

STANDING COMMITTEE REPORT NO. 15-29

RE: PRESIDENTIAL COMMUNICATION NO. 15-55

SUBJECT: DEPARTMENT OF FOREIGN AFFAIRS FY 08 BUDGET

SEPTEMBER 18, 2007

The Honorable Isaac V. Figir
Speaker, 15th Congress of the
Federated States of Micronesia
Palikir, Pohnpei, FM 96941

Dear Mr. Speaker:

Your committee on External Affairs to which was referred the FY 08 budget request of the Department of Foreign Affairs begs leave to report as follows.

The FY 08 budget of the Department of Foreign Affairs is summarized in the following tables, which were compiled from the revised budget book (Sept 07). There have been substantial changes in the FY 07 appropriated numbers from the April book to the September book, presumably to take into account supplemental appropriations; there are also unexplained minor discrepancies - among others -- between the figures from the Budget Office¹ and those kept by Congress. An inquiry into those discrepancies is not germane to this budget consideration, and should be reserved for a later oversight.

Your committee conducted a public hearing on September 13, 2007 on the FY 08 budget for the Department of Foreign Affairs. The main witnesses present were the Secretary of Foreign Affairs Lorin Robert, and the Head of the Division of Budget, Resty Shotaro, accompanied by staff.

The Secretary gave an opening statement stating that the Department faces increasing responsibilities but was still trying to conform to the mandate of the (previous) President to contain cost. Your committee feels that the Secretary has ably summarized the problems with this budget.

**Department of
Foreign Affairs**

¹ Actually the Budget book is not internally consistent. For example in the April book, for FY 06, the summary (page iv) and the detailed explanation (page 28) differ, \$3,147,492 in the summary vs. \$3,147,491 in the detailed explanation, a small difference admittedly, but cumulatively, the errors in the budget book can become substantial. There are quite a few of these discrepancies.

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| Breakdown by office from Budget Book | FY 06 actual | FY 07 incl suppl | FY 08 request |
|---|---------------------|-------------------------|----------------------|
| Office of the Secretary | \$190,387 | \$246,525 | \$215,676 |
| Asian, African & Multilaterals | \$82,183 | \$97,658 | \$97,658 |
| American and European | \$66,991 | \$76,141 | \$76,141 |
| Guam Consulate | \$234,758 | \$223,531 | \$192,117 |
| Honolulu Consulate | \$284,641 | \$276,052 | \$272,016 |
| Washington Embassy | \$626,867 | \$407,862 | \$401,294 |
| Fiji Embassy | \$188,442 | \$195,403 | \$190,145 |
| Tokyo Embassy | \$883,549 | \$884,958 | \$875,402 |
| UN Mission | \$589,674 | \$571,176 | \$580,588 |
| Beijing Embassy | | \$- | \$439,454 |
| | \$3,147,491 | | |
| | | \$2,979,306 | \$3,340,491 |

Line item budget

| | | | |
|--------------|--|--------------------|--------------------|
| Personnel | | \$1,172,206 | \$1,298,905 |
| Travel | | \$152,860 | \$160,887 |
| Contractual | | \$1,374,910 | \$1,557,149 |
| OCE | | \$277,730 | \$271,050 |
| Fixed Assets | | \$1,480 | \$52,500 |
| Total | | \$2,979,306 | \$3,340,491 |

Your committee is of the opinion that budget follows policy. By itself, without any policy direction, a budget line item is meaningless. Too often in the past, department budgets were prepared by slashing blindly x percent of the expenditures without any rational explanation (maybe for the purpose of getting Congress to approve the artificially deflated budget, with the real needs to be supplied by subsequent supplemental appropriations). A budget should be an exercise in priority setting, not an arithmetic problem. In this case, to say for example that the FY 08 request is more or less the FY 07 appropriation is not giving the committee what it really wishes to know.

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In reviewing the budget, your committee had in mind the following foreign policy objectives:

- Repair any diplomatic difficulties, and enhance our special relationship with the United States with an eye toward the five-year review of the Compact;
- Enable the overseas offices to operate at their full potential, especially to serve FSM citizens abroad;
- Reset our neglected relationship with the European Union to a workable basis;
- Make sure that our existing limited financial resources are efficiently utilized;
- Only then to expand into new areas of endeavor.

In your committee's view, if the above requires more funding, so be it. Your committee wishes the Department to be efficient, not a spendthrift, if the latter means our foreign policy objectives are undermined.

Last May, shortly after the inception of the new administration, your committee had a "pre-budget hearing meeting" with the Department and our ambassadors. Your committee indicated that there were problems with the budget -- mainly in that the above foreign policy objectives do not appear to be reflected in the budget-- but that as a courtesy to the new President and the as-yet uninstalled Secretary of Foreign Affairs, your committee would hold off on the budget hearing to allow the new leadership to reassess the nation's foreign affairs priorities. Subsequently, members of your committee had informal discussions with the Department staff both here and overseas, and heard of problems that were not addressed in the budget submitted by the previous administration.

The main problems that your committee identified as not addressed in the budget were:

- the need to provide for the move to new premises or to deal with the increased rent at the end of the current lease for the New York Mission - scheduled to expire in August 2007.
- the need to prepare for the five-year review of the Compact especially with respect to the Washington embassy.
- the repatriation of recalled, and posting of new, ambassadors.

In informal talks with the Department staff, your committee made it clear that, even though the committee was mindful of these needs, it could only consider the President's budget. Any change to the submitted request had to come from the President. Your committee fully expected certain changes to be made to the April budget submittal.

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The President sent a few days ago to Congress a two-inch thick revised budget book, the aforementioned September book. At the hearing, however, your committee was told that there was no change whatsoever in the Department's budget request, and that your committee should refer to the old April budget book.

At the outset your committee is disappointed with the Executive Branch for not consolidating the old and the revised budget submittals for the entire government into one single volume, rather than force Congress members and staff to jump around between two enormous tomes, increasing confusion and the likelihood of error.

On a substantive basis, your committee is left with its apprehensions of last May. In essence, the unease can be summarized by comparing the actual expenditure for FY 06 (the latest full-year figures) and the requested FY 08. The numbers come from the April budget book (page 28).

In FY 06, the Department spent \$3,147,491². The proposed budget for FY 08 is \$3,340,491, reflecting an increase of \$193,000. The Secretary was actually apologetic about the budget increase. However, in analyzing the breakdown, the increase comes from a new line item, which did not exist in previous years, for the Embassy in China of \$439,454. It stands to reason that in reality, compared to FY06 the budget of the Department if we exclude China, has decreased by \$193,000 - \$439,454 = (\$246,254).

This decrease of almost \$250,000 for the non-China activities - i.e. the current scope of operations of the Department - is what worries your committee. Your committee asked the Secretary the direct question: "Can you function with such a budget decrease"? The Secretary mentioned that the budget submittal was a decision by the Executive Budget Review Committee (of the previous administration), and deferred to the head of the Budget Division, who in turn deferred to his staff. The Budget staff questioned the accuracy of the figures and stated that the decrease was actually much less.

Your committee was not impressed by the blame on the previous and long-departed administration's EBRC especially since the current president had just submitted a two-inch thick revised budget. Your committee also felt that the answer was a non-responsive technical reply to a direct policy question. Rather than engage in arithmetic on

²One question for a future oversight hearing is how the Department was able to manage with an FY 07 appropriation of \$2,979,306 whether it was a real increase of efficiency, a slowdown in activity, or some other reason.

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numbers not in front of your committee, it is recommended that the President's budget be approved exactly as submitted.

Your committee reminded the witnesses, however, of the President's pledge of no supplemental requests. Your committee feels that the Department was given a chance to amend its budget and chose not to do so. The Department should live within this requested budget without any supplemental requests.

Your committee still has some apprehension that this budget may be an occult plan to shut down the New York mission at the United Nations. Such a decision is a major one, subject to widespread and open policy debate, rather than an obscure budget exercise. Your committee will not look kindly upon any excuse to close down the New York mission based upon lack of funding, thereby putting the blame on Congress.

In summary, your committee recommends approval of the entire budget request for the Department of Foreign Affairs in FY 08 of \$3,340,491. The breakdown is found in table 2 below (table 1 is the FY 07 appropriations). In the implementation of the budget, however, your committee hopes that the administration will take into account the foreign policy objectives set forth in this report.

| | Personnel | Travel | Contractual | OCE | Fixed assets | Total by office |
|--------------------------------|--------------------|------------------|--------------------|------------------|---------------------|------------------------|
| Office of the Secretary | \$84,525 | \$65,000 | \$31,000 | \$66,000 | | \$246,525 |
| Asian, African & Multilaterals | \$97,658 | | | | | \$97,658 |
| American and European | \$76,141 | | | | | \$76,141 |
| Guam Consulate | \$107,731 | \$8,500 | \$92,300 | \$15,000 | | \$223,531 |
| Honolulu Consulate | \$118,452 | \$9,900 | \$129,700 | \$18,000 | | \$276,052 |
| Washington Embassy | \$176,212 | \$20,150 | \$171,500 | \$40,000 | | \$407,862 |
| Fiji Embassy | \$94,967 | \$17,780 | \$50,226 | \$30,950 | \$1,480 | \$195,403 |
| Tokyo Embassy | \$249,679 | \$21,000 | \$535,384 | \$78,900 | | \$884,963 |
| UN Mission | \$166,846 | \$10,650 | \$364,800 | \$28,880 | | \$571,176 |
| Beijing Embassy | \$ | \$ | \$ | \$ | | \$ |
| Total Department | \$1,172,206 | \$152,980 | \$1,374,910 | \$277,730 | \$1,480 | \$2,979,306 |

Table 1: FY 07 appropriations

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| | Personnel | Travel | Contractual | OCE | Fixed assets | Total by office |
|--------------------------------|------------------|---------------|--------------------|------------|---------------------|------------------------|
| Office of the Secretary | \$87,425 | \$57,251 | \$26,000 | \$45,000 | | \$215,676 |
| Asian, African & Multilaterals | \$97,658 | | | | | \$97,658 |
| American and European | \$76,141 | | | | | \$76,141 |
| Guam | \$85,839 | \$8,978 | \$81,300 | \$15,000 | \$1,000 | \$192,117 |
| Consulate Honolulu | \$118,452 | \$8,864 | \$129,700 | \$15,000 | | \$272,016 |
| Consulate Washington | \$177,640 | \$18,154 | \$165,500 | \$40,000 | | \$401,294 |
| Embassy Fiji | \$94,967 | \$16,002 | \$50,226 | \$27,950 | \$1,000 | \$190,145 |
| Embassy Tokyo | \$249,679 | \$21,000 | \$525,823 | \$78,900 | | \$875,402 |
| UN Mission | \$166,846 | \$14,942 | \$364,800 | \$34,000 | | \$580,588 |
| Embassy Beijing | \$144,258 | \$15,696 | \$213,800 | \$15,200 | \$50,500 | \$439,454 |
| Total Department | \$1,298,905 | \$160,887 | \$1,557,149 | \$271,050 | \$52,500 | \$3,340,491 |

Table 2: Committee's recommendations for FY 08

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Respectfully submitted,

/s/ Paliknoa K. Welly
Paliknoa K. Welly, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

Isaac V. Figir, member

/s/ Roosevelt K. Kansou
Roosevelt D. Kansou, member

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

Resio S. Moses, member

Setiro Paul, member