

S.C.R. NO. 13-10
2003

COMMITTEE ON EXTERNAL AFFAIRS

JUNE 2,

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, as amended, your committee has limited its review to those portions relating to matters under its jurisdiction. Those portions include:

- A. 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");
- B. The Joint Committee on Compact Economic Negotiations (JCN);
- C. The National Authorizing Committee (ACP/EU); and
- D. 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 South Pacific Regional Environmental Program; and the East West Center.

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.

Your committee notes that the Fiscal Year 2004 budget is the National Government's first annual budget under the Amended Compact of Free Association. The committee realizes that this first year will be a learning process for all of the parties involved. The committee believes that the executive should have as much flexibility as possible to address any contingencies that may arise during this process. Thus, your committee will forgo the traditional line item comment format at this point and provide, instead, a general review of the proposed budget with more detailed recommendations in specific areas.

- I. Budget Overview.
 - A. Department of Foreign Affairs.

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 fulfil 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 US 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 fulfil 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 undertakes 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.

B. Joint Committee on Compact Economic Negotiations.

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.

C. 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.

department travels.

D. Grants, subsidies and contributions.

The committee notes that those funds requested for grants, subsidies and contributions for FY2004 that are under the committee's jurisdiction are necessary to the continued performance of the government's foreign relations mission and remain unchanged from FY 2003. Because these numbers are not generally subject to adjustment depending upon changing economic circumstances, the committee would simply recommend that the appropriate executive agency consider whether any of these funds could be included in the sector grant proposals under the Amended Compact.

II. Conclusion.

Given the unique nature of the Fiscal Year 2004 Budget process, your Committee on External Affairs would recommend preliminary and non-binding approval of the proposed FY2004 budget with the recognition that the budget will require revisions as the process gains more clarity. The committee recommends that the President be granted broad authority to revise the proposed budget to address issues as they arise throughout the review process. Finally, your committee would strongly urge the President to instruct his budget staff to review all of the proposed line items to determine whether they may be funded by compact sector grants.

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