

Your Committee on External Affairs, to which was jointly referred the National Government's proposed FY 2004 Budget, begs leave to report as follows:

The FY 2004 Proposed Budget Book, transmitted by the Executive on April 29, 2003, details the National Government's proposed budget for Fiscal Year 2004. Pursuant to rule 7, section 5(b), of the Official Rules of Procedure of the Thirteenth Congress of the Federated States of Micronesia, your committee has limited its review to those portions relating to matters under its jurisdiction. Those portions include:

I. The Department of Foreign Affairs, including the Office of the Secretary, the Division of Asian, Pacific, African and Multilateral Affairs, the Division of American and European Affairs, and the FSM embassies and consulates abroad (together the "Department");

II. The Joint Committee on Compact Economic Negotiations (JCN);

III. The National Authorizing Committee (ACP/EU); and

IV. Subsidies and contributions to the Forum Secretariat; the Pacific Community; the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP); the United Nations Secretariat; the East West Center; and the Cotonou Membership Fee.

Your committee conducted hearings with the Department to consider its budget request on May 15, May 20, and May 22, 2003. On May 27 your committee conducted public hearings with the JCN to consider its budget.

Based upon those hearings and further deliberations, your committee presented its preliminary findings and recommendations in Standing Committee Report No. 13-10 ("SCR No. 13-10"). Although adopted by the committee and placed on the Congressional Calendar for action, Members deferred action on SCR No. 13-10 to the next session of Congress.

Thereafter, your committee's report was included, along with those of Congress' other standing committees, in a letter transmitted to the President of the Federated States of Micronesia. The letter indicated that, because many issues regarding budget procedures under the Amended Compact remained unresolved, the standing committee reports were merely "advisory" in nature.

Congress convened its Second Special Session of the Thirteenth Congress on September 25, 2003, to enact the FY 2004 Budget and to conduct other business. On September 27, 2003, Congress recommitted SCR No. 13-10 to your committee to enable it to make its final recommendations.

This standing committee report reflects the final recommendations of your Committee on External Affairs regarding the proposed FY 2004 Budget. Accordingly, your committee offers the following recommendations.

I. Department of Foreign Affairs.

Department Total:

FY 2004 Total	\$3,294,902	Committee
	\$3,294,902	
Proposed:		Recommends:
FY 2003 Total	\$3,692,032	
Appropriated:		

Your committee congratulates the Department for achieving a ten percent (10%) reduction from the FY2003 to the proposed FY2004 Budget. The committee understands the critical importance of the Department's mission and the necessity of funding its essential functions. As the foreign relations function for this government, the Department fulfills a role that cannot be delegated to the States. We also recognize that the Department's mission will continue to gain importance as time passes. Nevertheless, the Department must play its part along with the other agencies and branches of this government in reducing costs.

To that end, your committee has the following specific comments.

(1) The Department should carefully review its travel requirements. Where feasible, it should consolidate missions so that one trip may be utilized to address a number of issues. The Department should also be cognizant of the requirement that Government itineraries should utilize the most direct and most economic travel plans available. Foreign mission personnel should be utilized where possible in place of home office personnel to cut travel expenses. That said, the committee has grave concerns regarding the current use of travel funds by the overseas missions. The committee recommends that the Secretary carefully review the destination, purpose and duration of each travel request and determine whether it is truly necessary to fulfill the Department's duties and obligations. In summary, the Department should seek ways to avoid waste and duplication in its travel budget.

(2) The Department should continue to seek a permanent solution to the problem of currency fluctuations with regard to the Tokyo embassy budget and now, with our

expanding presence in Europe, with respect to the Euro-dollar. The committee would reiterate its recommendation that the Department explore the possibility of establishing a "hedging account " with one of our money managers to offset losses in the value of the U.S. Dollar against the Yen. Any of our money managers should be able to quickly determine whether this is a viable solution and propose a program to address the matter if it is.

(3) The committee has received information indicating that personnel in the United Nations mission in New York have missed certain important meetings, and that this is a continuing practice. It appears that our personnel at embassies/consulates overseas are becoming complacent, limiting their efforts to that necessary to fulfill their minimum obligations. This attitude is problematic under any circumstances and unacceptable in the face of our expanded diplomacy to include trade and economic relations with our partners.

The committee would remind the Department that the New York office is an extremely important and costly operation. While we understand the stress of maintaining the level of energy necessary to meet all of the obligations of that office, the mission must nevertheless be accomplished. If fatigue is a problem, the Department should consider a shorter rotation for assignments to that office and perhaps recommend to the President that he rotate the role of Ambassador on a two-year basis.

(4) The Department should continue and expand its efforts to utilize its contacts and resources to promote the economic programs of the FSM. The committee would hope that the Department can improve its cooperation with the Department of Economic Affairs, the National Oceanic Resource Management Authority and all other economic-related agencies and offices to coordinate efforts to accomplish the Nation's economic goals. On that point, the committee would recommend that the President consider economic or business experience as a necessary criteria in any future decision regarding appointment of key personnel in the Department.

(5) The committee supports the continued expansion of formal diplomatic relations with other nations. Specifically, the committee would recommend expansion of our relations with nations within the European Union. The committee was informed that a number of European governments and non-governmental organizations offered assistance-during the deadly typhoon that struck Chuuk State earlier this year. Some of the assistance was lost because we had no means to coordinate with the donor organizations. The committee believes that an expanded presence in Europe would help to avoid this kind of problem in the future and enhance our access to other development and aid opportunities.

Of course the committee is aware of the significant financial constraints facing the Department at this time. Thus, the committee would request that the Department explore

alternatives to establishing resident missions to these countries, including establishing honorary consuls where appropriate.

(6) The committee notes that the formal negotiations on the Amended Compact of Free Association are now complete and the agreement has been transmitted to the United States Congress. We also understand that informal negotiation and lobbying efforts will continue until the documents are finalized. Nevertheless, the committee believes that it is appropriate at this time to review the various duties of the various personnel involved in the negotiations to determine which positions, including the legal counsel and lobbyists, may be scaled back or phased out. The committee requests that the Department undertake this task in cooperation with members of the Joint Committee on Compact Economic Negotiations and report its recommendations to the committee at the earliest possible opportunity.

(7) The committee recommends that the Department reevaluate the current pay rates of members of the foreign missions. The committee believes that the pay levels may be excessive in some instances. The National Government must seek to curb expenses where it can. The committee believes that this area is ripe for review.

(8) The committee urges the Secretary to ensure that, with specific emphasis on the missions in Guam, Honolulu and Washington D.C., each state is represented in the staff membership of each embassy and consulate office. The committee is confident that Department personnel are equally professional and courteous to every FSM citizen, regardless of origin. Nevertheless, some citizens are more comfortable with persons with whom they share a common language and customs. The committee believes that the Department should be particularly sensitive to this issue as many visitors to our foreign missions are in unfamiliar surroundings and/or under stress from the matter that prompted them to contact Department personnel.

A. Office of the Secretary:

1. Positions:

President proposes	4
Committee recommends	4

The proposal is for 4 positions, the same as for FY 2003. Therefore, your committee recommends approval of this proposal.

2. Salaries and Benefits:

FY 2004 Total	\$82,977	Committee
\$82,977		

Proposed:
FY 2003 Total \$85,932
Appropriated:

Recommends:

This proposal is lower than the FY 2003 appropriation for this category. Your committee recommends approval of the proposal.

3. Travel:

FY 2004 Total \$118,388
\$118,388
Proposed:
FY 2003 Total \$146,753
Appropriated:

Committee

Recommends:

This proposed appropriation is almost \$30,000 lower than the amount approved for FY 2003. The committee congratulates the Department for its efforts at cost saving, and hopes that the Department can complete its mission through trip consolidation and other savings methods. Your committee recommends approval of the amount proposed.

4. Contract Services:

FY 2004 Total \$26, 000
\$26,000
Proposed:
FY 2003 Total \$35,000
Appropriated:

Committee

Recommends:

Your committee notes that this expense is reduced by approximately \$10,000 from FY 2003. Your committee recommends approval of the amount proposed.

5. Other Current Expenses:

FY 2004 Total \$48,400
\$48,400
Proposed:
FY 2003 Total \$50,400
Appropriated:

Committee

Recommends:

Your committee continues to encourage the department to seek ways to cut telecommunications expenses. Your committee recommends approval of the amount proposed.

B. Division of Asian, Pacific, African and: Multilateral Affairs:

1. Positions:

President proposes	6
Committee recommends	6

The President proposes 6 positions, the same as for FY 2003. Your committee recommends approval of the 6 positions.

2. Salaries and Benefits:

FY 2004 Total	\$95,869	Committee
Proposed:		Recommends:
FY 2003 Total	\$98,827	
Appropriated:		

The President's proposal is a decrease from FY 2003, largely the result of reductions in the salary step of 2 positions to reflect actual step/grades. Your committee recommends approval of the proposed amount.

C. Division of American and European Affairs:

1. Positions:

President proposes	5
Committee recommends	5

The President proposes 5 positions, the same as for FY 2003. Your committee recommends approval of the 5 positions.

2. Salaries and Benefits:

FY 2004 Total	\$77,172	Committee
Proposed:		Recommends:
FY 2003 Total	\$77,170	
Appropriated:		

The President's proposal is unchanged from FY 2003. Your committee recommends approval of the proposed amount.

D. FSM Consulate - Guam:

1. Positions:

President proposes	4
Committee recommends	4

The President proposes 4 positions, the same number as was approved for FY 2003. Your committee recommends approval of the 4 positions.

2. Salaries and Benefits:

FY 2004 Total	\$105,753	Committee
\$105,753		
Proposed:		Recommends:
FY 2003 Total	\$105,753	
Appropriated:		

The President's proposal is the same as for FY 2003. Your committee recommends approval of the proposed amount.

3. Travel:

FY 2004 Total	\$10,266	Committee
\$10,266		
Proposed:		Recommends:
FY 2003 Total	\$10,266	
Appropriated:		

The President's proposal is the same as for FY 2003. Your committee recommends approval of the proposed amount .

4. Contract Services:

FY 2004 Total	\$103,021	Committee
\$103,021		
Proposed:		Recommends:
FY 2003 Total	\$131,021	
Appropriated:		

The President's proposal is reduced from the total amount appropriated for FY 2003 by \$28,000 largely reflecting a reduction in "Staff Housing". Your committee recommends approval of the proposed amount.

5. Other Current Expenses:

Your committee renews its request that the consulate use an appropriate amount of the amount approved to serve FSM citizens who live on Hawaii's outer islands. Your committee recommends approval of the proposed amount.

4. Contract Services:

FY 2004 Total	\$ 86,400	Committee
\$86,400		
Proposed:		Recommends:
FY 2003 Total	\$109,100	
Appropriated:		

Your committee recommends approval of the proposed amount.

5. Other Current Expenses:

FY 2004 Total	\$17,944	Committee
\$17,944		
Proposed:		Recommends:
FY 2003 Total	\$19,944	
Appropriated:		

The President's request is \$2,000 less than for FY 2003. Your committee recommends approval of the proposed amount.

F. FSM Embassy - Washington, D.C.:

1. Positions:

President proposes	4
Committee recommends	4

The President proposes 4 positions, unchanged from fiscal year 2003. Your committee recommends approval of the 4 positions.

2. Salaries and Benefits:

FY 2004 Total	\$174,380	Committee
\$174,380		
Proposed:		Recommends:
FY 2003 Total	\$174,380	
Appropriated:		

The President proposes \$174,380, unchanged from FY 2001 through 2003. Your committee recommends approval of the proposed amount.

3. Travel:

FY 2004 Total	\$33,378	Committee
\$33,378		
Proposed:		Recommends:
FY 2003 Total	\$103,920	
Appropriated:		

Your committee notes that this is a significant reduction from FY 2003, but would repeat its recommendation that the office consolidate missions and seek methods to be more efficient with travel funds. Your committee recommends approval of the proposed amount.

4. Contract Services:

FY 2004 Total	\$496,500	Committee
\$496,500		
Proposed:		Recommends:
FY 2003 Total	\$521,000	
Appropriated:		

Your committee notes that this is a \$25,000 reduction from FY 2003 and requests that the Department consider additional cost savings methods. Your committee recommends approval of the proposed amount.

5. Other Current Expenses:

FY 2004 Total	\$40,000	Committee
\$40,000		
Proposed:		Recommends:
FY 2003 Total	\$50,850	
Appropriated:		

The President's request is approximately \$10,000 less than the amount appropriated for FY 2003. Your committee recommends approval of the proposed amount.

6. Fixed Assets:

FY 2004 Total	\$1,000	Committee	\$1,000
Proposed:		Recommends:	
FY 2003 Total	\$25,400		
Appropriated:			

Your committee recommends approval of the proposed amount.

G. FSM Embassy - Suva, Fiji:

1. Positions:

President proposes	2
Committee recommends	2

The President proposes 2 positions, the same as fiscal year 2003. Your committee recommends approval of the 2 positions.

2. Salaries and Benefits:

FY 2004 Total	\$93,225	Committee
Proposed:		Recommends:
FY 2003 Total	\$93,225	
Appropriated:		

The President's request is unchanged from FY 2003. Your committee recommends approval of the proposed amount.

3. Travel:

FY 2004 Total	\$23,456	Committee
Proposed:		Recommends:
FY 2003 Total	\$20,749	
Appropriated:		

The President's request is approximately a \$3,000 increase from the amount approved for FY 2003. Your committee recognizes the necessity of the requested travel, but repeats its admonition that the office should seek ways to reduce travel costs. Your committee recommends approval of the proposed amount.

4. Contract Services:

FY 2004 Total	\$46,725	Committee
Proposed:		Recommends:
FY 2003 Total	\$51,725	

Appropriated:

The President's request is \$5,000 less than the amount approved for FY 2003. Your committee recommends approval of the proposed amount.

4. Other Current Expenses:

FY 2004 Total	\$30,350	Committee
\$30,350		
Proposed:		Recommends:
FY 2003 Total	\$31,635	
Appropriated:		

The President's request is reduced by \$1,285 from FY 2003. Your committee commends the office for its continuing efforts and recommends approval of the proposed amount.

5. Fixed Assets:

FY 2004 Total	\$2,400	Committee	\$2,400
Proposed:		Recommends:	
FY 2003 Total	\$2,400		
Appropriated:			

Your committee recommends approval of the proposed amount.

H. FSM Embassy - Tokyo, Japan:

1. Positions:

President proposes	3
Committee recommends	3

The President proposes 3 positions, unchanged from fiscal year 2003. Your committee recommends approval of the 3 positions.

2. Salaries and Benefits:

FY 2004 Total	\$231,651	Committee
\$231,651		
Proposed:		Recommends:
FY 2003 Total	\$231,651	
Appropriated:		

Your committee recommends approval of the proposed amount.

3. Travel:

FY 2004 Total \$26,527
 \$26,527

Committee

Proposed:

Recommends:

FY 2003 Total \$52,060

Appropriated:

The President's request is a significant reduction from past travel requests. Your committee commends the office and the Department for their efforts to conserve funds. Because the committee trusts that the Department is satisfied that the office can accomplish its mission with r the limited funds, your committee recommends approval of the proposed amount.

4. Contract Services:

FY 2004 Total \$543,500
 \$543,500

Committee

Proposed:

Recommends:

FY 2003 Total \$582,360

Appropriated:

The President's request is \$38,860 less than the amount approved for FY 2003. The committee commends the Department's efforts and recommends approval of the proposed amount.

5. Other Current Expenses:

FY 2004 Total \$82,900
 \$82,900

Committee

Proposed:

Recommends:

FY 2003 Total \$93,700

Appropriated:

The President's request is \$10,800 less than the amount approved in this category for FY 2003. The committee commends the Department's efforts and recommends approval of the proposed amount.

I. United Nations Mission:

1. Positions:

President proposes	3
Committee recommends	3

The President proposes 3 positions, unchanged from fiscal year 2003. Your committee recommends approval of the 3 positions.

2. Salaries and Benefits:

FY 2004 Total	\$159,753	Committee
\$159,753		
Proposed:		Recommends:
FY 2003 Total	\$159,753	
Appropriated:		

The President proposes \$159,753, the same amount that was approved for FY 2003. Your committee recommends approval of the proposed amount.

3. Travel:

FY 2004 Total	\$16,000	Committee
\$16,000		
Proposed:		Recommends:
FY 2003 Total	\$37,808	
Appropriated:		

The President's request is \$21,808 less than the amount approved for FY 2003. Your committee believes that the office should consolidate its trips and limit its travel to critical meetings and events. The committee believes that the amount proposed is sufficient to accomplish this. Thus, your committee recommends approval of the proposed amount.

4. Contract Services:

FY 2004 Total	\$328,241	Committee
\$323,241		
Proposed:		Recommends:
FY 2003 Total	\$353,800	
Appropriated:		

The President's request is \$25,559 less than the amount approved for FY 2003. Your committee recommends approval of the amount requested.

5. Other Current Expenses:

FY 2004 Total	\$40,000	Committee
\$40,000		
Proposed:		Recommends:
FY 2003 Total	\$54,900	
Appropriated:		

The President's request is \$14,900 less than the amount approved for FY 2003. Your committee recommends approval of the proposed amount.

II. Special Programs.

A. Joint Committee on Compact Economic Negotiations (JCN).

FY 2004 Total	\$ 297,001	Committee
	\$297,001	
Proposed:		Recommends:
FY 2003 Total	\$1,154,916	
Appropriated:		

The committee notes that the JCN has largely completed its primary task. As noted above, the committee understands that the JCN's work will continue in a less formal manner while the Compact moves through the legislative review and ratification process. In recognition of the diminishing responsibilities of the JCN, the committee concurs with the decision to significantly reduce funding for this function for FY2004.

The committee requests that the Department of Foreign Affairs and the President critically review the need for any continued activities by the JCN and recommend a plan regarding the future, if any, of this organization to this committee at the earliest opportunity.

As noted above, given the diminishing responsibilities of the JCN, your committee recommends approval of the proposed amount.

1. Positions:

President proposes	3
Committee recommends	3

The President requests 3 positions, a decrease of one position from FY 2003. The position of the staff economist would be eliminated under this proposal. Given that the mission of the JCN is diminishing, your committee defers to the judgment of the executive branch on this matter, and recommends approval of the 3 positions.

2. Salaries and Benefits:

FY 2004 Total	\$74,898	Committee
	\$74,898	
Proposed:		Recommends:
FY 2003 Total	\$148,373	

Appropriated:

The President's request is \$70,897 less than for FY 2003. This reflects the elimination of the staff economist position. Your committee recommends approval of the proposed amount.

3. Travel:

FY 2004 Total	\$75,852	Committee
\$75,852		

Proposed: Committee Recommends:

FY 2003 Total	\$400,143
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Appropriated:

The President's proposal is a decrease of \$324,291 from the amount approved for FY 2003, reflecting the diminishing responsibilities of the JCN. Your committee recommends approval of the proposed amount.

4. Contract Services:

FY 2004 Total	\$75,851	Committee
\$75,851		

Proposed: Committee Recommends:

FY 2003 Total	\$520,400
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Appropriated:

The President's proposal eliminates funding for: Compact Treaty Advisor, Defense and Security Advisor, Eminent Economist, Leased Housing-Deputy Director and Economist, Press and Communications Advisor, Research Specialist Stenographic Services, and Washington Based Lobbyist. In light of the diminishing responsibilities of the JCN, your committee recommends approval of the proposed amount.

5. Other Current Expenses:

FY 2004 Total	\$70,400	Committee
\$70,400		

Proposed: Committee Recommends:

FY 2003 Total	\$86,000
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Appropriated:

The President's request is \$16,000 below what was approved for FY 2003. Your committee recommends approval of the proposed amount.

B. National Authorizing Committee (ACP/EU):

National Authorizing Committee (NAC) members briefed your committee on the proposed outer island renewable and sustainable energy projects to be funded out of EU

grants. The NAC noted that our performance with regard to this first project may have significant impact, either positive or negative, on our ability to procure future grants. The long-term success of the project will depend upon reliable maintenance of the system and its sustainability. The committee, therefore, requests that the committee work closely with the States to explore ways to create a payment scheme whereby the recipients pay for services or provide maintenance services in exchange for service. The committee believes that the system must be self-sufficient if it is to prove a success.

The committee notes that the NAC requests \$15,000 for travel. All of the members work in departments that have significant travel budgets. Therefore, consistent with our earlier comments, the committee would

request that the President encourage the various members to consolidate their NAC work with their respective department travels.

1. Travel:

FY 2004 Total	\$15,000	Committee
\$15,000		
Proposed:		Recommends:
FY 2003 Total	\$30,000	
Appropriated:		

Your committee recommends approval of the proposed amount.

III. Grants, Subsidies and Contributions:

Except for the membership fees for the United Nations and for the ACP, pursuant to the Cotonou Agreement, all of the amounts requested in this category are fixed amounts, unchanged from FY 2003. All of the programs in this category are important and useful to the Nation.

A. The Forum Secretariat:

FY 2004 Total	\$35,000	Committee
\$35,000		
Proposed:		Recommends:
FY 2003 Total	\$35,000	
Appropriated:		

Your committee recommends approval of the requested amount.

B. Pacific Community:

FY 2004 Total	\$30,000	Committee
\$30,000		

Proposed:
FY 2003 Total \$30,000
Appropriated:

Recommends:

Your committee recommends approval of the proposed amount.

B. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP):

FY 2004 Total \$5,000
Proposed:
FY 2003 Total \$5,000
Appropriated:

Committee \$5,000
Recommends:

Your committee recommends approval of the proposed amount.

D. United Nations (membership and other fees):

FY 2004 Total \$60,000
 \$60,000
Proposed:
FY 2003 Total \$100,000
Appropriated:

Committee
Recommends:

Your committee recommends approval of the proposed amount.

E. East West Center:

FY 2004 Total \$10,000
 \$10,000
Proposed:
FY 2003 Total \$10,000
Appropriated:

Committee
Recommends:

Your committee recommends approval of the proposed amount.

IV. Recommendations and Conclusions:

Your Committee on External Affairs has reviewed the proposed FY 2004 Budget and carefully scrutinized all of the information provided by the Executive and the entities within your committee's jurisdiction. Each of the sums the "Committee recommends" as set forth above reflects funding for the designated activity, program or project for all of fiscal year 2004.

Subject to the conditions and limitations set forth herein, and the availability of funds as determined by your Committee on Ways and Means, your Committee on External Affairs recommends approval of the amounts listed above.

Signed by Senators Figir, Fritz, Alik, Moses, Neth, Asugar and Aritos