

A BILL FOR AN ACT

To establish a special account that shall hold the Set Aside Fund of the Federated States of Micronesia, and for other purposes.

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

1 Section 1. Purpose. In view of uncertain funding
2 sources, to continue fueling the economy of the Federated
3 States of Micronesia following the termination in 2023 of
4 the financial provisions of the Amended Compact between
5 the Government of the Federated States of Micronesia and
6 Government of the United States, it is the purpose of this
7 act to prepare the Nation for possible severe challenges
8 impacting the development of key industries in the
9 Federated States of Micronesia and upon the operation of
10 the Government in the delivering essential services to the
11 public. Beginning with the fiscal year 2014 annual
12 budget, the National Government of the Federated States of
13 Micronesia shall allocate a portion of its budget and set
14 it aside in a special account to be established in this
15 act. The Set Aside Fund shall be managed, invested,
16 maintained, reserved, and eventually used subject to the
17 restrictions as set forth in the provisions of this act.

18 Section 2. Establishment of special account. There
19 is hereby established a special account in the General

1 Fund of the Federated States of Micronesia known as the
2 Set Aside Fund of the National Government of the Federated
3 States of Micronesia. The Secretary of the Department of
4 Finance and Administration shall have the responsibility
5 to give effect to this section immediately and ensure that
6 the special account as hereby established is maintained
7 and managed properly as required in this act.

8 Section 3. Management of the Set Aside Fund. The
9 Secretary of the Department of Finance and Administration
10 shall manage the Set Aside Fund in accordance with the
11 Financial Management Act and this act. In order to
12 fulfill this responsibility, the Secretary of Finance and
13 Administration shall manage the Fund in accordance with
14 existing policy guidelines.

15 Section 4. Nature of the set aside fund. The Set
16 Aside Fund will receive a minimum of \$5,000,000 annually
17 from the budget. The set Aside Fund is considered a
18 restricted investment fund. Its use is restricted to
19 developing key industries in the Federated States of
20 Micronesia specifically through funding prudent and
21 profitable investment projects and strategies. Investment
22 of the Set Aside Fund shall be carefully selected and
23 reviewed using due diligence pursuant to section 5.

24 Section 5. Review of investment.

25 (a) The Department of Resources and

1 Development and the Department of Finance and
2 Administration shall initially study and review and
3 investment proposed to be financed with the use of the Set
4 Aside Fund and submit to the President the result of their
5 review and recommendation. In reviewing investment
6 projects, the Department of Resources and Development
7 shall be guided by the following considerations:

8 (1) The investment aligns and is consistent
9 with the National interest and national law.

10 (2) It creates substantial employment
11 opportunities to FSM citizens.

12 (3) It provides a viable and sustainable
13 revenue source to the Nation.

14 (4) It supports the development of the private
15 sector, in particular key industries in the FSM.

16 (5) It provides for privatization of the
17 investment project once it becomes feasible.

18 (b) The President shall consider the
19 recommendation. If approved, the recommendation shall be
20 transmitted to the Congress of the Federated States of
21 Micronesia with a request for funding by appropriation.

22 (c) Nothing restricts the President from
23 creating a task force or a committee to further study a
24 project or investment.

25 Section 6. Annual Report. The Secretary of Finance

1 and Administration shall submit an annual report to the
2 President and the Congress of the Federated States of
3 Micronesia concerning the status of the Set Aside Fund,
4 which shall include information on fund balances,
5 investment, earnings, and fund projections.

6 Section 7. Effective date. This act shall become
7 law upon approval by the President of the Federated States
8 of Micronesia or upon its becoming law without such
9 approval.

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11 Date: 8/30/13

Introduced by: /s/ Florencio S. Harper

Florencio S. Harper
(by request)

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