

STANDING COMMITTEE REPORT NO. 18-276

RE: C.B. NO. 18-36/R&D

SUBJECT: SOVEREIGN GUARANTEE FOR POHNPEI PORT
DEVELOPMENT PROJECT

FEBRUARY 02, 2015

The Honorable Dohsis Halbert
Speaker, Eighteenth Congress
Federated States of Micronesia
Sixth Regular Session, 2015

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was jointly referred C.B. No. 18-36, entitled:

"A BILL TO AUTHORIZE THE PRESIDENT OF THE FEDERATED STATES OF MICRONESIA, OR HIS DESIGNEE, TO EXECUTE A SOVEREIGN GUARANTEE TO SECURE AN ASIAN DEVELOPMENT BANK LOAN FOR THE POHNPEI PORT AUTHORITY DEVELOPMENT PROJECT, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

The subject bill was transmitted to Congress on July 19, 2013, through Presidential Communication No. 18-50 during the First Special Session of the 18th Congress. C.B. No. 18-36 is to authorize the President of the Federated States of Micronesia to execute a sovereign guarantee to secure an ADB loan for the Pohnpei Port Authority Development Project.

On Friday, January 30, 2015, your Committee conducted a public hearing on the said bill. Witnesses present included Ricky Carl, Chairman of the Board of Directors of the Pohnpei Port Authority (PPA), Nelperson Etse, General Manager of the PPA, Administrative Officer Thelma Palik, Juda Johnny, Pohnpei State Attorney General, Assistant AG Aaron Warren, from the FSM Department of Justice, Secretary Kensley Ikosia

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from the Department of Finance and Administration, and Esmond Moses,
ADB representative

Your Committee was informed that this loan package for Pohnpei State in the amount of \$17.1 million is for the upgrade of the Pohnpei Seaport facilities in Dekehtik. The State of Pohnpei is trying to access a \$16.4 million concession loan from the ADB to be matched by \$0.7 million from Pohnpei State.

The project will lengthen the current 328-meter seaport by another 173 meters to ease congestion and create capacity to accommodate more commercial ships. Specifically, it will avail a new passenger terminal, transport interchange, and a port control room. Additional navigation aids, separate access for cargo handling as well as access for persons with disabilities will be put in place. In addition, the project will bring Pohnpei Port in compliance with the International Ship and Port Security (ISPS) Code.

At the hearing, Chairman Ricky Carl explained that the PPA has the financial capacity to pay back the loan on the basis that PPA has around \$1.5 million invested with Smith and Barney. In addition, the ongoing activities at the Pohnpei Seaport as well as at the Pohnpei International Airport are sources of revenue for the PPA. The annual revenue generated by PPA is around \$3.3 million. Chairman Carl is confident that the PPA can pay back the loan.

Your Committee understands that for the purpose of this project, the FSM Congress has been requested to grant an authorization for the President to execute a sovereign guarantee with the Pohnpei State and ADB, pursuant to Article IX of the FSM Constitution. The ADB requires a sovereign guarantee from the FSM National Government as a condition for approving the loan.

Your Committee inquired with the General Manager and Chairman of the Board of Directors of the Pohnpei Port Authority on the amount of payment for the loan annually. GM Etse explained that the PPA, the FSM Department of Finance and Administration, and ADB representative will discuss the annual payment on the loan after there execution of the sovereign guarantee.

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Furthermore, your Committee discussed why there is no legislation passed by the Pohnpei State Legislature in a supporting effort in securing the loan. Your Committee stated that it is important that the Pohnpei State Legislature enact a legislation pledging its state revenues and agrees to an offset of its national revenue in the event of default by the State of Pohnpei.

Your Committee has agreed to take action on this measure with a condition that Pohnpei State "MUST" fulfill all the "Terms of the guarantee", as stated in Section 4 of the bill.

Recommendations of your committee

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 18-36 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. 18-36.

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Respectfully submitted,

/s/ David W. Panuelo
David W. Panuelo, chairman

/s/ Victor Gouland
Victor Gouland, vice chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, member

/s/ Florencio S. Harper
Florencio S. Harper, member

/s/ Berney Martin
Berney Martin, member

Joseph J. Urusemal, member

Paliknoa K. Welly, member