

STANDING COMMITTEE REPORT NO. 16-98

RE: PRESIDENTIAL COMMUNICATION NO. 16-188

SUBJECT: DEPARTMENT OF FOREIGN AFFAIRS FISCAL YEAR 2011 BUDGET

SEPTEMBER 20, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2010

Dear Mr. Speaker:

Your Committee on External Affairs to which was jointly referred Presidential Communication No. 16-188 regarding the National Government's recommended Fiscal Year 2011 Budget, begs leave to report as follows:

Presidential Communication No. 16-188 was transmitted to Congress with the National Government Fiscal Year 2011 Recommended Budget ("Budget Book"). Pursuant to Rule 7, Section 5(b), of the Official Rules of Procedure of the Sixteenth Congress of the Federated States of Micronesia, your Committee has limited its review to those portions of the proposed budget relating to matters under its jurisdiction.

This report and all previous and subsequent reports of your Committee, should be treated as reflecting the policies of the Federated States of Micronesia, as defined by Congress. It is the intent of your Committee that any commentary found in this report should be treated as policy for the guidance of the Department, agencies and entities.

Your Committee would like to congratulate the Department for a good budget proposal for Fiscal Year 2011. Although there are some problems with the details of the submittal, overall the Department presented a good budget in line with previous years' expenditures. The Department also provided a good breakdown of their intended activities. What is heartening is the general level of satisfaction of the different overseas offices with their budget. Your Committee cannot help but feel that after the repeated increases by Congress over the past few years the Foreign Affairs Budget has reached a level

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where it is satisfactory.

Concerns that were raised by the Department and the overseas offices this year relate not to the level of funding but to some more structural matters:

- The increased volatility of the foreign exchange rates causing additional costs in, for example, Tokyo;
- The need for health insurance for overseas employees; and
- The discrepancy in compensation and the way salaries are computed for different offices (e.g. Fiji and Tokyo).

At the outset your Committee notes that it has repeatedly in previous committee reports highlighted the need for the Executive to propose long-term solutions to the first two issues. Your Committee notes also that further work needs to be done by the Executive and Personnel to suggest possible solutions to issue number three, which appears to be a management issue and not a budget issue. Your Committee once again hopes that the Executive will present Congress with suggested long-term solutions. In the meantime your Committee is willing to recommend a contingency amount of \$200,000 to be made available to the Secretary of the Department of Foreign Affairs to defray additional costs related to the fluctuation of currency exchange. This is to avoid the need for last minute appropriations late in the fiscal year as has been the case in the last two fiscal years.

The Fiscal Year 2011 budget for the Department of Foreign Affairs and the recommendations of your Committee are summarized in the tables below¹.

¹ In the Executive's submitted budget, the breakdown by office (\$3,871,277) did not match the breakdown by budget category (\$3,875,271) See Budget Book p. 91. To balance the totals, your committee made an adjustment of \$3,993 to the budget of the Fiji Embassy, which can be used for contractual expenses.

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Foreign Affairs Budget Summary FY 11

Breakdown by office	FY 10 ² appropriated	FY 11 request	FY 11 recommendation
Office of the Secretary	\$233,343	\$259,596	\$509,596
Asian, African & Multilaterals	\$103,610	\$103,610	\$103,610
American and European	\$81,101	\$81,100	\$81,100
Guam Consulate	\$255,785	\$279,879	\$279,879
Honolulu Consulate	\$338,813	\$375,598	\$405,598
Washington Embassy	\$441,780	\$496,487	\$496,487
Fiji Embassy	\$228,277	\$235,210	\$235,210
Tokyo Embassy	\$815,489	\$834,269	\$834,269
UN Mission	\$640,621	\$741,884	\$841,884
Beijing Embassy	\$436,132	\$467,638	\$467,638
Total	\$3,574,951.0	\$3,875,271	\$4,255,271

	FY 10 appropriated	FY 11 requested	Committee recommends
Line item budget			
Personnel	\$1,297,392	\$1,287,872	\$1,347,872
Travel	\$163,391	\$212,849	\$212,849
Contractual	\$1,727,668	\$1,994,900	\$2,024,900
OCE	\$300,000	\$313,150	\$563,150
Fixed Assets	\$86,500	\$66,500	\$106,500
Total	\$3,574,951	\$3,875,271	\$4,255,271

Your Committee conducted a public hearing on May 13, 2010, with the overseas missions. Present were the Secretary of the Department of

²These numbers are as stated in the "Budget Book". The total after Public Law No. 16-07, as amended by P.L. No. 16-35, should be \$3,652,310.

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Lorin S. Robert, the ambassadors to the United Nations, Fiji, Japan, and the United States, as well as representatives of the FSM Embassy in China. A common thread at this hearing was the general satisfaction of the Department with the level of funding and the dissatisfaction with the several structural problems outlined above. The Committee heard and approved of the efforts of the different missions each in its own way to perform outreach to FSM citizens. Your Committee is very encouraged by this effort and would like to support it. The missions also reiterated the need for personnel policy in terms of insurance and housing benefits. Several missions again indicated the need for new vehicles to replace old cars that may no longer be safe and are definitely detrimental to the image of the FSM.

On those issues, your Committee wholeheartedly agrees, and as the detailed discussion below shows, recommends a response to the stated needs. But first and foremost, your Committee once again requests the Department to work on a policy for housing and education of dependents to make sure that all overseas employees are treated fairly, and also to reduce costs where possible.

At the hearing there were a number of clerical errors and slight problems with the budget submittal. Your Committee requested the Department to work with the Budget Office to submit a revised clean budget request. To date no revised budget request has been submitted. Your Committee concludes that the needed adjustments are not substantial enough to warrant issuing a revised request, and will proceed with the original budget as submitted April 1 as the basis.

Departing from the previous years' approach to increasing the representation fund for each overseas office, your Committee this year recommends funding two centralized line items to be made available to the Office of the Secretary:

- \$200,000 for increased cost to currency fluctuation; and
- \$50,000 to establish an imprest fund to deal with medical expenses at overseas offices.

With these two additional line items, your Committee feels that many of the concerns of the Department can be taken care of.

Going through the requested budget in detail, your Committee also recommends the following changes:

- Personnel - For New York, an additional \$60,000 should be given to hire an FSM citizen law graduate to work at the United Nations. Your Committee noted two typographical errors in the Budget Book pertaining to salaries. The salary for Ambassador to China should be \$70,140, and for the Guam Administrative Specialist \$24,266.

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- Travel - Your Committee recommends no change to the proposed budget.
- Contractual - For Honolulu your Committee recommends \$104,860 for Office Rental instead of \$74,860.
- OCE - Your Committee recommends \$250,000 for currency risks and imprest funds as explained above.
- Fixed Assets - Your Committee recommends the following changes:

Office	Proposed	Recommendation	Reason
New York	\$2,000	\$12,000	Furniture for 1 st Secretary
New York	\$ -0-	\$30,000	New Vehicle

Your Committee does not recommend any change to the position ceiling.

In addition to the operations budget, your Committee recommends the following grants and subsidies, which are membership dues for international organizations:

Organization	Request	Committee Recommendation
Pacific Forum Secretariat	\$46,000	\$46,000
Secretariat for Pacific Community	\$56,000	\$56,000
UN membership fees	\$60,000	\$60,000
ESCAP	\$5,000	\$5,000
East-West Center	\$5,000	\$5,000
ACP Cotonou membership fees	\$10,000	\$10,000
Total	\$182,000	\$182,000

With these changes, your Committee on External Affairs recommends adoption of the President's budget for the Department of Foreign Affairs.

Subject to the comments and changes set forth herein, your Committee on External Affairs recommends those portions of the Fiscal year 2011 budget relating to matters under its jurisdiction, subject to the availability of funds as determined by your Committee on Ways and Means.

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Respectfully submitted,

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

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

/s/ Isaac V. Figir
Isaac V. Figir, member

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Setiro Paul
Setiro Paul, member

/s/ Joe N. Suka
Joe N. Suka, member