

A BILL FOR AN ACT

To amend Public Law 12-19 by amending section 6 to require the Program and Project Relending Agreements between the National Government and the State executed in connection with the Public Sector Reform Program loan from the Asian Development Bank to provide that the interest income earned on the corpus of the trust account be available for disbursement to the states, at each state's option, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1           Section 1. Section 6 of Public Law No. 12-19 is hereby  
2 amended to read as follows:

3           "Section 6. Relending Conditions.

4           (1) Relending of loan proceeds to a State shall be by  
5 way of Program and Project Relending Agreements between  
6 the National Government and the State which, taken  
7 together shall:

8                   (a) place the foreign exchange risk on the State  
9 until the estimation and transfer process called for in  
10 subsection (c) below, and on the National Government  
11 thereafter;

12                   (b) amend provisions relating to the Trust  
13 Account so as to permit and require the principal of  
14 that Trust Account to be used, in conjunction with the  
15 External Debt Management Fund, for repayment of the  
16 Public Sector Reform Program Loan, the present program  
17 and project loans and possibly other loans to the State;

---

1                    (c) amend provisions relating to the Trust  
2                    Account so as to permit the interest income earned on  
3                    the corpus of each State's Trust Account to be disbursed  
4                    to the State without restriction upon its request;

5                    [~~(c)~~](d) provide for annual estimation of the amount  
6                    conservatively estimated to be needed as a sinking fund  
7                    for repayment of all loan proceeds advanced to the State  
8                    since the last such estimate, followed by transfer of  
9                    the amount so estimated from the Trust Account to the  
10                    External Debt Management Fund;

11                    [~~(d)~~](e) provide for disbursement to the State of  
12                    funds remaining in the Trust Account after five years if  
13                    and when all loans to be repaid from the Trust Account  
14                    have been disbursed;

15                    [~~(e)~~](f) provide that from, and after completion of,  
16                    each annual estimation and transfer process called for  
17                    in subsection [~~(c)~~](d) of this section, the National  
18                    Government shall bear the risk that funds in the Trust  
19                    Account and the External Debt Management Fund may not be  
20                    sufficient to repay all the loans intended to be repaid  
21                    therefrom and the State shall be released from liability  
22                    for any such shortfall except as otherwise expressly  
23                    provided in the Relending Agreements;

24                    [~~(f)~~](g) contain such other provisions as the  
25                    President

1 or the Bank may require; and

2 [~~(g)~~](h) are specifically and properly authorized by  
3 the Legislature of the State.

4 (2) Except as provided herein, or in the loan  
5 agreements with the Bank, the form of the Relending  
6 Agreement with respect to a particular loan from the  
7 Bank, shall be the same for all States so as to assure  
8 that no State receives preferential treatment over any  
9 other State."

10 Section 2. This act shall become law upon approval by the  
11 President of the Federated States of Micronesia or upon its  
12 becoming law without such approval.

13  
14 Date: 10/23/02

Introduced by: /s/ Jack Fritz  
Jack Fritz

---

---

1