

STANDING COMMITTEE REPORT NO. CC-SCR-04-01

DATE: January 15, 2020

RE: CC-PR-04-02

The Honorable Redly Killion

President

4th FSM Constitutional Convention

Dear Mr. President:

Your Committee on Public Finance and Revenue, to which was referred Constitution Convention Proposed Amendment No. 04-02, entitled:

“PROPOSED AMENDMENT TO THE CONSTITUTION TO AMEND ARTICLE XII, SECTION 1(b) TO PROVIDE THAT DISTRIBUTION OF SHARES OF FOREIGN ASSISTANCE FROM THE FOREIGN ASSISTANCE FUND WILL BE MADE BY AGREEMENT BETWEEN THE STATES AND THE NATIONAL GOVERNMENT INSTEAD OF SHARED IN EQUAL PORTIONS BY ALL FOUR STATES AND NATIONAL GOVERNMENT.”,

begs leave to report as follows:

The intent and purpose of the proposal is stated in its title.

Your Committee held a public hearing on January 15, 2020 in the Committee Conference Room at the FSM Capital in Palikir, Pohnpei. At that hearing, your committee took testimony from the Secretary of Finance, Eugene Amor and Deputy Secretary of Foreign Affairs, Ricky Cantero regarding the proposed amendment.

Delegate Camillo Noket, the introducer of the proposed constitutional amendment, began the discussion by explaining the purpose and intent. He explained the need for the National Government and the State Governments to work together when funds are deposited into the Foreign Assistance Fund that fall under this Constitutional provision.

Delegate Ricky Cantero informed your Committee that the Secretary of Foreign Affairs Kandhi Elieisar, regretfully could not attend the hearing and he would be testifying on behalf of the Department of Foreign Affairs as the Deputy Secretary.

Deputy Secretary Cantero offered to give an example of how foreign assistance is currently received by the Department of Foreign Affairs. He was asked, if he knew if Foreign Affairs had received any funds in the past five years that was subject to the Constitutional provision in

question. He stated that he has yet to witness any funds that have come in that were not already earmarked and would fall under the distribution formula mandated in the Constitution.

The Secretary of Finance, Eugene Amor, was asked by your Committee if he knew of any foreign assistance that has come in which is subject to the distribution formula as mandated under this Constitutional provision. Secretary Amor stated that he also has not seen any foreign assistance to the FSM in the past five years that was not already earmarked for a project. He stated that foreign assistance does not come in without having strings attached.

Your Committee asked Secretary Amor if there were any funds in the Foreign Assistance Fund that have not been distributed but would fall under the distribution formula in this particular Constitutional provision. The Secretary explained that foreign assistance is not deposited in a separate account but all funds go into the general fund but there is a system that tacks the funds to track foreign assistance coming in. He stated that all funds received for foreign assistance are tacked to a specific project.

Delegate Noket asked Secretary Amor while the current practice is for foreign donors to give fund for specific projects, that this trend could change in the future? Secretary Amor stated that it could change in the future but he believes the trend currently is for foreign donors to require the foreign assistance to be used for specific projects. Deputy Cantero added that he believes that foreign donors will no longer be giving blank checks, that would require the distribution formula in the Constitution to be utilized.

Delegate Noket stated that the proposed amendment is important because in the future if the trend reverses and foreign assistance is given to the Federated States of Micronesia without a project attached, then the National Government and the States should work out an agreement as to how best to appropriate the foreign assistance. Your Committee discussed the proposed amendment and agreed to report it out for consideration at plenary.

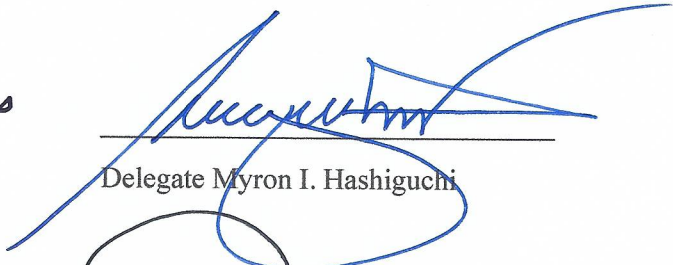
For the reasons stated herein, your Committee on Public Finance and Revenue is in accord with the intent and purpose of the committee proposal attached hereto and recommends its passage on First Reading, and that it be placed on the Calendar for Second Reading for review by your Committee of the Whole, then placed on the Calendar for Final Reading after review by your Committee on Style and Arrangement.

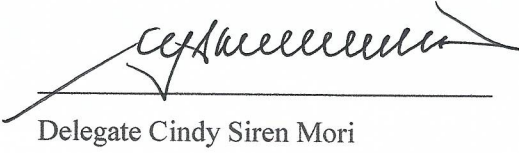
Respectfully submitted,

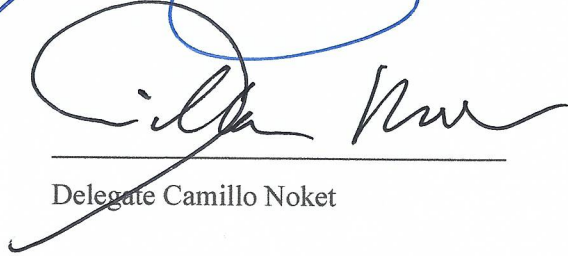

Chairman Peter Sitan

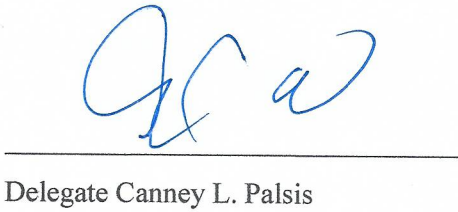

Vice Chairman Tedy Tesiwo Liwy

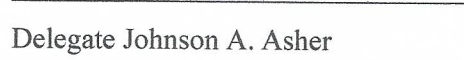

Delegate Jack S. Fritz

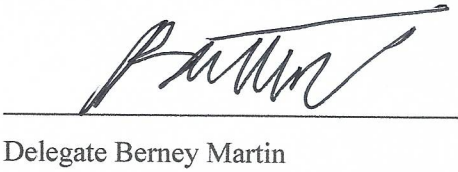

Delegate Myron I. Hashiguchi

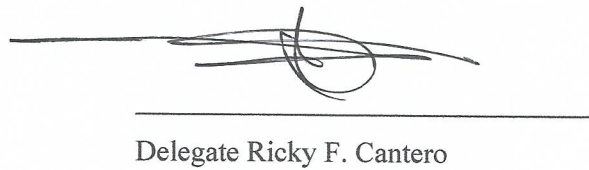

Delegate Cindy Siren Mori

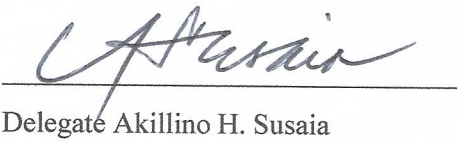

Delegate Camillo Noket

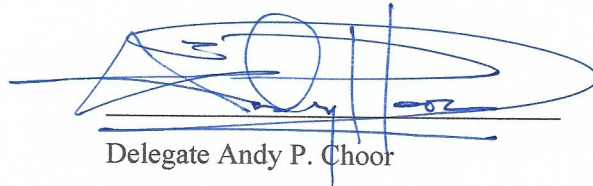

Delegate Canney L. Palsis

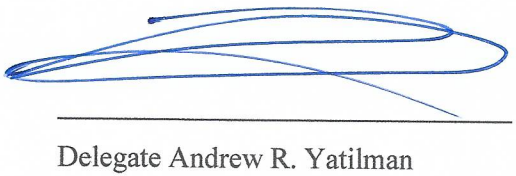

Delegate Johnson A. Asher


Delegate Berney Martin


Delegate Ricky F. Cantero


Delegate Akillino H. Susaia


Delegate Andy P. Choor


Delegate Andrew R. Yatilman

PROPOSED AMENDMENT TO CONSTITUTION

To amend Article XII, Section 1(b) to provide that distribution of shares of foreign assistance from the foreign assistance fund will be made by agreement between the States and National Government instead of shared in equal portions by the all four States and National Government.

Article XII, Section 1(b) currently reads:

(b) 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.

Amend Article XII, Section 1(b) to read as follows:

(b) 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 National Government and states shall receive shares of the assistance as provided by agreement between the National Government and the States.

PURPOSE AND INTENT OF THE AMENDMENT:

Reasons for replacing equal shares of foreign assistance distribution with that agreed to by the States and National Government:

- Some States might have a greater need for foreign assistance aid due to natural disasters and other unforeseen developments.
- Many Micronesians feel that having 1/5 of the foreign assistance share go to the National Government is money that is not allocated appropriately.
- The FSM is generally decentralized, so there should be more power for the States to determine the distribution of assets – although the National Government ought to be involved to an extent.
- This amendment will provide for greater financial flexibility for the FSM States to react to challenges in the future.

Introducer:


Camillo Noket

1/9/20
Date