

STANDING COMMITTEE REPORT NO. 14-115

RE: P.C. NO. 14-190/EXAFF

SUBJECT: FY 2007 BUDGET

SEPTEMBER 18, 2006

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2006

Dear Mr. Speaker:

Your Committee on External Affairs, to which was referred the National Government's proposed FY 2007 Budget, begs leave to report as follows:

The FY 2007 Proposed Budget Book, transmitted by the Executive on April 1, 2006, details the National Government's proposed budget for Fiscal Year 2007. 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 National Authorizing Committee (ACP/EU);

III. 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 UNDP Membership Fee.

The Committee's Recommendations

Your committee conducted hearings with the Department to consider its budget request on May 11, 2006. Based upon the hearing and further committee deliberations, this Standing Committee Report sets forth the final recommendations of your Committee on External Affairs regarding the proposed FY 2007 Budget. Your committee is recommending certain changes in a number of budget items. These changes are based upon information provided to your committee regarding the requirements of the Department of Foreign Affairs, errors and omissions in the Budget Book.

I. Department of Foreign Affairs.

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Department Total:

FY 2007 Total	\$3,609,394	Committee	\$2,961,626
Proposed:		Recommends:	
FY 2006 Appropriation	\$3,200,651		
including supplemental			
FY 2005 Actual	\$3,688,430		
Spending:			

The following table details your committee's recommendations:

	Personnel	Travel	Contractual	OCE	Fixed assets
Office of the Secretary	\$ 84,523	\$ 65,000	\$ 31,000	\$ 51,000	
Asian, African & Multilaterals	\$ 97,658				
American and European	\$ 76,141				
Guam Consulate	\$ 107,731	\$ 8,500	\$ 92,300	\$ 15,000	
Honolulu Consulate	\$ 118,452	\$ 9,900	\$ 129,700	\$ 18,000	
Washington Embassy	\$ 176,212	\$ 12,350	\$ 171,500	\$ 40,000	
Fiji Embassy	\$ 94,967	\$ 17,780	\$ 50,226	\$ 30,950	\$ 1,480
Tokyo Embassy	\$ 249,679	\$ 21,000	\$ 535,381	\$ 78,900	
UN Mission	\$ 166,846	\$ 10,650	\$ 364,800	\$ 34,000	
		\$	\$	\$	
Beijing Embassy	\$-	-	-	-	
Total Department	\$1,172,209	\$145,180	\$1,374,907	\$267,850	\$ 1,480

Your committee notes that the President recommends for the Department an increase of \$400,000 above the amount appropriated for FY 2006. Your committee notes also that the spending for FY 2005 apparently exceeds the appropriated amount for FY 2005, which was \$3,397,792. Your committee just wishes to note that the requested amount for FY07 is the same as the actual spending for the recently finished FY 05. Yet the requested budget for this year includes a large request for an embassy in China, which leads your committee to wonder whether the budget is realistic.

At the hearing, in response to that direct question, the Department just mentioned that it was up to the Committee to recommend amendments to the budgets. Your committee would like to assist the Department

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but finds itself in a difficult situation because of lack of information. The committee also does not wish to engage in micro management and second-guess the executive branch. At the hearing your committee requested the President to resubmit a revised budget, but the presidential revisions when they came just addressed a few errors and omissions in the budget.

Your committee wishes also to express its concern. The Executive branch had promised that the FY 07 budget request would be linked to the Strategic Development Plan ("SDP"). Yet your committee did not discern any such link.

At the hearing, the Secretary of Foreign Affairs mentioned the following issues:

1. OCM is now in place, leading to some confusion of duties between OCM and the Washington embassy.
2. The SDP is now in place.
3. The Department will henceforth emphasize economic diplomacy as a main focus as a result of the 3d Economic summit. In that respect the Department has to rely on the cooperation of other departments.
4. The Department through the Tokyo embassy intends to support the work of the corporate registry and its contractors, MRA.
5. Efforts are continuing in terms of appointing honorary consuls in Brussels. Plans are under consideration for efforts in France and Germany.
6. There needs to be a reassessment of the South Pacific representation.
7. There must be clear direction with respect to the duties of the Department pertaining to relations with the FSM states.

There was no link, however, between the SDP and what the Secretary testified to. Your committee remains concerned that the Department's activities appear to be unfocused. There is no clear articulation of what the Department is trying to accomplish in its conduct of the nation's foreign relations. As in 2006, the Department's FY 2007 budget seems more directed at collecting international relationships--establishment of relations with two countries; new trade agreements,

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etc.---than at deriving benefit from those relationships. The SDP and the Infrastructure Development Plan have identified a number of critical priorities for the nation. Your committee is disappointed that the Department has not identified specific ways in which the Department intends to contribute to the nation's accomplishment of its goals in those areas. There is a consensus in the nation, we believe, that what the National Government has been doing in the past will not be sufficient to meet the increasing challenges of serving the needs of our people in the face of reduced Compact revenues, population growth, and environmental change. We need to change the way that the government does business. We must find ways to accomplish more with smaller resources. Yet, the Department's budget for FY 2007, appears to be nothing more than a recycling of the budgets submitted for FY 2006 and FY 2005, with one major exception: the embassy in China. Your committee urges the Department to address the question of how it is going to change itself to more effectively promote the nation's interest.

With respect to the proposal for establishing an embassy in China, although your committee is mindful of the need to strengthen the FSM's ties with China, your committee regrettably does not support funding the embassy at this time. Your committee commends the Department for the cost estimates for opening an embassy in China. It was very well done. However, your committee notes that the cost estimate was only for the establishment of the embassy. Your committee would like to see more long-term projections before we commit our financial resources at a time of problematic sector grant funding.

Your committee also invites the Department to provide Congress with its comments on the actions proposed by the Sullivan Report, especially in regard of the redeployment of overseas offices. These recommendations would be very helpful in guiding the committee with a long-term vision.

Your committee also commends the Department for submitting an annual report in compliance with the requirements of title 55, section 103 of the FSM Code, which requires that the Department submit an annual plan identifying the Department's expected strategic goals and accomplishments for the year. Your committee notes, however, that the submitted document restates in detail the continuing job description and responsibilities of the Department. What would have been more helpful would have been possibly the planned activities for this

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coming year, in a form that permits the measurement of actual performance against the plan. That way, Department employees will receive better guidance as to what they are expected to achieve during the year. In addition your Committee believes that the annual plan should be consistent with the SDP. The plan as submitted makes no mention of the SDP.

Your committee is still disappointed in the Department's apparent lack of progress in a number of areas, such as European activities (including possible honorary consuls and ACP/EU activities), collection of receivables, improvement of response time for the overseas missions, and control of prolonged absences from posts. As in past years, the FY 2007 budget anticipates that Department representatives will engage in extensive travel to attend meetings of various international and regional organizations. The committee has previously requested, and has been promised, a report on the respective costs and benefits of participation in those organizations. That report has still not been provided. Once again, we are being asked to fund travel to attend international meetings and conferences without information on what benefit, if any, the FSM derives from attendance.

Your committee also believes that the Department offices in Palikir must become more responsive to the needs of other parts of the National Government. The Department does not regularly keep Congress advised as to important developments in the nation's relations with other countries. Further, in the course of performing its oversight responsibilities, your committee has found that personnel in the FSM's overseas offices do not feel that they are kept informed as to pertinent developments and feel that they get insufficient support from Palikir.

In its reports on the FY 2004, FY 2005 and FY 2006 budgets, your committee encouraged the Department to develop a strategy and adopt measures to protect the operations of the Tokyo and Fiji embassies from the effects of currency fluctuations. It is our understanding that this still has not been done.

Following are your committee's recommendations with respect to specific budget items.

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A. Office of the Secretary:

1. Positions:

President proposes	4
Committee recommends	4

The proposal is for 4 positions, the same as for FY 2006. Therefore, your committee recommends approval of this proposal.

2. Salaries and Benefits:

FY 2007 Total	\$84,523	Committee	\$84,523
Proposed:		Recommends:	

FY 2006 Total	\$84,524
Appropriated:	

3. Travel:

FY 2007 Total	\$65,000	Committee	\$65,000
Proposed:		Recommends:	

FY 2006 Total	\$63,712
Appropriated:	

Your committee observes that the Executive Branch budget for FY 2007, in some cases, includes travel money for attendance by multiple departments at the same international meeting or conference. It would be helpful if it is explained to Congress the benefit derived from such trips. Congress is mindful of the need to maintain an active foreign policy. The question is whether certain non-productive areas of diplomacy can be curtailed in order to concentrate on vital interests. For example, once again the President has recommended appropriations so that representatives of his office can attend the Climate Change conference, this time in Africa. There is also a request to attend ESCAP conferences in Bangkok. It would be helpful if the benefits to the nation of trips such as these be more clearly explained to Congress.

One other area of concern is the validity of the budget figures. Although your Committee is happy that the amount requested of \$65,000

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is quite reasonable, it cannot help but wonder whether, for example, budgeted amounts of \$210 for the Secretary's trip to Beijing or \$210 for a trip to Tokyo to tender a grant-aid project proposal are realistic (we understand that these particular trips may be funded by foreign donors, in which case the budget should so specify), or whether the low figures are just a way to get Congress to approve trips for which much higher estimates will be submitted as supplemental requests. Your Committee wishes to convey that it will not look kindly upon such supplementals - premised upon misleading budgeting -- at all.

Your committee is aware that certain Department personnel are frequently gone from their offices. As a result, communications within the Department and between the Department and other parts of the government suffer. Further, the Department does not always provide the support that is needed by other offices. This situation should not be tolerated.

4. Contract Services:

FY 2007 Total Proposed:	\$81,000	Committee Recommends:	\$31,000
FY 2006 Total Appropriated:	\$26,000		

Your Committee does not support the request of \$50,000 for a lobbyist.

5. Other Current Expenses:

FY 2007 Total Proposed:	\$51,000	Committee Recommends:	\$51,000
FY 2006 Total Appropriated:	\$41,400		

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

1. Positions:

President proposes	6
Committee recommends	6

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2. Salaries and Benefits:

FY 2007 Total Proposed:	\$97,658	Committee Recommends:	\$97,658
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FY 2005 Total Appropriated:	\$97,657
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The committee reiterates last year's comment that one position in this division remains vacant and encourages the Department to fill it as soon as possible.

C. Division of American and European Affairs:

1. Positions:

President proposes	5
Committee recommends	5

2. Salaries and Benefits:

FY 2007 Total Proposed:	\$76,141	Committee Recommends:	\$76,141
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FY 2006 Total Appropriated:	\$76,140
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D. FSM Consulate - Guam:

1. Positions:

President proposes	4
Committee recommends	4

2. Salaries and Benefits:

FY 2007 Total Proposed:	\$103,907	Committee Recommends:	\$107,731
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FY 2006 Total Appropriated:	\$107,731
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The requested amount of \$103, 907 is apparently an error. Your Committee recommends maintaining the FY06 level.

3. Travel:

FY 2007 Total Proposed:	\$8,500	Committee Recommends:	\$8,500
FY 2006 Total Appropriated:	\$10,266		

4. Contract Services:

FY 2007 Total Proposed:	\$92,300	Committee Recommends:	\$92,300
FY 2006 Total Appropriated:	\$100,300		

5. Other Current Expenses:

FY 2007 Total Proposed:	\$15,000	Committee Recommends:	\$15,000
FY 2006 Total Appropriated:	\$22,940		

6. Fixed Assets:

FY 2007 Total Proposed:	\$0	Committee Recommends:	-0-
FY 2006 Total Appropriated:	\$0		

E. FSM Consulate - Honolulu:

1. Positions:

President proposes	4
Committee recommends	4

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2. Salaries and Benefits:

FY 2007 Total Proposed:	\$118,452	Committee Recommends:	\$118,452
FY 2006 Total Appropriated:	\$117,680		

3. Travel:

FY 2007 Total Proposed:	\$9,900	Committee Recommends:	\$9,900
FY 2006 Total Appropriated:	\$9,844		

4. Contract Services:

FY 2007 Total Proposed:	\$117,700	Committee Recommends:	\$129,700
FY 2006 Total Approp. includ. Suppl.	\$117,700		

Your Committee recommends an extra \$12,000 for Office/ Parking rental.

5. Other Current Expenses:

FY 2007 Total Proposed:	\$15,000	Committee Recommends:	\$18,000
FY 2006 Total Appropriated:	\$15,000		

Based on input from the Department, your Committee recommends an extra \$3,000 for POL.

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

1. Positions:

President proposes 3

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Committee recommends 4

2. Salaries and Benefits:

FY 2007 Total Proposed:	\$132,012	Committee Recommends:	\$176,212
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FY 2006 Total Appropriated:	\$176,212
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The requested amount appears to be an error (the Deputy Chief of Mission position was omitted). Your Committee recommends maintaining the FY 06 level.

3. Travel:

FY 2007 Total Proposed:	\$23,600	Committee Recommends:	\$12,350
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FY 2006 Total Appropriated:	\$23,500
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Your committee recommends deletion from the budget of the requested trips to Florida, Canada; furthermore, only one person should go on the Honolulu trip. These trips were funded in previous years but in some cases the trips never materialized.

4. Contract Services:

FY 2007 Total Proposed:	\$414,500	Committee Recommends:	\$171,500
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FY 2006 Total Appropriated:	\$497,800
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Your committee recommends a \$7,000 reduction from the professional service items, and the elimination of the \$236,000 line item. The Washington Embassy is in reorganization and the Department is requested to submit to Congress its plans for continued professional services. The savings here is necessary to fund the set-up of an embassy in Beijing.

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5. Other Current Expenses:

FY 2007 Total Proposed:	\$40,000	Committee Recommends:	\$40,000
FY 2006 Total Appropriated:	\$40,000		

6. Fixed Assets:

FY 2007 Total Proposed:	\$0	Committee Recommends:	-0-
FY 2006 Total Appropriated:	\$6,000		

G. FSM Embassy - Suva, Fiji:

1. Positions:

President proposes	2
Committee recommends	2

2. Salaries and Benefits:

FY 2007 Total Proposed:	\$94,967	Committee Recommends:	\$94,967
FY 2006 Total Appropriated:	\$94,968		

3. Travel:

FY 2007 Total Proposed:	\$17,780	Committee Recommends:	\$17,780
FY 2006 Total Appropriated:	\$17,780		

4. Contract Services:

FY 2007 Total	\$50,226	Committee	\$50,226
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Proposed:

Recommends:

FY 2006 Total \$18,978
Appropriated:

The trips to Paris and Nairobi are disapproved. Your Committee is further concerned by the practice of funding travel using other categories. According to financial reports of the mission, all travel funds for the entire FY 06 were exhausted by the first quarter. Travel for the remaining three quarters are done utilizing other funding categories. This is a practice that must stop.

4. Contract Services:

FY 2007 Total	\$414,509	Committee	\$364,800
Proposed:		Recommends:	

FY 2006 Total \$364,800
Appropriated:

Your committee recommends that the provision for contract services be maintained at the FY 06 level as shown.

5. Other Current Expenses:

FY 2007 Total	\$34,000	Committee	\$34,000
Proposed:		Recommends:	

FY 2006 Total \$34,000
Appropriated:

J. FSM Embassy- Beijing, China

The Department's proposal for an embassy in China is as follows:

Personnel:	\$ 98,766	for two positions
Travel:	\$ 24,000	
Contractual:	\$108,107	
Other:	\$ 47,000	
Fixed Assets:	\$ 57,000	

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As stated in the introduction, your committee recommends against funding this request at the present time. The main reasons are:

- Your committee believes the Department should concentrate on current issues with the offices in Washington and New York.
- The current uncertainty of the timing of Compact Sector grants due to JEMCO's disapproval of the FSM's grant request requires a conservative approach to expenditures; this may not be the best time to engage in sizable new activities.
- The Department should be given the opportunity to comment on the Sullivan Report, and suggest possible closure of missions.

For these reasons **Committee recommends** \$0

II. Special Programs.

A. National Authorizing Committee (ACP/EU):

The committee notes that the NAC requests \$15,000 for travel. This is one of the areas where your committee is concerned about the lack of progress. It is furthermore unaware of what has been achieved with the \$15,000 that it provided every year for the past few years. For that reason your committee recommends not funding this item. Your committee will consider reinstating funding upon evidence of progress.

1. Travel:

FY 2007 Total	\$15,000	Committee	\$0
Proposed:		Recommends:	

FY 2006 Total	\$15,000
Appropriated:	

III. Grants, Subsidies and Contributions:

All of the programs in this category are important and useful to the nation.

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A. The Forum Secretariat:

FY 2007 Total Proposed:	\$46,000	Committee Recommends:	\$46,000
FY 2006 Total Appropriated:	\$35,000		

Your committee recommends approval of the requested amount.

B. Pacific Community:

FY 2007 Total Proposed:	\$56,000	Committee Recommends:	\$56,000
FY 2006 Total Appropriated:	\$17,000		

The recommended amount includes arrears. Your committee expects next year's request to be much lower, to cover just the annual contribution.

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

FY 2007 Total Proposed:	\$5,000	Committee Recommends:	\$5,000
FY 2006 Total Appropriated:	\$5,000		

D. United Nations (membership and other fees):

FY 2007 Total Proposed:	\$60,000	Committee Recommends:	\$60,000
FY 2006 Total Appropriated:	\$60,000		

E. East West Center:

FY 2007 Total	\$5,000	Committee	\$5,000
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Proposed:

Recommends:

FY 2006 Total \$10,000
Appropriated:

F. UNDP (Local Suva Office)

FY 2007 Total	\$23,500	Committee	\$23,500
Proposed		Recommends:	

FY 2006 Total \$-0-
Appropriated

The recommended amount includes arrears. Your committee expects next year's request to be much lower, to cover just the annual contribution.

IV. Capital Projects

FY 2007 Total	\$-0-	Committee	-0-
Proposed		Recommends:	

FY 2006 Total \$-0-
Appropriated

V. Recommendations and Conclusions:

Your Committee on External Affairs has reviewed the proposed FY 2007 Budget and carefully scrutinized all of the information provided by the Executive and the entities within your committee's jurisdiction. Each of the sums that the "Committee recommends", as set forth above, reflects funding for the designated activity, program or project for all of fiscal year 2007.

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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.

Respectfully submitted,

/s/ Alik L. Alik
Alik L. Alik, chairman

/s/ Peter Sitan
Peter Sitan, vice chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, member

Isaac V. Figir, member

/s/ Resio S. Moses
Resio S. Moses, member

Moses A. Nelson, member

/s/ Dion G. Neth
Dion G. Neth, member