

STANDING COMMITTEE REPORT NO. 14-73

RE: C.R. NO. 14-53/W&M

SUBJECT: TRANSMITTAL OF PUBLIC SECTOR MANAGEMENT SECTION OF SDP

JANUARY 19, 2006

The Honorable Peter Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Third Regular Session

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred C.R. No. 14-53:

"A RESOLUTION APPROVING THE TRANSMITTAL OF CHAPTER FOUR OF THE STRATEGIC DEVELOPMENT PLAN ENTITLED 'PUBLIC SECTOR MANAGEMENT' TO THE JOINT ECONOMIC MANAGEMENT COMMITTEE.",

begs leave to report as follows:

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

On January 15, 2006, the President submitted the Administration's proposed Public Sector Management chapter of the SDP to Congress. In his covering letter, the President acknowledged the ongoing dialogue between staff of Congress and the Executive to improve upon the original document and as a result, requested favorable consideration by the Congress. The President stressed the need for timely action on the matter in order to satisfy a submission deadline of January 31, 2006, as established by JEMCO.

Section 211(d) of the amended Compact requires the SDP to be submitted addressing "each of the Sectors named in subsection (a) of this section, or other sectors as mutually agreed." The original submission contained separate chapters on all of the sectors except for Capacity Building (CB). JEMCO, at its annual meeting, passed a resolution establishing the January 31 deadline and calling on the FSM submission to address "the FSM Government's programs and strategies that relate to the important issues of fiscal policy, transparency, public sector governance, performance management, and public enterprise reform." The JEMCO resolution was adopted unanimously.

The document proposes detailed activities in the support of the following six strategic goals: 1) responsible fiscal policies that support financial stability and economic management; 2) adoption of

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best practices in the transparency of fiscal management; 3) to enhance accountability in the public sector; 4) improved public sector management and resource allocation; 5) building public sector capacity; and 6) transformation of public sector enterprises.

On January 17, 2006, a Joint Hearing on C.R. No. 14-53 was held by Your Committee on Resources and Development and Committee on Ways and Means. Witnesses from the Department of Economic Affairs, the Office of Compact Management, and Department of Finance urged Congress to favorably consider the proposed plan.

The witnesses addressed a number of concerns expressed by Members of Your Committee regarding conformity of the plan with previous documents such as the Third Economic Summit outcomes. In response to other concerns, the Secretary of Economic Affairs assured Members that, in his Department's view, the plan was workable in spite of its ambitious scope.

In response to Member concerns, the witnesses testified that they did not feel there was cause for concern over the paucity of detailed proposals for the capacity building section or the omission of controversial issues from this portion. Finally, witnesses from the Office of Compact Management assured Your Committee that they did not feel the US would require the FSM to implement the plan immediately in its entirety or put into place plan elements on an unreasonable schedule.

Your Committee was satisfied with the clarifications provided by witnesses during the hearing and subsequently. Based upon assurances from the Executive that the transmittal will be consistent with the rolling nature of the plan and subject to future revision, updating and improvement, feels transmittal to the US in time to meet the JEMCO deadline would be desirable.

Your Committee on Ways and Means is, therefore, in accord with the intent and purpose of C.R. No. 14-53 and recommends its adoption, subject to the approval of Your Committee on Resources and Development.

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Respectfully submitted,

/s/ Isaac V. Figir
Isaac V. Figir, chairman

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

Peter M. Christian, member

/s/ Dohsis Halbert
Dohsis Halbert, member

Manny Mori, member

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

/s/ Simram Sipenuk
Simiram Sipenuk, member