

STANDING COMMITTEE REPORT NO. 22-11

RE: C.R. NO. 22-28/T&C

SUBJECT: APPROVING AND ACCEPTING SDR 27, 800,000
(APPROXIMATELY \$40 MILLION) GRANT FROM WORLD BANK
FOR PRIORITIZED ROAD INVESTMENT & MANAGEMENT
ENHANCEMENT (PRIME) PROJECT.

JULY 23, 2021

The Honorable Wesley W. Simina
Speaker, Twenty-Second Congress
Federated States of Micronesia
First Special Session, 2021

Dear Mr. Speaker:

Your Committee on Transportation and Communication, to which was referred C.R. No. 22-28 entitled:

“TO APPROVING AND ACCEPTING A GRANT IN THE AMOUNT OF SDR 27,880,000 (SPECIAL DRAWING RIGHTS) FROM THE WORLD BANK FOR THE PURPOSE OF FUNDING A PROJECT IN THE FEDERATED STATES OF MICRONESIA ENTITLED: “PRIORITIZED ROAD INVESTMENT & MANAGEMENT ENHANCEMENTS (PRIME) PROJECT”, INCLUDING ALL THE TERMS AND CONDITIONS OF THE ASSISTANCE.”,

begs leave to report as follows:

The intent and purpose of this resolution are expressed in its title.

Congressional Resolution No. 22-28 was transmitted to Congress on June 18, 2021, through Presidential Communication No. 22-35. Your Committee conducted a public hearing on Congressional Resolution No. 22-28 on Wednesday, July 21, 2021, at 1:00 p.m. at the Congress hearing room.

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Chairman Victor V. Gouland chaired the hearing. Members of Congress that Zoomed in and participated in the hearing included Aren Palik, Isaac V. Figir, Speaker Wesley Simina and Floor Leader Florencio S. Harper. Witnesses who attended the hearing included the Secretary of the Department of Finance and Administration (DOFA) Eugene Amor and his staff, Mr. Robert Solomon; Mr. Gerard Osborne, FSMIP Project Manager, Mrs. Eileen Mackenzie, Administrative Officer, Mrs. Sonia Kephass, FSMIP Project Officer from the Project Management Unit (PMU) under the Department of Transportation, Communications and Infrastructure; Assistant Attorney General Robert Nakazone, Jr.; Mr. Lorin Robert and Libar George staff from the Office of the President.

Chairman Gouland thanked the witnesses for availing their time and yielded the floor to the witnesses to explain Congressional Resolution No. 22-28, which is the SDR 27, 880,000 (approximately \$40 million) grant from the World Bank.

Mr. Gerard Osborne, FSMIP Project Manager, explained that he is filling in on behalf of Secretary Carl Apis and Program Manager of PMU Mr. Robert Goodwind. He explained to the Committee that he is primary responsible for the Maritime Project, but he has some degree of familiarity with the World Bank grant of \$40,000,000. Mr. Osborne explained that the \$40 million is a grant from the World Bank with no matching fund, and the purpose is to fund Prioritized Road Investment and Management Enhancement (PRIME) project in the FSM.

Mr. Osborne explained that recipient of the PRIME project is the FSM, and the project is broken up into three parts: 1) Spatial and Sector Planning Tools. This part generally focuses on updating road sector vulnerability assessment that are susceptible to climate change and conduct training on the use of the tools developed under such assessment and strategy; 2) Climate Resilient Infrastructure Solutions, which is the carrying out of the actual project work; 3) Strengthening the Enabling Environment, which is the institutional and legislative

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changes during the course of implementation of the PRIME project.

According to Mr. Osborne, the Recipient of the grant, which is the FSM had already identified the following priority climate resilient improvement works, including the feasibility studies, design and supervision of such works based on several consultations with both stakeholders:

- (i) improving the Lelu causeway in the state of Kosrae;
- (ii) replacing the Awak bridge in the state of Pohnpei;
- (iii) improving the airport to Pou Bay bridge road in the state of Chuuk; and
- (iv) replacing two steel and concrete composite bridges in the state of Yap.

Your Committee had asked Mr. Osborne on the timeline or when will the project commence and whether the grant is really \$40 million or \$46 million. Mr. Osborne explained that the PRIME project is a five year project, and the amount is \$40 million and not \$46 million. Your Committee also inquired whether the \$40 million is equally distributed amongst the four states. Mr. Osborne explained that the funding is distributed based on the design and estimate costs of each project.

Your Committee want to know when will the assessment of these projects commence and whether the Department will hire outside consultants. Also your Committee inquired whether the PMU in the states or the PMU at the National Government will do the designs of the projects. Mr. Amor explained that consultants will be brought in and placed at the Department of TC&I and these consultants will do the designs and cost estimates of these projects.

Mr. Osborne explained that there will be a Steering Committee, and members of this Steering Committee consisted of each state representative. There is a project staff, which is called "Project Implementation Unit", typically consists of a project

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manager, a project officer and project assistant. The other major unit that will be involved with the project implementation is the Central Implementation Unit (CIU) under the Department of Finance and Administration, which basically oversees all World Bank projects.

Your Committee inquired of the witnesses why they are not shooting higher instead of this amount of \$40 million. Secretary Amor stated that the FSM has a limited fiscal space with the World Bank, but he explained that there are other negotiations with the Asian Development Bank, Australia and United States for some funding. Also there is plan to tap some funds from the "Pave the Nation Initiative" with the Government of the United States on the "Federal Highway Funding". So other proposed projects that each member may want will be considered if funding is available.

Secretary Amor explained that the preliminary work in securing the \$40 million from the World Bank started in April 2021. The agreement was signed in May 2021. Now the endorsement of the FSM Congress is needed for the implementation of the PRIME project.

Your Committee informed the witnesses that assuming Congress endorses the funding, what is the timetable, when would we see the actual design, Architect and Engineer design or actual work of the project. Secretary Amor informed the Committee that by the end of this year, we will have consultants that will do the work. Chairman Gouland informed Secretary to ensure that those consultants are vaccinated before they come.

Your Committee on Transportation and Communications is in accord with the intent and purpose of C.R. No. 22-28, and recommends its adoption in the form attached hereto.

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Respectfully submitted,

Victor V. Gouland, chairman

/s/ Peter M. Christian

Peter M. Christian, vice chairman

/s/ Florencio S. Harper

Florencio S. Harper, member

Esmond B. Moses, member

/s/ Aren B. Palik

Aren B. Palik, member

/s/ Wesley W. Simina

Wesley W. Simina, member

Joseph U. Urusemal, member