

STANDING COMMITTEE REPORT NO. 15-131

RE: M.C. NO. 15-80/W&M/J

SUBJECT: GOODS AND SERVICES 2008-2009

SEPTEMBER 12, 2008

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Palikir, Pohnpei FM 96941

Dear Mr. Speaker:

Your committee on Ways and Means (W&M) to which was jointly referred M.C. No. 15-80, which requested the approval of:

"MEMORANDUM OF UNDERSTANDING ON THE GOODS AND SERVICES BETWEEN THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA AND THE OVERSEAS FISHERY (SIC) COOPERATION FOUNDATION OF JAPAN.",

begs leave to report as follows:

This is the agreement that governs the well-known "Goods and Services" grant that the FSM receives every year from Japan as part of the access fees paid by Japan to fish in the FSM's EEZ. This agreement signed on June 23, 2008 is for 2007-2008 even though the transmittal letter from NORMA dated June 24, 2008 mistakenly identified it to be for 2008-2009.

Your committee had a meeting with a representative of NORMA, Ms. Patricia Jack, Fisheries Economist on July 21, 2008 to understand the Goods and Services agreement better. Present for the committee were Chairman Dohsis Halbert and Senator Peter Sitan

Ms Jack explained that the Goods and Services agreement provides for a grant in kind from Japan's OFCF. In the past, that grant has been given on a rotating basis to the states. The general practice was the Governors to communicate each state's request for goods and services. Japan, through OFCF, would procure the goods and services up to the value of the grant and give them to the recipient state.

This Year, NORMA has recommended that this grant for 2007-2008 be given to Chuuk. This follows the practice for the past twenty years, with this year's rotation going to Chuuk. The following information was submitted by NORMA:

Agreement Period	Recipient State	Amount in yen
95-96	Chuuk	74,000,000
96-97	Kosrae	81,000,000
97-98	Pohnpei	74,000,000
98-99	Yap	66,000,000

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99-00	Chuuk	58,000,000
00-01	Kosrae	59,000,000
01-02	Pohnpei	51,000,000
02-03	Yap	36,000,000
03-04	Chuuk	37,000,000
04-05	Kosrae	36,000,000
05-06	Pohnpei	37,000,000
06-07	Yap	37,000,000
07-08		28,000,000

Your committee was concerned about the declining amount of the grant but NORMA explained that the amount of the grant was computed based on the number of fishing licenses granted to Japan. That number of licenses has steadily declined, with the amount of the GS grant declining accordingly.

Your committee advised NORMA to work closely with OFCF and the Japanese fishing industry to find ways of increasing the level of the GS grant.

Your committee finds that this years' agreement does not differ much ¹- besides the amount - from agreements for previous years and approves it subject to concurrence from the Resources and Development Committee.

¹ The funding of the grant has changed from 75% Japanese Government – 25% industry to 100% Japanese Government. That, however, is internal and does not affect the FSM.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

Setiro Paul, member

/s/ Moses A. Nelson
Moses A. Nelson, member

Claude H. Phillip, member

/s/ Fredrico O. Primo
Fredrico O. Primo, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member