STANDING COMMITTEE REPORT NO. 16-87

RE: C.R. NO. 16-92

SUBJECT: €1.4 MILLION GRANT FROM EUROPEAN COMMUNITY

MAY 29, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2010

Dear Mr. Speaker:

Your Committee on External affairs, to which was referred C.R. No. 16-92, entitled:

> "A RESOLUTION APPROVING THE €1.4 MILLION FINANCIAL ASSISTANCE AGREEMENT BETWEEN THE FEDERATED STATES OF MICRONESIA AND THE EUROPEAN COMMUNITY FOR DISASTER MANAGEMENT AND RISK REDUCTION IN EIGHT PACIFIC ACP STATES, AND ALL THE TERMS AND CONDITIONS THEREOF.",

begs leave to report as follows:

This resolution purports to approve a grant from the European Union for €1.4 million. The sum is the Federated States of Micronesia's allocation of a larger grant of €9.26 million to Eight Pacific Island countries, namely RMI, Nauru, Palau, PNG, Solomon Islands, Tonga, Tuvalu and FSM. The project manager, chosen by the EU, is SOPAC.

Your Committee held a public hearing on C.R. No.16-92 on May 27, 2010. Witnesses at the hearing included: Pelsesar Petrus, Special Assistant to the President; Judy Malan, PIO; Jun Bacalando, Daniel Rescue and John Malan, Department of Justice; Jane Chigiyal, Deputy Secretary of Foreign Affairs, Andrew Yatilman and Tony Neth, Office of Environment and Emergency Management.

Director Yatilman testified that the purpose of the grant was to promote better disaster management in the outer islands. A country implementation plan was prepared for the Federated States of Micronesia prior to the execution of the Financing Agreement, which itself was signed on October 18, 2007. The Federated States of Micronesia has not spent any of the funds allocated but SOPAC has already spent some of the grant money as part of their project management.

Deputy Secretary Chigiyal requested that Congress approve the grant to show that the Federated States of Micronesia needs the assistance. When the Federated States of Micronesia acceded to the Cotonou Agreement in 2001 there was a reference to EDF assistance but this is

a separate detailed agreement on a specific project. Deputy Secretary Chigiyal also mentioned that in 2007 the Federated States of Micronesia did not submit an application for EU funds, but merely indicated to the EU how it wanted the money to be spent.

Assistant Attorney General Bacalando testified that there is a need for Congress to approve this Agreement in order for the grant to be valid. In addition, the application for assistance should also have been approved. One reason the Agreement was not submitted was that departments relied on a previous memorandum from the Department of Justice (DOJ) that stated that no approval by Congress was necessary for this type of grant. The DOJ has changed its position, and now is of the opinion that all foreign financial assistance agreements, like this Financing Agreement, must be approved by Congress. There is therefore a need for Congress to approve this Agreement in order to ratify any previous actions and expenditures on this grant.

Your Committee is dismayed that it took almost three years for the Agreement to be submitted to Congress. The Committee is also dubious about the distinction drawn by Deputy Secretary Chigiyal between an application and an indication of use of funds. Nevertheless your Committee believes that this project is worthwhile and needed, and that there is a need to clean up previous shortcomings, especially the acknowledged mistakes.

Your Committee is in accord with C.R. No. 16-92 and recommends its adoption in the form attached hereto as C.R. No. 16-92.

STANDING COMMITTEE REPORT NO. 16-87

RE: C.R. NO. 16-92

SUBJECT: €1.4 MILLION GRANT FROM EUROPEAN COMMUNITY

MAY 29, 2010

Respectfully submitted,

/s/ Paliknoa K. Welly
Paliknoa K. Welly, chairman

Tiwiter Aritos, vice chairman

/s/ Isaac V. Figir
Isaac V. Figir, member

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

/s/ Setiro Paul
Setiro Paul, member

/s/ Dohsis Halbert
Dohsis Halbert, member

Joe N. Suka, member