AN ACT

To authorize the President of the Federated States of Micronesia, or his designee, to execute a sovereign guarantee to secure an Asian Development Bank loan for the Yap Renewable Energy Development Project, and for other purposes.

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

1. **Purpose.** The FSM National Energy Policy seeks to prioritize the use of renewable energy. The Asian Development Bank (“ADB”) has proposed the Yap Renewable Energy Development Project to reduce the dependency on imported diesel fuels. The Yap Renewable Energy Development Project will support development of grid connected wind and solar power, will improve the efficiency of diesel generation, and will build technical capacity. The proposed cost of the project is $11.16 million, to be funded with $4.68 million from ADB’s Ordinary Capital Resources (“OCR”) funds, $4.38 million from ADB’s Asian Development Fund (“ADF”), and $2.12 million from the State of Yap. As a condition of the loan to the State of Yap, the Asian Development Bank requires a sovereign guarantee that the loan will be repaid.

2. **Authorization to execute sovereign guarantee.**

Pursuant to the authority to appropriate funds and to borrow money on public credit under Article IX of the FSM Constitution, Congress hereby authorizes the President, or his designee, to execute a sovereign guarantee with the State of Yap and the Asian Development Bank guaranteeing repayment of the Yap Renewable
1 Energy Development Project loan.

Section 3. Authorization for appropriation. There is hereby authorized to be appropriated out of the General Fund of the Federated States of Micronesia the sum of not more than $9,060,000 to guarantee the repayment of the ADB Yap Renewable Energy Development Project loan.

Section 4. Terms of the guarantee. The guarantee shall be executed upon such terms as may be set by the President of the Federated States of Micronesia consistent with the provisions of this act to include the following conditions:

   a. The State of Yap is primarily responsible for repayment of the Asian Development Bank loan.

   b. FSM National Government’s obligation as guarantor extends only to disbursements of the Asian Development Bank Renewable Energy Development loan after execution of an appropriate guarantee agreement.

   c. FSM National Government’s obligation applies only if the State of Yap is in default of its repayment obligations.

   d. The State of Yap pledges its state revenues and agrees to an offset if its national revenues in the event of default by the State of Yap.

   e. The State of Yap provides full indemnity to the FSM National Government to indemnify the FSM National Government whenever the latter becomes obligated to pay under the
guarantee.

f. FSM National Government shall have subrogation rights in the event it becomes liable under its guarantee.

Section 5. Duties of the Secretary of Finance. Upon default of the State of Yap on its repayment obligations to the Asian Development Bank, the Secretary of Finance and Administration shall submit to the President an appropriation bill for consideration of Congress of the Federated States of Micronesia for fulfilment of the sovereign guarantee.

Section 6. Effective date. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

February 11, 2013

/s/ Manny Mori
Manny Mori
President
Federated States of Micronesia