500.0
Compact Capital Fund	0.0	0.0	500	0.0	0.0	0.0
ROC Projects						
Other Grants						

Environment: The Environment Protection Authority Act has mandated EPA purpose and objectives as: *The primary purpose of the Authority shall be to preserve and improve the quality of the environment*

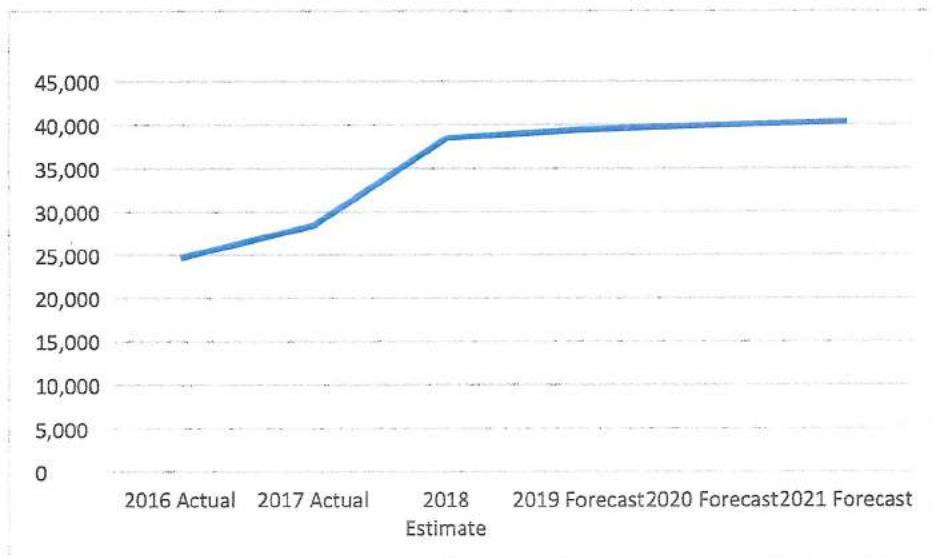
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Environment	718	695	1,056	920	687	699
Current	718	695	1,056	920	687	699
General Fund	183	178	187	406	418	430
Compact Fund	535	517	422	244		
Special Revenue			448	270	269	269
US Federal Grants						
Other Grants						
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						



Ministry of Education, Sports and Training

The 2017 Portfolio Budget Statements for the Public School System PSS is organized and fixed around 9 Focus Areas or Outcomes as identified in the 2013-2016 Strategic Plan (SP). In this respect, PSS Functional Divisions are structured to carry out responsibilities effectively and efficiently to meet the objectives of the focus areas for the K-12 System. Although the SP is expiring at the end of 2016, PSS has used the strategy as the basis of the fiscal year 2017 budget.

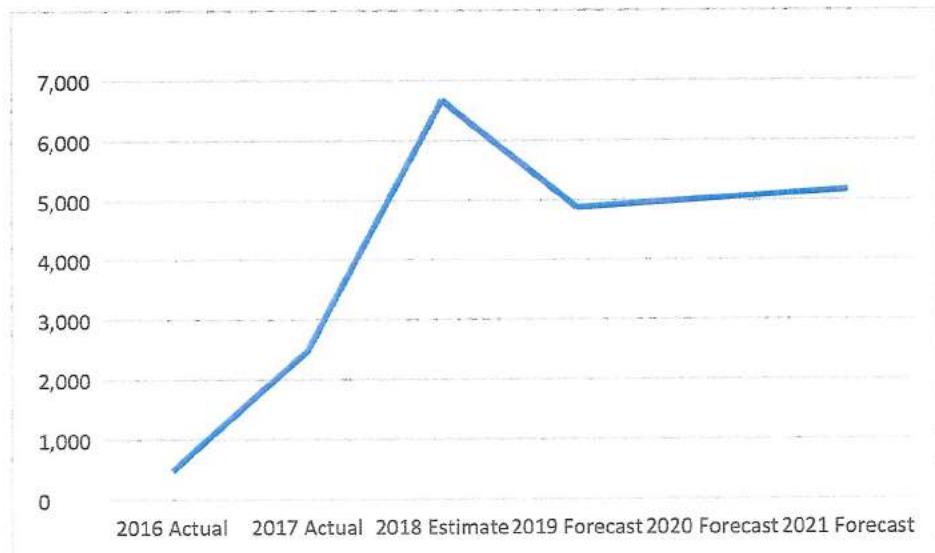
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Education	24,613	28,364	38,404	39,341	39,860	40,241
Current	24,613	28,364	38,404	39,341	39,860	40,241
General Fund	5,980	5,940	10,791	11,788	11,554	11,889
Compact Fund	18,632	18,576	19,302	19,242	19,928	19,907
Special Revenue		1,658	500	500	500	500
US Federal Grants		1,595	6,211	6,211	6,278	6,345
Other Grants		595	1,600	1,600	1,600	1,600
Capital	0	0	0	0	0	0
General Fund	0	0	0	0	0	0
Compact Capital Fund	0	0	0	0	0	0
ROC Projects	0	0	0	0	0	0
Other Grants	0	0	0	0	0	0



Transportation, Communication, and Information Technology

- Identify, develop and direct initiatives and policies to support the Mandate of the Ministry of Transportation and Communication
- To meet the ministry financial needs and utilization, establish measurable outputs for effective level of service and ensure all prioritization follows the goals of the Ministry.
- Regulating and Monitoring all communication operators to ensure effective management of the associated people and resources in the Republic and to provision of Title 11 of the Compact of Free association as amended
- To encourage and promote the safe operation of commercial and pleasure watercraft operated in the RMI, preserve and protect the marine environment, regulate growth and development of uniform national program of maritime safety and vessels inspection/documentation operated within the territorial waters and exclusive economic zone of the Republic.

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Transportation and Communication	481	2,482	6,655	4,872	5,013	5,159
Current	481	2,482	6,655	4,872	5,013	5,159
General Fund	481	2,482	5,705	4,872	5,013	5,159
Compact Fund						
Special Revenue						
US Federal Grants						
Other Grants			950			
Capital	0	0	0	0	0	0
General Fund						
Compact Capital Fund						
ROC Projects						
Other Grants						



Ministry of Natural Resource and Commerce

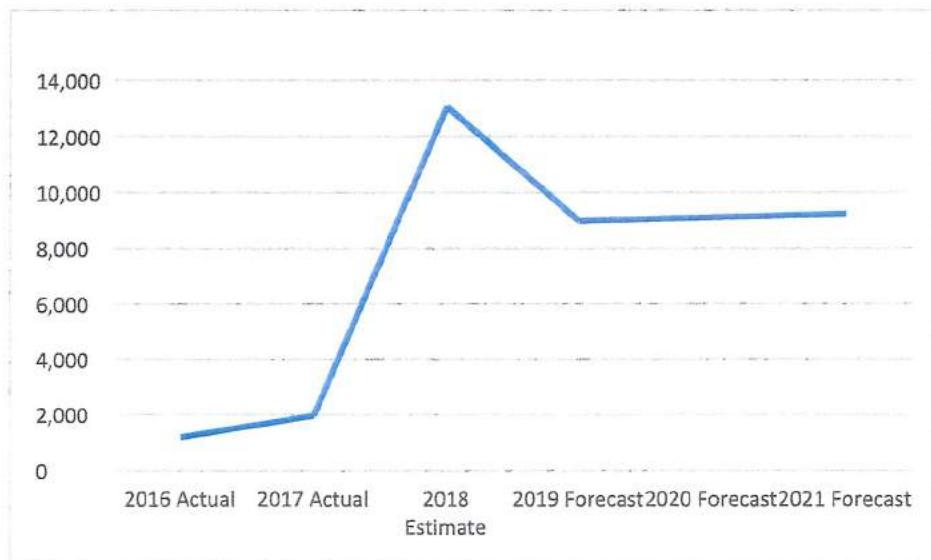
In April 2017 the Ministry of R&D was revised and will become Ministry of Fisheries Agriculture, Commerce and Tourism (FACT) with these named areas of responsibilities minus energy and trade. This overview will focus on Ministry budget through FY17 and look forward to the revised spending estimates for FY18-FY23 that include the changes and revised legislation. .

Role of the Ministry of Resources and Development

The Ministry of Resource's and Development (R&D) is primarily responsible for:

- Trade and Investment
- Agriculture
- Energy Policy

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Resources and Development	1,196	1,982	13,047	8,962	9,084	9,210
Current	1,196	955	11,705	6,106	6,228	6,354
General Fund	1,196	921	4,811	4,212	4,334	4,460
Compact Fund						
Special Revenue						
US Federal Grants			64	64	64	64
Other Grants	0	34	6,830	1,830	1,830	1,830
Capital	0	1,027	1,342	2,856	2,856	2,856
General Fund						
Compact Capital Fund						
ROC Projects		1,027	1,342	1,342	1,342	1,342
Other Grants				1,514	1,514	1,514

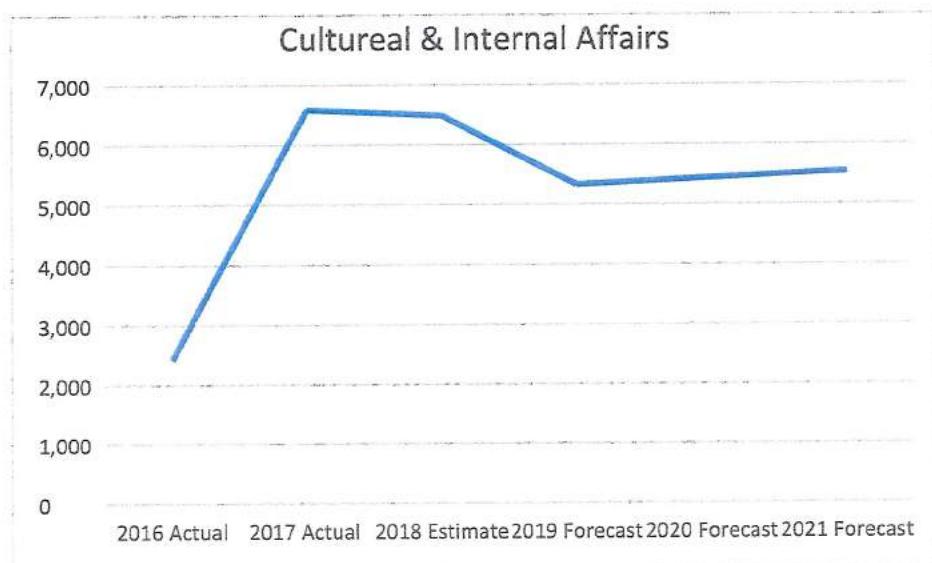


Culture and Internal Affairs

The purpose of MOIA in the RMI is to provide the following major services to all the peoples of the RMI:

- MOIA Administration
- Community development: Gender, Child Rights, Youth
- Historic preservation
- Election and voters registration
- National Archives
- Land Survey
- ID Cards
- Adoption
- Price Monitoring
- Outer Islands Affairs

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Internal Affairs	2,413	6,581	6,482	5,324	5,429	5,537
Current	2,413	6,581	4,982	3,824	3,929	4,037
General Fund	2,413	4,031	4,770	3,612	3,717	3,825
Compact Fund						
Special Revenue		4	23	23	23	23
US Federal Grants		46	189	189	189	189
Other Grants		2,500				
Capital	0	0	1,500	1,500	1,500	1,500
General Fund						
Compact Capital Fund						
ROC Projects			1,500	1,500	1,500	1,500
Other Grants						

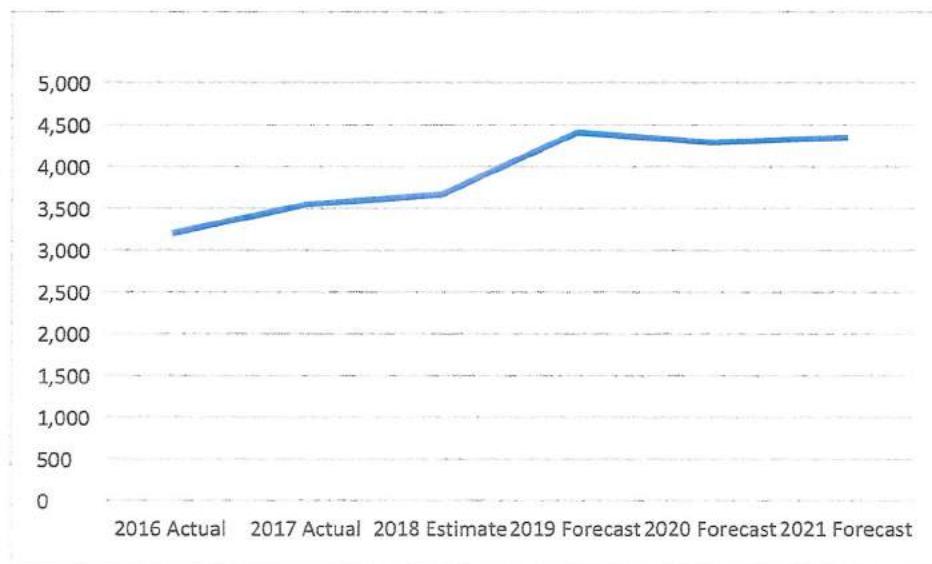


Justice, Immigration, and Labor

In April 2017 the Ministry of Justice was revised and will become the Ministry of Justice Immigration and Labor (JIL). A new legislation to regulate Employment and Labor in the RMI will be introduced in August and will expand functions in this area. Labor and Employment functions are deemed more appropriately placed in this Ministry to coordinate better with immigration. All of the Chapters under Title 15 of the MIRC may require amendments. This overview will focus on Ministry of Justice budget through FY17 and look forward to the revised spending estimates for FY18-FY23 that include the changes and revised legislation.. The Office of the Attorney General and the Courts have been presented in other sections of this document. The remaining areas of the Ministry of Justice as currently organized are:

- Public Safety Commission
- Public Defender
- Land Registration Authority

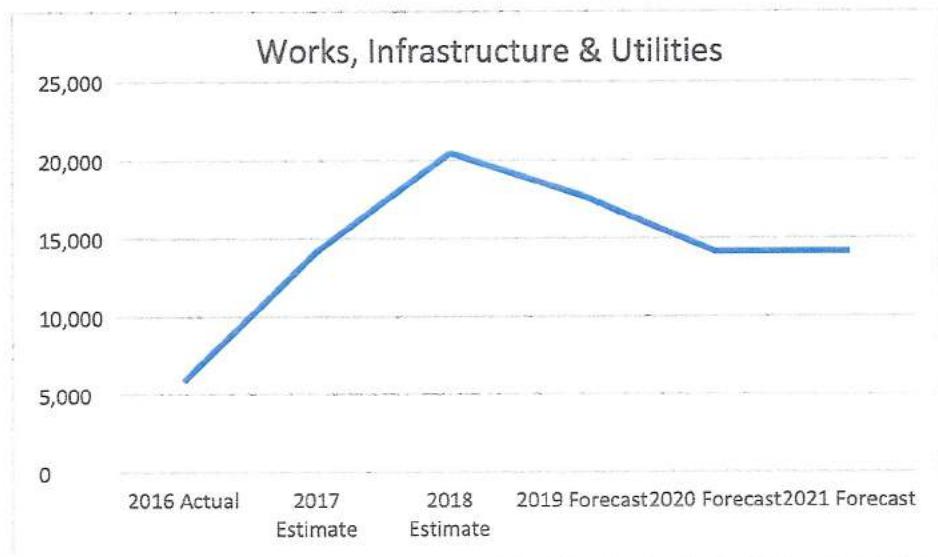
	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Justice	3,189	3,536	3,658	4,402	4,104	4,253
Current	3,189	3,536	3,658	4,402	4,104	4,253
General Fund	3,189	3,217	3,303	3,897	3,599	3,748
Compact Fund	0	0	0	0	0	0
Special Revenue	0	217	355	355	355	355
US Federal Grants	0	0	0	0	0	0
Other Grants	0	102	0	150	150	150
Capital	0	0	0	0	0	0
General Fund	0	0	0	0	0	0
Compact Capital Fund	0	0	0	0	0	0
ROC Projects	0	0	0	0	0	0
Other Grants	0	0	0	0	0	0



Ministry of Works, Infrastructure & Utilities

To provide the highest quality of service to the public and national government, balanced through efforts to maintain a cost effective operation and to provide these services in a responsible and efficient manner. Through the prudent use of resources, technology, innovations, teamwork, and coordination with other service providers within the Republic, the Ministry shall achieve its goals and objectives for the benefit of the people of the Marshall Islands.

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Public Works	5,823	14,156	21,922	17,712	14,120	14,124
Current	1,297	2,066	4,619	4,103	2,161	2,165
General Fund	1,297	2,019	4,469	3,653	1,997	1,999
Compact Fund				0		
Special Revenue		47	150	450	164	166
US Federal Grants				0		
Other Grants				0		
Capital	4,526	12,090	15,818	13,609	11,959	11,959
General Fund			4,859	0	1,000	1,000
Compact Capital Fund	4,526	12,090	9,372	9,459	9,372	9,372
ROC Projects			1,587	4,150	1,587	1,587
Other Grants				0		

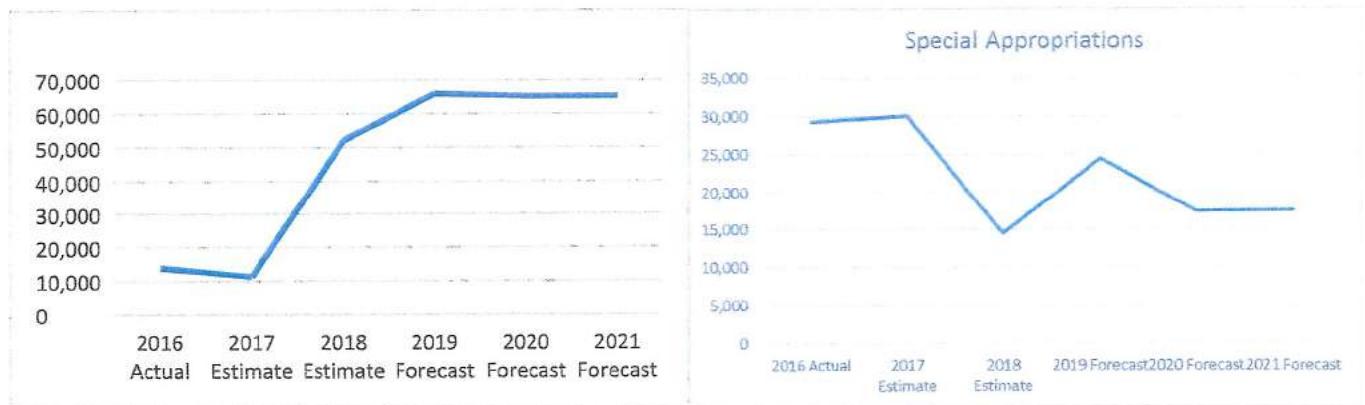


Ministry of Finance, Banking and Postal Services

The Republic of the Marshall Islands (RMI) Ministry of Finance (MOF) was established under the 11 MIRC Chapter 1 Financial Management Act. The MOF serves to be a comprehensive system of public financial management for the RMI to administer all revenue and fiscal functions of the Government of RMI. The Office of the Banking Commission was established under Title 17 Chapter 1 Banking Act 1987 to ensure the safety and soundness of the banking sector and deter money laundering and terrorist financing in the financial system *(a) The protection of depositors; (b) the licensing, regulation and supervision of banks operating in and from within the Republic; (c) protection against, and penalties for transactions in money-laundering and (d) for matters connected therewith or incidental thereto."*

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Finance	13,766	11,121	53,062	66,045	65,314	65,309
Current	4,160	11,121	48,694	61,052	60,314	60,231
General Fund	3,586	6,283	3,954	3,569	4,838	4,755
Compact Fund		2,660	38,766	39,987	39,692	39,692
Special Revenue			0			
US Federal Grants	574	1,226	574	574	574	574
Other Grants		952	5,400	16,922	15,210	15,210
Capital	9,606	0	3,598	4,993	5,000	5,078
General Fund						
Compact Capital Fund	2,206		2,287	3,893	3,900	3,978
ROC Projects	7,400		1,311	1,100	1,100	1,100
Other Grants						

	2016 Actual	2017 Estimate	2018 Estimate	2019 Forecast	2020 Forecast	2021 Forecast
Special Appropriations	29,337	30,024	14,463	24,425	17,397	17,541
Current	29,337	30,024	14,463	20,925	16,912	17,541
General Fund	29,337	29,971	14,463	20,925	16,912	17,541
Compact Fund	0					
Special Revenue	0					
US Federal Grants	0					
Other Grants	0	53				
Capital	0	0	0	3,500	485	0
General Fund	0		0		485	
Compact Capital Fund						
ROC Projects				3,500		
Other Grants						



Fiscal Year budget preparation Calendar

<i>Responsible Ministry to take action</i>	<i>Timing & Actions</i>	<i>Special Notes</i>
EPPSO Ministry of Finance	<i>Ongoing</i>	<p>Ministry of Finance to draft CP establishing the Budget Coordination Committee and submit to Cabinet through the Minister of Finance.</p> <p>The Medium Term Budget Investment Framework (MTBIF) is the primary tool driving the revenue projections for General Fund. A medium term budget framework is established using the MTBIF. For better cohesion, input from relevant authorities will be needed, e.g: EPPSO for economic outlook, PSC for state of the public service's wage bill, OCI for Compact control numbers, and MOF for audited budget figures and actual revenue and expenditure data from system (4gov).</p> <p>MTBIF to be completed by EPPSO, MOF, OCI, in collaboration PFTAC</p>
Cabinet Office of the Chief Secretary	1. January: Cabinet approves the establishment of the Budget Coordination Committee (BCC) and appointed its members	Ministry of Finance to draft the budget preparation calendar and provide to BCC for further input and refinement.
BCC	2. January: BCC commences initial discussion to map out budget process and create a budget preparation calendar	
Ministry of Finance	3. January: BCC consults with Government Ministries and agencies responsible for revenue collections as well as with those institutions that provide/contribute revenue to the General Fund. BCC to also look at Compact control numbers. 4. January: Initial budget ceiling and CP requesting	

	Cabinet's endorsement of the budget ceiling are presented to Minister of Finance.	
Cabinet	1. February: Cabinet reviews and if satisfied, approves initial budget ceilings in principle 2. February: Fisheries Revenue Workshop 3. February: Issuance of budget call 4. February: Pre Budget consultation with OIA 5. Donor Partners Meeting (not all every FYs) 6. February: deadline for Ministries and agencies to submit budget and relevant info (one week preparation availed)	Compilation and distribution to ministries and agencies by MoF, using established template provided in CDs with relevant information.
BCC	7. March BCC executive meeting in preparation for consultations. 8. March : Deadline for submission of budgets and relevant information by Compact Ministries 9. March : Budget consultations with non-Compact Ministries begin	Budget Division's staffs will need to work to prepare Consultation documents.
All Ministries		OCI refines Sector Performance Matrixes and submits to Budget Committee
Ministry of Finance		Submissions assembled by MOF; complete set provided to members by MOF Consultation schedule to be prepared and secured by MOF
Cabinet	1. July : Deadline for Compact portfolios to US 2. July : Leadership Conference 3. July : Budget consultation with Compact Ministries 4. July : Development Partner's Meeting	The BCC aims to complete the Budget consultations. Thereafter, it will be submitted to Cabinet for its input and endorsement
BCC		Pacific Islands Forum Meeting - July
All Ministries		

	<p>5. <u>July</u> : Budget Committee finalizes its work for submission to Cabinet</p> <p>6. <u>July</u>: Technical budget consultation, US and ROC officials.</p> <p>7. <u>July</u> : Cabinet reviews budget and performance submissions, and if satisfied, approves the Global Budget in anticipation of Nitijela introduction</p>	
Ministry of Finance BCC All Ministries and Agencies	<p style="text-align: center;"><i>August</i></p> <p>1. <u>August</u> Annual JEMFAC</p> <p>2. Minister of Finance introduces budget to Nitijela</p> <p>3. Appropriation Committee Executive Meetings and public hearings</p>	
Nitijela Appropriation Committee Nitijela Legal Counsel Ministry of Finance General Public Nitijela	<p style="text-align: center;"><i>September</i></p> <p>1. Nitijela discusses and approves budget</p> <p>2. MoF Budget staffs enters budget into system</p>	
Nitijela Appropriation Committee Nitijela Legal Counsel Ministry of Finance General Public Nitijela	<p style="text-align: center;"><i>October</i></p> <p>Implementation of budget commences</p>	