STANDING COMMITTEE REPORT NO. 13-244

RE: C.B. NO. 13-207/W&M/R&D

SUBJECT: AUTHORIZING USE OF $150,000 FROM FIRST TRANCHE OF THE PRIVATE SECTOR DEVELOPMENT LOAN

MARCH 29, 2005

The Honorable Peter M. Christian
Speaker, Thirteenth Congress
Federated States of Micronesia
Seventh Special Session, 2005

Dear Mr. Speaker:

Your Committee on Ways and Means to which was jointly referred C.B. No. 13-207 entitled:

> "A BILL FOR AN ACT TO AMEND PUBLIC LAW NO. 13-57, AS AMENDED, BY AMENDING SECTION 1 THEREOF TO AUTHORIZE THE USE OF $150,000 TO FUND CONSULTANCY SERVICES TO PURSUE THE INVESTMENT DEVELOPMENT FUND GRANT AND FOR REPORTING REQUIREMENTS UNDER THE AMENDED COMPACT, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

Your Committee wishes to express its concern that in many instances consultants are being brought in, not only to advise the National Government in relation to technical issues or one-off occurrences, but also to undertake what should be the on-going, routine activities of Departments. In the view of your Committee, engaging consultants for such purposes does not constitute the most effective use of our limited resources.

The subject bill would authorize funding from the first tranche of the Private Sector Development (PSD) loan to be used to employ a consultant to pursue the Investment Development Fund grant and to prepare an annual report required to be submitted to JEMCO in accordance with the terms of the Amended Compact. Your Committee considers that such activities do not require highly specialized or technical skills and ought to be the core functions of the National Government. In addition, your Committee does not generally view the engagement of consultants as a productive use for PSD loan funds. For these reasons, your Committee does not regard the cost of using a consultant for these tasks as justified.

Your Committee therefore recommends that the $150,000 be used to support the activities of the tax reform task force. These activities

are critical to the ongoing financial stability of the FSM. In particular, tax reform and improved enforcement will result in much needed increases in local revenue collection.

Your Committee therefore recommends the following amendments to C.B. No. 13-207:

1. Title, delete "$150,000 to fund consultancy services to pursue the Investment Development Fund grant and for reporting requirements under the amended Compact" and insert "a further $150,000 to support the work of the FSM tax reform task force".

2. Page 1, line 15, after "Customs and Tax Administration;" re-insert "and".

3. Page 1, line 16, delete "$70,000" and insert "$220,000" in lieu thereof.

4. Page 1, line 17, after "work of the FSM tax reform task force;" delete "and".

5. Pages 1, delete lines 18 and 19.

6. Page 2, delete lines 1 and 2.

With these amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 13-207 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 13-207, C.D.1, subject to concurrence by your Committee on Resources and Development.

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Respectfully submitted,

/s/ Sabino S. Asor
Sabino S. Asor, chairman

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, vice chairman

/s/ Claude H. Phillip
Claude H. Phillip, member

/s/ Henry C. Asugar
Henry C. Asugar, member

/s/ Peter M. Christian
Peter M. Christian, member

Dohsis Halbert, member

Isaac V. Figir, member