

STANDING COMMITTEE REPORT NO. 17-59

RE: C.R. NO. 17-51/EX.AFF

SUBJECT: APPROVING THE AGREEMENT ON ECONOMIC AND
TECHNICAL COOPERATION FROM THE PEOPLE'S
REPUBLIC OF CHINA IN THE AMOUNT OF RMB
20,000,000.

OCTOBER 03, 2011

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Second Regular Session, 2011

Dear Mr. Speaker:

Your Committee on External Affairs, to which was referred
C.R. No. 17-51, entitled:

"A RESOLUTION APPROVING THE AGREEMENT ON ECONOMIC
AND TECHNICAL COOPERATION BETWEEN THE FEDERATED
STATES OF MICRONESIA AND THE PEOPLE'S REPUBLIC OF
CHINA FOR A GRANT AID IN THE AMOUNT OF RMB
20,000,000 FOR PROJECTS AGREED UPON BY BOTH
GOVERNMENTS."

begs leave to report as follows:

Your Committee would first like to take the opportunity to
communicate its profound gratitude and appreciation to the
People's Republic of China for its continued support of the
development efforts of the Federated States of Micronesia,
and in particular for the above-named grant for economic and
technical assistance.

On September 29, 2011 your Committee held a hearing
regarding the above-captioned C.R. No. 17-51 with the
Department of Foreign Affairs. Non-earmarked grants of the
type dealt with in this Resolution have been discussed by
your Committee previously. During those previous

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discussions it was recommended that the President compile a list of state approved projects that can be vetted to potential donor countries for approval when a grant is contemplated.

The Department of Foreign Affairs stated during the hearing that although several projects had been put forth by the States no formal list of state approved projects existed. Regarding this particular grant under consideration the President put forth his own recommendation for use of the monies to purchase a Y-12 airplane, upgrade and repair runways in the outer islands, and for related parts and training.

It was confirmed by the Department that the decision regarding use of the grant had not been made as a part of a collaboration with the states. Several members of your Committee raised the concern that the process designating the purchase of the airplane and related uses would violate the Constitution, Article XII section 1(b) of the Constitution states:

Foreign financial assistance received by the National Government shall be deposited in a Foreign Assistance Fund. Except where a particular distribution is required by the terms or special nature of the assistance, each state shall receive a share equal to the share of the national government and to the share of every other state.

The Department, in response to these statements, gave no legal justification or explanation.

After due deliberation your Committee favored the adoption of C.R. No. 17-51. However, as the underlying grant is not earmarked, it recommends it be divided equally among the states and National Government as per the Constitution as cited above.

Further, your Committee recommends that the portion designated for the National Government be deposited in its

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entirety to the FSM Trust Fund, and that it be strongly
suggested to the states to use their portions to fund their
shares of the FSM Trust Fund.

Your Committee on External Affairs is in accord with the
intent and purpose of C.R. No. 17-51, and recommends its
adoption in the form attached hereto.

Respectfully Submitted,

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

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

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

/s/ Berney Martin
Berney Martin, member

/s/ Tony H. Otto
Tony H. Otto, member

/s/ Wesley W. Simina
Wesley W. Simina, member

/s/ David W. Panuelo
David W. Panuelo, member