

TITLE 11 - FINANCE
CHAPTER 10 - FISCAL RESPONSIBILITY AND DEBT MANAGEMENT ACT
2020



Republic of the Marshall Islands
JepilpilinKeEjukaan

FISCAL RESPONSIBILITY AND DEBT MANAGEMENT
ACT 2020

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AN ACT to provide for enhanced fiscal responsibility and debt management, and for related matters.

Commencement:

May 1, 2016

Source:

P.L. 2020-30

§1001. Short title.

This Act may be cited as the Fiscal Responsibility and Debt Management Act 2020.

§1002. Interpretation.

(1) In this Act,

“**borrowing**” means the procedures for creation of financial liabilities by conclusion of loan agreements, issuance of government securities and entering into supplier’s credit agreements;

“**budget circular**” means the information circular created in the manner prescribed, that is issued in the second quarter of the current fiscal year that entails budget ceilings in accordance with Government priorities and available financial resources and includes the Government’s current and future looking economic and financial outlook;

“**debt**” means all financial liabilities created as a result of borrowing by the Government and state-owned enterprise and includes outstanding liabilities as a result of the issuance of Government securities;

“**financial year**” means the period beginning from the 1st of October in one year to 30th of September of the next year;

“**General Fund**” means the fund created under Article VIII Section 3 of the Constitution of the Government;

“**Government**” means the Government of the Republic of the Marshall Islands;

“**long-term**” means more than five years;

“**Government guarantee**” means an explicit undertaking by the Government to guarantee fulfilment of obligations for which the guarantee is issued, but does not include letters of intent, letters of comfort or similar letters;

“**Government securities**” includes, where applicable, treasury bills, treasury bonds, bearer bonds, registered stocks, Government promissory notes and such other securities as may be prescribed;

“**loan**” means any form of financial credit for goods or services, granted to or on behalf of the Government or to a state-owned enterprise;

“**medium-term**” means three to five years;

“**medium-term budget investment framework**” means a “medium-term budget investment framework” within the meaning of Article V of Title X of The Compact of Free Association agreement between the United States of America and the Marshall Islands amending the Agreement of June 25, 1983 concerning the Compact of Free Association as amended, Majuro April 30, 2003;

“**Minister**” means the Minister of Finance or such person acting as designee of the Minister of Finance;

“**Ministry**” means the Ministry of Finance as created pursuant to s. 105 of the *Financial Management Act*;

“**prescribed**” means prescribed by the regulations;

“**regulations**” means the regulations made under this Act;

“**Secretary**” means the Secretary of Finance or such person acting as designee of the Secretary of Finance;

“**short-term**” means one to three years;

“**state-owned enterprise**” means a state-owned enterprise within the meaning of the State-Owned Enterprises Act 2015;

“**statement of responsibility**” means a statement that is in such form and meets such criteria as is prescribed;

“**supplier’s credit agreement**” means an agreement whereby goods or services delivered or supplied to the Government are to be paid for at some future date extending beyond the end of the financial year within which the goods or services are delivered or supplied;

“**U.S. GAAP**” means generally accepted accounting principles promulgated by the U.S. Governmental Accounting Standards Board [GASB].

PART I – FISCAL RESPONSIBILITY

§1003. Principles of responsible fiscal management.

- (1) The Government shall pursue its policy objectives in accordance with the following principles of responsible fiscal management:
 - (a) reducing total debt to levels that will provide a buffer against factors that may impact adversely on the level of total debt in the future by ensuring that, until those levels have been achieved, total operating expenses in each financial year are less than total operating revenues in the same financial year;
 - (b) once levels of total debt have been reduced to provide a buffer, maintaining those levels by ensuring that, on average, over a reasonable period of time in the circumstances, total operating expenses do not exceed total operating revenues;
 - (c) achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future;
 - (d) managing the fiscal risks facing the Government;