



## Message from the Chairman of the Financial Management Board

The Government of the Northwest Territories must make investments every year to respond to the needs of the people of our Territory.

The Government must invest in programs and services, in capital infrastructure, and in a wide array of other needs. Often the Government does not have the immediate cash to make these investments and must borrow the money required. But how much can the Government afford to borrow? What investments should the Government borrow for? What investments should it not borrow for? How can the Government be held accountable for these borrowing decisions?

These are the questions the GNWT asked itself. The answers it came up with have been incorporated into a new Fiscal Responsibility Policy. The Government is committed to making fiscal decisions within the guidelines and limits contained in this Policy. It is also committed to reporting to NWT residents on how well it is managing the fiscal affairs of the GNWT.

We are committed to providing NWT residents with responsive and responsible government. This new Fiscal Responsibility Policy is one of the ways we intend to honor that commitment.

Hon. Floyd K. Roland  
*Chairman*

## The Fiscal Responsibility Policy provides the following answers to the tough questions on fiscal management and borrowing:

### What will this Government borrow for?

Answer:

- Capital infrastructure.
- Self-liquidating investments (e.g. those that generate immediate or direct savings or new or enhanced revenue streams).
- Repayable loan programs (e.g. student loans, working capital advances for the Business Credit Corporation).
- The Government will not borrow for day to day operating requirements.

### How will the Government finance investment in infrastructure?

Answer:

- 50% minimum from cash generated from operating surpluses.
- 50% maximum through short or long-term borrowing.

### How much debt will be considered affordable?

Answer:

"Affordable debt" will be considered the level of debt where the corresponding annual debt servicing payments do not exceed 5% of total annual revenues.

Debt servicing payments will include interest, incidental costs associated with the administration of debt, and the principal repayments and/or contributions to sinking funds.

### How will the Government repay its debt?

Answer:

Infrastructure debt will be repaid over a period not to exceed the lesser of 20 years or the useful life of the asset.

Debt for self-liquidating investments will be repaid from the new revenues such as user fees, tolls, or expenditure savings.

Debt incurred to finance repayable loan programs will be repaid from cash generated from the loan repayments and corresponding interest revenue.

### What if the Government does not manage its investments, borrowing and debt within the parameters of the Policy?

Answer:

If debt servicing payments exceed 5% of total revenues, the Government is required to generate additional operating surpluses in the following two years.

The additional surpluses must be used to repay sufficient debt principal so that debt servicing payments will decrease to 5% of revenues by the third subsequent year.

## How will borrowing be approved?

Answer:

The Legislative Assembly will annually approve the Government's long-term borrowing requirements as well as the maximum short-term (repayable within one year) borrowing requirements in the Appropriation and Borrowing Authority Act.

In the unlikely event that short-term borrowing cannot be repaid in one year and must be repaid through long-term debt, approval of the Legislative Assembly will be sought.

## How will the Government monitor this Policy?

Answer:

The Minister of Finance is committed to annually review and, where required, update the borrowing and performance measurement criteria for the management of debt.

## How will the Government be held accountable?

Answer:

Annually, when the *Public Accounts* are presented to the Legislative Assembly, the Minister of Finance will report on the debt management results of the Government.

## What are the performance criteria that borrowing will be measured against?

Answer:

### Debt to Revenue Ratio

In the lowest 4 among provinces.

### Debt per Capita

In the lowest 5 among provinces and territories.

### Debt Servicing Costs (Interest), as a % of Revenue

In the lowest 4 among provinces.

### Debt Servicing Payments, as a % of Revenue

Not to exceed 5%.

### Net Debt, as a % of GDP

In the lowest 4 among provinces.

### Net Debt per Capita

In the lowest 5 among provinces and territories.



For the full text of the new Fiscal Responsibility Policy,  
visit the Government of the Northwest Territories  
FMBS Library, Financial Administration Manual, Chapter 300  
[www.gov.nt.ca/FMBS/documents/FAMWeb](http://www.gov.nt.ca/FMBS/documents/FAMWeb)

or, call the Financial Management Board Secretariat,  
at (867) 920-6196 or, visit [www.gov.nt.ca/FMBS/contact.html](http://www.gov.nt.ca/FMBS/contact.html)  
for contact information



# Fiscal RESPONSIBILITY POLICY



Northwest  
Territories