

STANDING COMMITTEE REPORT NO. 14-47

RE: C.B. NO. 14-13 EA/J

SUBJECT: FY 2006 BUDGET

SEPTEMBER 21, 2005

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Second Regular Session, 2005

Dear Mr. Speaker:

Your Committee on External Affairs, to which was jointly referred the National Government's proposed FY 2006 Budget, begs leave to report as follows:

The FY 2006 Proposed Budget Book, transmitted by the Executive on April 1, 2004, details the National Government's proposed budget for Fiscal Year 2006. Pursuant to rule 7, section 5(b), of the Official Rules of Procedure of the Thirteenth Congress of the Federated States of Micronesia, your committee has limited its review to those portions relating to matters under its jurisdiction. Those portions include:

I. The Department of Foreign Affairs, including the Office of the Secretary, the Division of Asian, Pacific, African and Multilateral Affairs, the Division of American and European Affairs, and the FSM embassies and consulates abroad (together the "Department");

II. The National Authorizing Committee (ACP/EU);

III. Subsidies and contributions to the Forum Secretariat; the Pacific Community; the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP); the United Nations Secretariat; the East West Center; and the Cotonou Membership Fee; and

IV. Renovation of the FSM Embassy in Washington, D.C.

The Committee's Recommendations

Your committee conducted hearings with the Department to consider its budget request on May 13, 2005. Based upon the hearing and further committee deliberations, this Standing Committee Report sets forth final recommendations of your Committee on External Affairs regarding the proposed FY 2006 Budget. Your committee is recommending reductions

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in a number of budget items. These reductions are based upon information provided to your committee regarding the requirements of the Department of Foreign Affairs and also the general need of the National Government to reduce expenditures. Your committee stands ready to consider additional appropriations, during the course of FY 2006, if the appropriated amount proves insufficient for carrying out the Department's mission.

I. Department of Foreign Affairs.

Department Total:

FY 2006 Total	\$3,429,264	Committee	<u>\$3,200,652</u>
Proposed:		Recommends:	
FY 2005 Appropriation	\$3,426,792		
including			
supplemental			
FY 2005 Original	\$3,397,792		
Appropriation:			

Your committee notes that the President recommends for the Department only a very modest increase above the amount appropriated for FY 2005. Taking into account the non-discretionary increase in the cost of personnel benefits, the FY 2006 budget proposal would actually leave the Department with slightly less for other expenses and activities than in FY 2005. Although the total proposed appropriation is not significantly changed from FY 2005, the budget does involve a number of changes in how the requested funds are allocated among the various expense categories. Those differences will be discussed later in this report.

Based upon your committee's oversight of the Department's for FY 2006, we are less concerned about the requested level of funding than about the Department's contribution, or lack thereof, to the nation's development efforts. Your committee has been concerned, for some time, that the Department's activities appear to be unfocused. There is no clear articulation of what the Department is trying to accomplish in its conduct of the nation's foreign relations. As in 2005, the Department's FY 2006 budget seems more directed at collecting international relationships---establishment of relations with two countries; two new trade agreements, etc.---than at deriving benefit

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from those relationships. The draft FSM Strategic Development Plan and the Infrastructure Development Plan have identified a number of critical priorities for the nation. Your committee is disappointed that the Department has not identified specific ways in which the Department intends to contribute to the nation's accomplishment of its goals in those areas. There is a consensus in the nation, we believe, that what the National Government has been doing in the past will not be sufficient to meet the increasing challenges of serving the needs of our people in the face of reduced Compact revenues, population growth, and environmental change. We need to change the way that the government does business. We must find ways to accomplish more with smaller resources. Yet, the Department's budget for FY 2006, appears to be nothing more than a recycling of the budgets submitted for FY 2004 and FY 2005. Your committee urges the Department to address the question of how it is going to change itself to more effectively promote the nation's interests.

In particular, your committee recommends that the Department expand its efforts to promote the economic programs of the FSM. The committee encourages the Department to improve its cooperation with the Department of Economic Affairs, the state governments, the National Oceanic Resource Management Authority and all other economic-related agencies and offices to coordinate efforts to accomplish the nation's economic goals.

We note that the Department has failed to comply with the requirements of title 55, section 103 of the FSM Code. Section 103 requires that the Department submit an annual plan identifying the Department's expected strategic goals and accomplishments for the year. If possible, those planned accomplishments are to be expressed in a form that permits the measurement of actual performance against the plan. Most of the Executive Departments have submitted annual plans. Your committee does not believe that there is any good explanation for the Department of Foreign Affairs' failure to do so. The absence of a plan leaves your committee without the information it needs to evaluate the Department's budget request. Moreover, it leaves Department employees with no guidance as to what they are expected to achieve during the year.

Your committee is disappointed in the Department's apparent lack of progress in a number of areas. As in past years, the FY 2006 budget

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anticipates that Department representatives will engage in extensive travel to attend meetings of various international and regional organizations. The committee has previously requested, and has been promised, a report on the respective costs and benefits of participation in those organizations. That report has still not been provided. Once again, we are being asked to fund travel to attend international meetings and conferences without information on what benefit, if any, the FSM derives from attendance.

Earlier this year, we were advised that a study was to be conducted and recommendations made regarding the cost effectiveness of the present configuration of the nation's overseas offices. That study has not yet been received. We encourage the Department to complete the study and give serious consideration to whether changes should be made to reduce the cost and improve the effectiveness of our overseas offices. Without knowing the contents of the report, your committee strongly recommends that the Department seriously consider a number of administrative issues being raised in the Department's annual meeting. Some of those issues have been a matter of discussion over the last seven years.

The committee reiterates its FY 2004 and FY 2005 recommendations supporting the continued expansion of formal diplomatic relations with other nations, but urges that this effort be focused on relationships that will contribute to the accomplishment of the FSM's strategic goals. Specifically, the committee would recommend expansion of our relations with nations within the European Union. The committee was informed that a number of European governments and non-governmental organizations offered assistance during the deadly typhoon that struck Chuuk State last year. Some of the assistance was lost because we had no means to coordinate with the donor organizations. The committee believes that an expanded presence in Europe would help to avoid this kind of problem in the future and enhance our access to other development and aid opportunities. To this end, the Thirteenth Congress adopted C.R. No. 13-181, urging the President to appoint an honorary consul to represent the FSM's interests in Europe. As of this date, there has still been no appointment. Your committee believes that the appointment should be made promptly.

Your committee also believes that the Department offices in Palikir must become more responsive to the needs of other parts of the National Government. The Department does not regularly keep Congress

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advised as to important developments in the nation's relations with other countries. Further, in the course of performing its oversight responsibilities, your committee has found that personnel in the FSM's overseas offices do not feel that they are kept informed as to pertinent developments and feel that they get insufficient support from Palikir.

In its reports on the FY 2004 and FY 2005 budgets, your committee encouraged the Department to develop a strategy and adopt measures to protect the operations of the Tokyo and Fiji embassies from the effects of currency fluctuations. It is our understanding that this still has not been done. The recent volatility in international currency markets and, in particular, the decline of the U.S. dollar against other currencies, have highlighted the currency risk faced by the Department's overseas operations. Again, your committee encourages the Department to confer with the nation's financial consultants and consider the establishment of a hedging account or other strategies for reducing the vulnerability of our overseas offices to currency fluctuations. We also request that the Department of Foreign Affairs and the Department of Finance submit to Congress, within thirty days, a report on the status of efforts to develop and implement measures to deal with currency volatility.

Your committee emphasizes that the budget submitted by the President and the recommendations made by the committee include no travel money for home visits by staff of the overseas missions. Your committee is concerned that, in past years, funds appropriated for other purposes may have been used to cover the costs of home visits. That practice, if it exists, should not continue.

Your committee has become concerned that imprest funds maintained by the embassies and consulates are being drawn down to meet the needs of traveling personnel from other departments of the National Government, without any reimbursement from those departments. Each department should be responsible for the travel expenses of its employees and should not be expending funds appropriated to fund the operations of overseas missions. Your committee requests that, within thirty days, the Department submit a status report on the imprest fund of each overseas office, stating the current balance of the fund and identifying withdrawals and deposits in FY 2005.

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Congress earlier appropriated funds for renovation projects at the Washington, D.C. and Suva, Fiji embassies. Your committee requests that, at the completion of each project, the pertinent embassy submit a report to Congress, stating the costs of the project and describing the work done.

Following are your committee's recommendations with respect to specific budget items. The committee notes that there are across-the-board increases in personnel costs due to an increase in the provision for benefit costs.

A. Office of the Secretary:

1. Positions:

President proposes	4
Committee recommends	4

The proposal is for 4 positions, the same as for FY 2005. Therefore, your committee recommends approval of this proposal.

2. Salaries and Benefits:

FY 2006 Total	\$84,523	Committee	\$84,523
Proposed:		Recommends:	

FY 2005 Total	\$82,997
Appropriated:	

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3. Travel:

FY 2006 Total	\$103,575	Committee	\$63,712
Proposed:		Recommends:	

FY 2005 Total	\$124,477
Appropriated:	

Your committee observes that the Executive Branch budget for FY 2006, in some cases, includes travel money for attendance by multiple departments at the same international meeting or conference. For

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example, the President has recommended appropriation of more than \$47,000 so that representatives of his office, the Department of Foreign Affairs, the Permanent Mission to the UN and the Department of Justice can all attend the COP-11 conference in Europe. More than \$30,000 is requested so that multiple National Government representatives can attend the World Summit on Information in Tunisia. It should be kept in mind that, usually, the most expensive way for the nation to be represented at an international event is to send someone from Palikir. Ordinarily, personnel from the FSM's overseas missions can travel to the meeting site much less expensively and with less travel time than is possible from Palikir. Accordingly, your committee believes that the travel budget of the Secretary's Office should be reduced in favor of relying more on embassy and consulate personnel to represent the FSM at international events. We fully understand the advantages of having representatives from both the home office and the overseas offices attend these meetings; however, we should be mindful of the financial constraints facing the nation. We recommend that the overseas offices represent the home office in international meetings.

Your committee is aware that certain Department personnel are frequently gone from their offices. As a result, communications within the Department and between the Department and other parts of the government suffer. Further, the Department does not always provide the support that is needed by other offices. This situation should not be tolerated.

4. Contract Services:

FY 2006 Total Proposed:	\$26,000	Committee Recommends:	\$26,000
FY 2005 Total Appropriated:	\$26,000		

5. Other Current Expenses:

FY 2006 Total Proposed:	\$45,000	Committee Recommends:	\$45,000
FY 2005 Total	\$48,400		

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Appropriated:

B. Division of Asian, Pacific, African & Multilateral Affairs:

1. Positions:

President proposes	6
Committee recommends	6

2. Salaries and Benefits:

FY 2006 Total	\$97,657	Committee	\$97,657
Proposed:		Recommends:	

FY 2005 Total	\$95,869
Appropriated:	

The committee notes that one position in this division remains vacant and encourages the Department to fill it as soon as possible.

C. Division of American and European Affairs:

1. Positions:

President proposes	5
Committee recommends	5

2. Salaries and Benefits:

FY 2006 Total	\$76,140	Committee	\$76,140
Proposed:		Recommends:	

FY 2005 Total	\$77,172
Appropriated:	

The requested amount is slightly reduced from the FY 2005 appropriation despite the increase in benefit costs. This is the

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result of reducing the amount budgeted for two positions in this office.

D. FSM Consulate - Guam:

1. Positions:

President proposes	4
Committee recommends	4

2. Salaries and Benefits:

FY 2006 Total	\$107,731	Committee	\$107,731
Proposed:		Recommends:	

FY 2005 Total	\$105,753
Appropriated:	

3. Travel:

FY 2006 Total	\$10,266	Committee	\$8,256
Proposed:		Recommends:	

FY 2005 Total	\$10,266
Appropriated:	

Although personnel from the other overseas offices are budgeted for only one annual trip to Pohnpei, the Guam office budget includes two trips. The committee recommends this reduction in the budget because it believes that one annual trip to Pohnpei is sufficient.

4. Contract Services:

FY 2006 Total	\$100,300	Committee	\$92,300
Proposed:		Recommends:	

FY 2005 Total	\$101,281
Appropriated:	

The committee recommends that the representation funds for this office be reduced from \$15,000 to \$7,000, which is more in line with the amount approved for other overseas offices.

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5. Other Current Expenses:

FY 2006 Total	\$22,940	Committee	\$15,940
Proposed:		Recommends:	

FY 2005 Total	\$22,940
Appropriated:	

Your committee recommends that the communications budget be reduced by \$7,000.

6. Fixed Assets:

FY 2006 Total	\$0	Committee	-0-
Proposed:		Recommends:	

FY 2005 Total	\$4,000
Appropriated:	.

E. FSM Consulate - Honolulu:

1. Positions:

President proposes	4
Committee recommends	4

2. Salaries and Benefits:

FY 2006 Total	\$117,680	Committee	\$117,680
Proposed:		Recommends:	

FY 2005 Total	\$114,956
Appropriated:	

3. Travel:

FY 2006 Total	\$9,844	Committee	\$9,844
Proposed:		Recommends:	

FY 2005 Total	\$9,844
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Appropriated:

4. Contract Services:

FY 2006 Total	\$117,700	Committee	\$117,700
Proposed:		Recommends:	

FY 2005 Total
Approp. includ. Suppl. \$120,500

FY 2005 Original \$91,500
Appropriation:

For FY 2005, Congress originally appropriated \$91,500 for this budget item. During the course of the year, an additional \$29,000 was appropriated to ensure that the housing needs of Consulate personnel were adequately covered. The amount requested by the Department for FY 2006 housing allowances has been increased by \$26,000 over the amount originally requested for FY 2005 and, therefore, seems adequate. Your committee approves the requested amount.

5. Other Current Expenses:

FY 2006 Total	\$15,000	Committee	\$15,000
Proposed:		Recommends:	

FY 2005 Total \$15,000
Appropriated:

F. FSM Embassy - Washington, D.C.:

1. Positions:

President proposes	4
Committee recommends	4

2. Salaries and Benefits:

FY 2006 Total	\$176,211	Committee	\$176,211
Proposed:		Recommends:	

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Proposed:

Recommends:

FY 2005 Total \$40,000
Appropriated:

6. Fixed Assets:

FY 2006 Total \$0
Proposed: **Committee Recommends:** -0-

FY 2005 Total \$6,000
Appropriated:

G. FSM Embassy - Suva, Fiji:

1. Positions:

President proposes 2
Committee recommends 2

2. Salaries and Benefits:

FY 2006 Total \$94,967
Proposed: **Committee Recommends:** \$94,967

FY 2005 Total \$93,225
Appropriated:

3. Travel:

FY 2006 Total \$24,022
Proposed: **Committee Recommends:** \$17,780

FY 2005 Total \$23,456
Appropriated:

Your committee believes that the \$10,787 budgeted for traveling to Pohnpei for the annual budget hearings is excessive. It is recommended

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that this item be reduced to \$7,000. We also recommend that the budget for travel within Fiji be reduced to \$2,000.

4. Contract Services:

FY 2006 Total Proposed:	\$50,225	Committee Recommends:	\$50,225
FY 2005 Total Appropriated:	\$49,125		

5. Other Current Expenses:

FY 2006 Total Proposed:	\$30,950	Committee Recommends:	\$30,950
FY 2005 Total Appropriated:	\$30,350		

6. Fixed Assets:

FY 2006 Total Proposed:	\$0	Committee Recommends:	-0-
FY 2005 Total Appropriated:	\$450		

H. FSM Embassy - Tokyo, Japan:

1. Positions:

President proposes	3
Committee recommends	3

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2. Salaries and Benefits:

FY 2006 Total Proposed:	\$249,678	Committee Recommends:	\$249,678
FY 2005 Total Appropriated:	\$245,096		

3. Travel:

FY 2006 Total Proposed:	\$21,000	Committee Recommends:	\$21,000
FY 2005 Total Appropriated:	\$21,200		

4. Contract Services:

FY 2006 Total Proposed:	\$535,381	Committee Recommends:	\$535,381
FY 2005 Total Appropriated:	\$535,381		

5. Other Current Expenses:

FY 2006 Total Proposed:	\$73,856	Committee Recommends:	\$78,900
FY 2005 Total Appropriated:	\$82,900		

In the budget book, the amount requested for communications was mistakenly reduced by \$9,044 from the amount approved for FY 2005. The amount recommended by the committee restores a portion of this funding.

I. United Nations Mission:

1. Positions:

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President proposes 3
Committee recommends 3

2. Salaries and Benefits:

FY 2005 Total Proposed:	\$165,799	Committee Recommends:	\$165,799
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FY 2004 Total Appropriated:	\$159,753
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The Department's proposal includes a \$5,000 increase from FY 2005 in the amount budgeted for the currently-vacant Deputy Permanent Representative position. Your committee is disappointed that this position has not been filled in FY 2005. The Department has indicated that the New York mission has insufficient staff to cover all of the office's responsibilities; yet, it has not even filled all of the positions that have been funded.

3. Travel:

FY 2006 Total Proposed:	\$18,978	Committee Recommends:	\$18,978
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FY 2005 Total Appropriated:	\$16,000
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4. Contract Services:

FY 2006 Total Proposed:	\$438,241	Committee Recommends:	\$364,800
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FY 2005 Total Appropriated:	\$438,241
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Your committee recommends that the provision for contract services be reduced as shown. The committee's recommendation is based upon data, provided to the committee on its visit to the New York Mission, relating to the actual costs of equipment leases, the office lease, professional services contracts and staff housing. The committee recommends the

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following specific reductions: equipment lease (\$9,700); office lease (\$4,000); professional services (\$21,000); staff housing (\$38,741).

5. Other Current Expenses:

FY 2006 Total	\$40,000	Committee	\$34,000
Proposed:		Recommends:	
FY 2005 Total	\$40,000		
Appropriated:			

Your committee recommends a \$6,000 reduction in the provision for communications. The recommended figure reflects an average of actual monthly communication expenses according to expense reports provided to the committee during its visit to the Mission.

II. Special Programs.

A. National Authorizing Committee (ACP/EU):

The committee notes that the NAC requests \$15,000 for travel. All of the members work in departments that have significant travel budgets. Therefore, consistent with our earlier comments, the committee would request that the President encourage the various members to consolidate their NAC work with their respective department travels.

1. Travel:

FY 2006 Total	\$15,000	Committee	\$15,000
Proposed:		Recommends:	
FY 2005 Total	\$15,000		
Appropriated:			

III. Grants, Subsidies and Contributions:

All of the programs in this category are important and useful to the nation.

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A. The Forum Secretariat:

FY 2006 Total	\$40,000	Committee	\$40,000
Proposed:		Recommends:	

FY 2005 Total	\$35,000
Appropriated:	

Your committee recommends approval of the requested amount.

B. Pacific Community:

FY 2006 Total	\$17,000	Committee	\$17,000
Proposed:		Recommends:	

FY 2005 Total	\$17,000
Appropriated:	

C. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP):

FY 2006 Total	\$5,000	Committee	\$5,000
Proposed:		Recommends:	

FY 2005 Total	\$5,000
Appropriated:	

D. United Nations (membership and other fees):

FY 2006 Total	\$60,000	Committee	\$60,000
Proposed:		Recommends:	

FY 2005 Total	\$60,000
Appropriated:	

E. East West Center:

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FY 2006 Total Proposed:	\$5,000	Committee Recommends:	\$5,000
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FY 2005 Total Appropriated:	\$10,000
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F. National Authorizing Committee

FY 2006 Total Proposed	\$8,000	Committee Recommends:	\$8,000
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FY 2005 Total Appropriated	\$8,000
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\$8,000 is requested to pay the FSM membership fee in the ACP/EU Partnership. It is unclear to your committee why, in the budget, this expense is treated as being a responsibility of the Department of Finance, considering that it pertains directly to relations with the EU and other foreign countries.

IV. Capital Projects

FY 2006 Total Proposed	\$150,000	Committee Recommends:	-0-
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FY 2005 Total Appropriated	\$0
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The President has recommended \$150,000 to renovate the FSM Embassy in Washington, D.C. However, this project has already been funded through a supplemental appropriation of FY 2005 funds. Therefore, this item should be deleted from the FY 2006 budget.

V. Recommendations and Conclusions:

Your Committee on External Affairs has reviewed the proposed FY 2006 Budget and carefully scrutinized all of the information provided by the Executive and the entities within your committee's jurisdiction. Each of the sums that the "Committee recommends", as set forth above, reflects funding for the designated activity, program or project for all of fiscal year 2006.

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Subject to the conditions and limitations set forth herein, and the availability of funds as determined by your Committee on Ways and Means, your Committee on External Affairs recommends approval of the amounts listed above.

Respectfully submitted,

Alik L. Alik, chairman

Peter Sitan, vice chairman

Tiwiter Aritos, member

Isaac V. Figir, member

Resio S. Moses, member

Moses A. Nelson, member

Dion G. Neth, member