

STANDING COMMITTEE REPORT NO. 15-92

RE: C.B. NO. 15-74/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

The Honorable Isaac Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Third Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred C.B. No. 15-74, entitled:

"A BILL FOR AN ACT TO APPROPRIATE THE SUM OF \$50,000 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE PURPOSE OF FUNDING THE MICRONESIA CONSERVATION TRUST (MCT) OPERATIONS ENDOWMENT FUND, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

This is a supplemental appropriation bill requesting \$50,000 from the General fund to match donated funds to the MCT. The MCT has a donor who will donate \$500,000 if the MCT can secure \$50,000 from the Government of the FSM. This amount has already been received and is reserved pending the Congressional appropriation.

The total appropriated amount for FY08 so far is \$39,178,699, leaving a fund balance of **\$6,357,159** available for appropriation. (This is using a total revenue estimate of \$45,535,858, which follows the Executive Branch's most recent projection of \$47,930,944, minus \$1,050,000 for Corporate tax, and minus the FY08 SEG grant of \$1,345,086. Testimony from the Executive Branch at other hearings confirmed these amounts cannot be relied upon for FY08). There are other appropriation bills before Congress, however, which is passes will significantly reduce the surplus.

Your committee held a public hearing on the supplemental appropriation request commencing at 1 p.m., 13 February 2008 in the Congress Committee hearing room at Palikir, Pohnpei. Senator Dohsis Halbert, Chairman of the Ways and Means Committee chaired the meeting. Committee members present were Vice Chairman Senator Roosevelt D. Kansou, Senator Moses A. Nelson, and Senator Peter Sitan. Witnesses from the MCT and SBOC were present.

The Micronesia Conservation Trust

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Established in 2002, the MCT was created to "support biodiversity conservation and related sustainable development for the people of the Federated States of Micronesia" (see attached fact sheet). The MCT operates to distribute funds in all four states of the FSM.

The MCT witnesses stated that the MCT is an effective fundraiser, handling approximately \$1 million per year. This money is raised, then granted to worthwhile projects in the communities in all FSM states.

It is also a unique organisation in the Pacific, managing many programs. For example, the MCT handles a percentage of the grants awarded under EDF9 (the 9th European Development Fund). Without MCT, communities would not have been able to access these funds as effectively. This amounts to approximately \$700,000 - \$1 million. The MCT is the only Non-governmental Organisation in the Pacific to handle the EDF9 grants, with other nations having a UNDP office to administer them. This highlights the elevated status and significance of the MCT.

Further, the MCT manages the \$13 million raised for the Micronesia Challenge. The endowment fund they are hoping to establish will also be used to manage those funds better.

Chairman Nelson inquired why the functions of the MCT in only encompassed conservation, and wanted to know why they did not focus on issues like climate change. He stated that if the sea levels rise on the outer islands, no amount of conservation will help submerged islands. The MCT witnesses stated that conservation helped the resilience of ecosystems. If the FSM doesn't take care of its environment now, it will be more susceptible to the effects of climate change. This resilience is now needed more than ever.

The Executive director also pointed out that far from ignoring the needs of low lying outer islands, the MCT actively seeks to engage them and assist with dealing with their needs. The Board of the MCT consists of four (4) members from low-lying islands and 4 from 'high islands'. Further, you cannot address conservation in the FSM without addressing climate change. Finally, there is a great need to conserve not only the environment of the outer islands, but the lifestyle and culture as well. These are all linked.

The MCT does not fund programs unless the affected communities are fully behind them.

Funding sources

The MCT receives funding from donors. It also manages grants. The

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FEBRUARY 21, 2008

MCT has never requested money from Congress before. It does not receive funding from the states, as its programs are national or regional. The MCT may move to help establish some state based organizations, but it does not currently work with any.

The donors that contribute to the MCT have indicated that they would like to see support of MCT from the National Government. The way to demonstrate this support is funding. The donors really want to see the commitment of the nation to environmental conservation. If Congress supports the MCT by approving this request, it will provide a great deal more leverage for the MCT to access more funding.

Appropriation request

The \$50,000 is to match a pledge by a donor to go into an endowment. The ultimate goal of the MCT is to raise \$2.5 million dollars for the endowment fund, and the MCT sees Governmental support of its efforts as crucial to achieving this goal. By showing the MCT has national support, they believe that other organizations will then step up and contribute. Mr Willy Kostka, the Executive Director of the MCT, testified that the supplemental request to Congress has already generated some support amongst donors, and if granted he believes will indeed lead to more fund raising opportunities for the MCT.

This appropriation request did not come as part of the Presidential request for supplemental appropriations, but as a private members bill. When queried about this, the Executive Director apologized, and cited lack of understanding of the correct process for appropriating supplemental funds. The amount had been discussed with the Office of Statistics, Budget and planning, Overseas Assistance and Compact Management (SBOC) but MCT had then arranged for Senator Primo to sponsor the bill. SBOC representative, Mr. Olivier Wenzel, stated that the matter had been discussed, and the absence of the amount in the Presidential request did no mean SBOC was unsupportive of the request. Rather, it could be due to the fact the Director was off island.

Use of requested funds

The \$50,000 requested from Congress, the \$500,000 in matching funds and the aspirational total of \$2.5 millions dollars in total funds raised are to form an operational and endowment fund. The interest from this fund will provide the money for both the administrative operations of the MCT and for community programs.

International reputation

Mr. George, a Director of the MCT, pointed out that the President is in Rome at the moment, taking part in a conference on the Environment. It will be highly beneficial for the FSM as a gesture of our

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commitment to the environment if this funding is approved.

Recommendations

Your committee recommends appropriating the amount of \$50,000 from the General Fund for the Micronesia Conservation Trust.

TOTAL RECOMMENDED **50,000**

Your committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-74 but does not recommend its passage on First Reading. Rather, your Committee recommends that the amount of \$50,000 be appropriated for the same purpose in the supplemental budget bill, CB 15-97, as the form C.D.1.

Respectfully submitted,

Dohsis Halbert, chairman

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, vice chairman

Moses A. Nelson, member

/s/ Claude H. Phillip
Claude H. Phillip, member

/s/ Fredrico O. Primo
Fredrico O. Primo, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member