

STANDING COMMITTEE REPORT NO. 15-60

RE: C.B. NO.15-38/W&M

SUBJECT: SECOND TRANCHE OF THE FSM NATIONAL
GOVERNMENT'S PORTION OF THE PRIVATE
SECTOR DEVELOPMENT

NOVEMBER 22, 2007

The Honorable Isaac Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Third Special Session, 2007

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred
C.B. No. 15-38, entitled:

"A BILL FOR AN ACT TO APPROPRIATE FROM THE GENERAL FUND OF THE
FEDERATED STATES OF MICRONESIA ALL SUMS DIRECTLY OR INDIRECTLY
RECEIVED AS THE PROCEEDS OF THE SECOND TRANCHE OF THE FSM NATIONAL
GOVERNMENT'S PORTION OF THE PRIVATE SECTOR DEVELOPMENT PROGRAM
LOAN FROM THE ASIAN DEVELOPMENT BANK, IN AN AMOUNT NOT TO EXCEED
\$500,000 FOR SPECIFIED PURPOSES, INCLUDING MICRO-CREDIT
DEVELOPMENT, SURVEYOR'S CERTIFICATION, ECONOMIC DIPLOMACY
INITIATIVES, PRIVATIZATION COSTS, FUEL FACILITY ACQUISITION AND
TAX REFORM PURPOSES.",

begs leave to report as follows:

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

Your Committee did not intend considering this bill during the third
special session, but have recently been advised that although the
Asian Development Bank (ADB) Private Sector Development loan does not
expire until December 2008, the funding is needed urgently to enable
ongoing projects to be continued. With respect to the Tax Reform
component of the funding, your Committee has been advised that the
States and National Government are particularly eager for work to
commence.

A public hearing was not held due to the restricted time available to
your Committee, but your Committee is confident that it has explored
the relevant issues and obtained the level of detail required to make
recommendations for some parts of this bill.

The bill seeks to appropriate from the General Fund all sums directly
or indirectly received as the proceeds of the 2nd tranche of the ADB
loan. The money has already been drawn down to a PSD account, and upon
appropriation will be credited to the General Fund.

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Your committee now turns its attention to the actual requests for the breakdown of the \$500,000 loan.

1. Micro-credit development program	\$ 50,000
2. Updating Registered Surveyor's Examination	50,000
3. National Aquaculture Center Privatization	
(Employee severance)	52,000
4. Fuel Task Force	100,000
5. Economic Diplomacy Initiatives in conjunction with Foreign Affairs	120,000
6. Tax reform Implementation	128,000
TOTAL OF LOAN	500,000

The bill authorizes the President of the Federated States of Micronesia to utilize the proceeds of the 2nd tranche, and he has the authority to sub-allot to the Department of Economic Affairs (your Committee recommends altering the bill to reflect that this is now the Department of Resources and Development).

A detailed discussion of each requested amount follows.

The Acting Secretary of Resources and Development, Mr. Maderson Ramon, provided the following details regarding the first 5 items.

1. Micro-credit development program\$ 50,000
 To recruit a consultant to assist FSM to assess and recommend policy intervention that National Government could implement that would create an environment conducive to promotion of micro-credit programs including model credit union and micro-financing programs that could be replicated in each of the states.

To revisit the concept of credit union and other micro-credit schemes in the FSM to enable the states to revive the defunct credit unions, to provide a model for the existing credit to utilize and encourage establishment of credit union and other micro-credit schemes to assist small and medium size enterprises. This model will enable women, youth, farmers and fishermen and other members to access micro loans for development. Duration of the project: **3 months**

2. Updating Registered Surveyor's Examination 50,000

To recruit a professional surveyor to review and update the registered surveyor's examination in the four FSM states.

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To assist the states to review and update their Registered Surveyor's Examination. This will enable the states to increase the numbers of local registered surveyors in their respective states as well as in the FSM. Less than five local registered surveyors in the entire FSM. Each state requires at least 2 registered surveyors. Duration of the project: **2 months.**

3. National Aquaculture Center Privatization (Employee severance) 52,000

To provide separation pay to FSM National Government employees National Aquaculture Center in Kosrae.

To ensure financial security and smooth transition for FSM National Government employees who will be affected by the commercialization of the NAC under the National Government's privatization efforts of PSE's. This will be a one time payment to the affected employees.

4. Fuel Task Force 100,000

To assist the FSM Fuel Taskforce and the State Governments to put in place necessary human resources, information technology, and other policy guidelines to achieve a well-balanced energy mix that would provide FSM with cost-effective, affordable and reliable energy supply, and that is in line with private sector development objectives of the nation, while encouraging diversification into new and alternative energy sources - specifically to improve the ability of the FSM to manage its energy security requirements.

Specific programs that will be funded under this project would include: a) consolidation of total FSM petroleum demand under one supply arrangement with FSM owned storage in all four states; b) Strengthen FSM position through strategic alliances with neighboring island countries (RMI and Palau) as well as US territories in the region; and c) Proactively seek donor funding to promote and fund implementation of renewable energy projects as well as pro-energy conservation initiatives through out the nation.

5. Economic Diplomacy Initiatives in conjunction with Foreign Affairs 120,000

To expand the FSM Visitors Board (FSMVB) marketing of the FSM as a tourist destination to the other Asian countries; Korea, China and Singapore.

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To position FSM in the increasing outbound tourism of the Asian Countries mainly Korea, China and Singapore. To provide the general consumers awareness of the FSM tourism potentials for destination and products for its unspoiled unique cultures, natural beauty, econ-tourism, friendly people and dive destination. 2 years contract.

RECOMMENDATIONS FOR ITEMS 1-5

Your Committee acknowledges that the items 1-5 may have merit, but it has not had sufficient time to make an informed decision. Also, the Fuel Task Force no longer exists. It recommends against funding these items, but advises that they be resubmitted for consideration next session.

6. Tax reform Implementation 128,000

Ms Evelyn Adolph provided the following breakdown of costs for the Tax Reform Unit.

FY 2008 Budget--Tax Reform Unit	
SUMMARY	\$
Personnel	63,024.30
Travel	58,922.00
Contractual Services	3,500.00
OCE	5,000.00
Fixed Assets	9,500.00
TOTAL	139,946.30
Personnel	63,024.30
Tax Reform Project Manager	36,158.30
Administrative Support	8,866.00
FSM Contribution to Aus Aid funded Advisor	18,000.00
Travel	58,922.00
Working Group Meeting with State Implementation Teams (2x/year)	23,058.00
ESC Meetings (4x/year)	30,864.00
International trip to meet with potential donors (2 people)	5,000.00

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Contractual Services	3,500.00
Tax reform web-site set up & maintenance	3,500.00
OCE	5,000.00
Maintenance	-
POL	-
Supplies & Materials	4,000.00
Document printing	1,000.00
Communications	1,200.00
Fixed Assets	9,500.00
Copier	3,000.00
2 Desktop computers & software	3,500.00
Laptop computer	1,500.00
Power point projector	1,500.00

Your Committee recommends this amount be appropriated.

TOTAL AMOUNT RECOMMENDED: \$128,000

Your committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-38 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. 15-38, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

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

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

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

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

/s/ Peter Sitan
Peter Sitan, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member