



*The President*  
*Palikir, Pohnpei*  
*Federated States of Micronesia*



**PRESIDENTIAL COMM. NO. 23-179**  
**FSM CONGRESS**

October 21, 2023

The Honorable Esmond B. Moses  
Speaker  
Twenty-Third Congress  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear Speaker Moses:

I am pleased to transmit the following Congressional Act, which I have signed to become Public Law No. 23-41 :

CONGRESSIONAL ACT NO. 23-36, ENTITLED: "AN ACT TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY AMENDING SECTIONS 301, 302, 304, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321 AND 323 THEREOF, TO BRING THE FSM'S INTERNAL FISCAL PROCEDURES FOR COMPACT IMPLEMENTATION INTO COMPLIANCE WITH THE 2023 AMENDED COMPACT, AND FOR OTHER PURPOSES."

Sincerely,



Wesley W. Simina  
President

Acting Chief Justice, FSM Supreme Court



Office of the Chief Clerk

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

P.O. Box PS 3

Palikir, Sokehs Pohnpei State, FM 96941

Tel: (691) 320-2324 / 2338 Fax: (691) 320-5122

PRESIDENTIAL COMM. NO. 23179  
FSM CONGRESS

September 28, 2023

RECEIVED  
SEP 28 2023  
Office of the  
President FSM

His Excellency Wesley W. Simina  
President  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear President Simina:

I have the honor to transmit herewith Congressional Act No. 23-36, "AN ACT TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY AMENDING SECTIONS 301, 302, 304, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321 AND 323 THEREOF, TO BRING THE FSM'S INTERNAL FISCAL PROCEDURES FOR COMPACT IMPLEMENTATION INTO COMPLIANCE WITH THE 2023 AMENDED COMPACT, AND FOR OTHER PURPOSES", which was passed by the Twenty-Third Congress of the Federated States of Micronesia, Second Regular Session, 2023, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Jessicalynn Reyes", with a long horizontal line extending to the right.

Jessicalynn Reyes  
Chief Clerk, Congress of the  
Federated States of Micronesia

Enclosures





PRESIDENTIAL COMM. NO. 23-179  
FSM CONGRESS

TWENTY- THIRD CONGRESS OF THE  
FEDERATED STATES OF MICRONESIA  
SECOND REGULAR SESSION  
SEPTEMBER 12 – OCTOBER 1, 2023

## An Act

TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY AMENDING SECTIONS 301, 302, 304, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321 AND 323 THEREOF, TO BRING THE FSM'S INTERNAL FISCAL PROCEDURES FOR COMPACT IMPLEMENTATION INTO COMPLIANCE WITH THE 2023 AMENDED COMPACT, AND FOR OTHER PURPOSES.

INTRODUCED BY SENATOR: ISAAC V. FIGIR

DATE: AUGUST 3, 2023

REFERRED TO: WAYS AND MEANS COMMITTEE  
S.C.R. NO. 23-31 – SEPTEMBER 21, 2023

FIRST READING: SEPTEMBER 22, 2023

SECOND READING: SEPTEMBER 26, 2023

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke.

Jessicalynn Reyes  
Chief Clerk, FSM Congress





Office of the Speaker

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

P.O. Box PS 3 Palikir, Sokehs

Pohnpei State, FM 96941

Tel: (691) 320-2324 / 2338

Fax: (691) 320-5122

PRESIDENTIAL COMM. NO. 23-179  
FSM CONGRESS

ACT NO. 23-36

(CONGRESSIONAL BILL NO. 23-36, C.D.1)

We hereby certify that on September 26 the foregoing act passed Second and Final Reading of the Twenty-Third Congress of the Federated States of Micronesia, Second Regular Session, 2023, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.

A handwritten signature in black ink, appearing to be "Esmond B. Moses".

Esmond B. Moses  
Speaker  
Congress of the  
Federated States of Micronesia

A handwritten signature in black ink, appearing to be "Jessicalynn Reyes".

Jessicalynn Reyes  
Chief Clerk  
Congress of the  
Federated States of Micronesia

TWENTY-THIRD CONGRESS OF THE FEDERATED STATES OF MICRONESIA

SECOND REGULAR SESSION, 2023

CONGRESSIONAL BILL NO. 23-36, C.D.1

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AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia (Annotated), as amended, by amending sections 301, 302, 304, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321 and 323 thereof, to bring the FSM's Internal Fiscal Procedures for Compact Implementation into compliance with the 2023 Amended Compact, and for other purposes.

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

1       Section 1. Title 55 of the Code of the Federated States of  
2 Micronesia (Annotated), as amended, is hereby further amended by  
3 amending chapter 3 entitled: "Internal Fiscal Procedures for 2023  
4 Amended Compact Implementation".

5       Section 2. Section 301 of Title 55 of the Code of the  
6 Federated States of Micronesia (Annotated), is hereby amended  
7 to read as follows:

8               "Section 301. Purpose. The purpose of this chapter is  
9               to establish fiscal procedures for the Compact period  
10              beginning in Fiscal Year 2024. The provisions set forth  
11              hereinafter recognize the right of the State Governments  
12              and the National Government of the Federated States of  
13              Micronesia to authorize the use of Compact funds in  
14              accordance with their own respective laws, plans,  
15              policies and prerogatives consistent with the terms and  
16              conditions set forth in the 2023 Amended Compact and

1           contained herein. The President is hereby empowered to  
2           ensure compliance with such terms and conditions, and to  
3           ensure accountable financial management of all Compact  
4           funds."

5           Section 3. Section 302 of Title 55 of the Code of the  
6   Federated States of Micronesia (Annotated), is hereby amended  
7   to read as follows:

8           "Section 302. Definitions.

9           For purposes of this chapter only, the following terms  
10          shall have the following meanings:

11                  (1) '2003 Trust Fund Agreement' means the  
12          *Agreement Between the Government of the Federated States*  
13          *of Micronesia and the Government of the United States of*  
14          *America Implementing Section 215 and Section 216 of the*  
15          *Compact, as Amended Regarding a Trust Fund, done at*  
16          Palikir on May 14, 2003.

17                  (2) '2004 Fiscal Procedures Agreement' means the  
18          *Agreement Concerning Procedures for the Implementation*  
19          *of United States Economic Assistance Provided in the*  
20          *Compact of Free Association, as amended, Between the*  
21          *Government of the Federated States of Micronesia and the*  
22          *Government of the United States of America, done at*  
23          Palikir on February 27, 2004.

24                  (3) '2023 Amended Compact' means the Amended  
25          Compact, as amended by the *Agreement Between the*

*Government of the Federated States of Micronesia and the Government of the United States of America to Amend the Compact of Free Association, as Amended, done at Palikir on May 23, 2023.*

(4) '2023 Fiscal Procedures Agreement' means *Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the Federated States of Micronesia and the Government of the United States of America, done at Palikir on May 23, 2023.*

(5) '2023 Trust Fund Agreement' means the *Agreement Between the government of the Federated States of Micronesia and the Government of the United States of America Regarding the Compact Trust Fund, done at Palikir on May 23, 2023.*

(6) 'Accrued Expenditures' means charges incurred by a Government during a given period requiring the provision of funds for: (a) goods and other tangible property received; (b) services performed by employees, contractors, sub-grantees, subcontractors, and other third party non-contractors; and (c) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments, all as

evidenced by a pending disbursements report.

(7) 'Amended Compact' means the *Compact of Free Association, as Amended Between the Government of the United States of America and the Government of the Federated States of Micronesia*, done at Palikir on May 14, 2003, which entered into force on June 25, 2004.

(8) 'Annual Financial Report' means the report required under Article VI(1)(b)(i) of the 2023 Fiscal Procedures Agreement.

(9) 'Annual Implementation Plan' means the plan required under Article V(3) of the 2023 Fiscal Procedures Agreement.

(10) 'Annual Performance Report' means the report required under Article VI(2)(a) of the 2023 Fiscal Procedures Agreement.

(11) 'Audit Grant' means a grant to the Government of the Federated States of Micronesia to conduct the annual Audits required under Article VIII of the 2023 Fiscal Procedures Agreement.

(12) 'Audits' mean financial, program and management audits, including the determination as to whether the Government of the Federated States of Micronesia has met the requirements set forth in the 2023 Amended Compact, or its related agreements, regarding the purpose for which Sector Grants or other



1 assistance are to be used; determinations as to the  
2 propriety of the financial transactions of the  
3 Government of the Federated States of Micronesia with  
4 respect to such Sector Grants or assistance; and the  
5 substantiation of appropriate follow-up actions by the  
6 Signatory Governments.

7 (13) 'Closeout' means the normal process by which  
8 the awarding agency determines that all applicable  
9 administrative actions and all required work on the  
10 Grant have been completed.

11 (14) 'Compact' means the Compact of Free  
12 Association, as amended, and its related agreements  
13 entered into by the Government of the Federated States  
14 of Micronesia and the Government of the United States  
15 and enacted as United States Public Law No. 108-188,  
16 unless otherwise specified herein.

17 (15) 'Compact Budget Request' means the annual  
18 Compact funding request for the upcoming Fiscal Year and  
19 estimated funding levels for the two subsequent Fiscal  
20 Years.

21 (16) 'Congress' means the Congress of the  
22 Federated States of Micronesia, unless otherwise  
23 specified herein.

24 (17) 'Contract' means a Contract funded under a  
25 Sector Grant or Sub-Grant. It also means a sub-contract

1 under a Contract.

2 (18) 'Fiscal Year' means each one year period  
3 beginning October 1 and ending on the next following  
4 September 30. Each Fiscal Year shall be designated by  
5 the number of the calendar year in which such Fiscal  
6 Year ends.

7 (19) 'Government' means a State Government or  
8 the National Government of the Federated States of  
9 Micronesia, unless otherwise specified.

10 (20) 'Grant Award' means a formal award of a  
11 Sector Grant, Audit Grant, Infrastructure Maintenance  
12 Fund contribution or Disaster Assistance Emergency Fund  
13 contribution, in the form of money, or property in lieu  
14 of money, by the Government of the United States of  
15 America to the Government of the Federated States of  
16 Micronesia under the 2023 Amended Compact. The term  
17 does not include technical assistance instead of money,  
18 or other assistance in the form of revenue sharing,  
19 loans, loan guarantees, interest subsidies, insurance,  
20 or direct appropriations.

21 (21) 'Infrastructure Development Plan' means the  
22 plan required under Article V(2) of 2023 Fiscal  
23 Procedures Agreement.

24 (22) 'Infrastructure Maintenance Fund' means the  
25 maintenance assistance account established by the

1 Government of the Federated States of Micronesia  
2 pursuant to Section 211 of the Amended Compact and  
3 Article VII of the 2004 Fiscal Procedures Agreement.

4 (23) 'JEMCO' means the Joint Economic Management  
5 Committee established pursuant to the Compact and the  
6 2004 Fiscal Procedures Agreement.

7 (24) 'Obligation' shall have the same meaning as  
8 defined in the respective Financial Management Acts of  
9 the Governments.

10 (25) 'Operational Grants' means Sector Grants  
11 other than the Sector Grants for infrastructure.

12 (26) 'Original Compact' means the Compact of Free  
13 Association between the Government of the Federated  
14 States of Micronesia and the Government of the United  
15 States in the form that was effective as of November 3,  
16 1986 through September, 2003.

17 (27) 'Plan for the Division of Annual Economic  
18 Assistance' means the comprehensive plan for the  
19 division of economic assistance for a Fiscal Year,  
20 including Annual Grant budgets by Sector, as described  
21 in Article V, Section 1(b) of the 2004 Fiscal Procedures  
22 Agreement, and may include such additional reports,  
23 narratives, summaries, documentation and other  
24 information as the President deems appropriate.

25 (28) 'Secretary' means the Secretary of the

1 Department of Finance and Administration for the  
2 Federated States of Micronesia, or his successor in the  
3 executive structure of the National Government of the  
4 Federated States of Micronesia.

5 (29) 'Sector' means one of the seven grant  
6 sectors described in Article I, Section 211 of the 2023  
7 Amended Compact and Article II(1) of the 2023 Fiscal  
8 Procedures Agreement, as such sectors may be adjusted  
9 during the term of the Compact.

10 (30) 'Sector Grant' means a Grant described in  
11 Article II(1) of the 2023 Fiscal Procedures Agreement  
12 for education, health care, public infrastructure, the  
13 environment, public sector capacity building, private  
14 sector development, enhanced reporting and  
15 accountability, or other sectors as mutually decided by  
16 the Signatory Governments.

17 (31) 'State' means any of the states of the  
18 Federated States of Micronesia.

19 (32) 'Strategic Development Plan' means the  
20 development plan required under Section 261c of the 2023  
21 Amended Compact.

22 (33) 'Sub-Grant' means a sub-award of a Grant,  
23 made by the Government of the Federated States of  
24 Micronesia to an eligible recipient, including but not  
25 limited to local governments."



1       Section 4. Section 304 of Title 55 of the Code of the  
2 Federated States of Micronesia (Annotated), is hereby amended to  
3 read as follows:

4       "Section 304. Compact Planning Estimates. No later  
5 than November 15 of the Fiscal Year preceding a given  
6 Fiscal Year, the President shall transmit the following  
7 Compact planning estimates to each State Government:

8               (1) Estimated levels of Compact funding  
9 available to each respective State for the upcoming  
10 Fiscal Year. Such estimates shall:

11               (a) be in accordance with section 303 of this  
12 chapter; and

13               (b) reflect the estimated available Compact  
14 funds after removal of the funds for the College of  
15 Micronesia, but including any unobligated Grant funds  
16 that have been allowed to carry-over, under the  
17 provisions of Section 317 of this chapter.

18               (2) Estimated levels of Compact funding  
19 available for the two Fiscal Years subsequent to the  
20 upcoming Fiscal Year."

21       Section 5. Section 307 of Title 55 of the Code of the  
22 Federated States of Micronesia (Annotated), is hereby amended  
23 to read as follows:

24       "Section 307. Grant Allocations - Approval,  
25 Notification, Rejection.

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(1) Upon receipt of notice of approval by JEMCO of Sector Grant allocations, the President shall transmit such notice to Congress and to each State Government.

(2) The National Government or any State Government may reject all or any portion of its proportional share of an approved Sector Grant allocation for the upcoming Fiscal Year. Written notice of such rejection detailing those portions rejected by amount and by Sector shall be provided to the President not later than September 20 of the current Fiscal Year.

(3) The President shall immediately transmit written notification of any rejection of an approved Sector Grant allocation to the Government of the United States.

(4) Except with respect to Compact funds rejected pursuant to subsection (2) of this section or disputed pursuant to section 308 of this chapter, each recipient Government agrees to abide by all terms and conditions enumerated in each Sector Grant Award, the provisions of this chapter and the terms of the 2023 Amended Compact, including the 2023 Fiscal Procedures Agreement."

Section 6. Section 308 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 308. Appeal of Special Conditions.

If, at any time, JEMCO or the Government of the United

States imposes, or notifies the Federated States of Micronesia of its intent to impose, any special conditions or restrictions on any Compact Grant Awards, the President shall immediately notify any and all affected State Governments thereof and provide such Government(s) with copies of all relevant documentation, including the explanation that is received from the Government of the United States or JEMCO of the conditions and restrictions and the reasons therefor. The President shall involve the Governments of any State to which the conditions or restrictions might apply in the consultation with the Government of the United States or JEMCO concerning the condition or restriction.

Section 7. Section 309 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 309. Grant Acceptance.

The President shall sign and return to the Government of the United States each Grant Award, unless rejected pursuant to section 307(3) of this chapter, and shall transmit a copy thereof to Congress and each State Government although, pursuant to Article V(5)(a) of the 2023 Fiscal Procedure Agreement, the Government of the Federated States of Micronesia can signify its acceptance of Grants by accepting payments of the

1 Grants."

2 Section 8. Section 311 of Title 55 of the Code of the  
3 Federated States of Micronesia (Annotated), is hereby amended  
4 to read as follows:

5 "Section 311. Compact Financial Assistance Fund.

6 (1) There is hereby created a "Compact Financial  
7 Assistance Fund" to be administered by and under the  
8 authority of the Secretary.

9 (2) The Compact Financial Assistance Fund shall be  
10 established at a bank or commercial financial  
11 institution organized in accordance with the laws of the  
12 United States or a state of the United States; or,  
13 subject to the approval of the Government of the United  
14 States, a bank or commercial financial institution  
15 organized in accordance with the laws of the Federated  
16 States of Micronesia, in either case for the purpose of  
17 receiving payments of Grant funds pursuant to the  
18 Compact pursuant to Article IV(5)(a) of the 2023 Fiscal  
19 Procedures Agreement.

20 (3) The purpose of the Compact Financial Assistance  
21 Fund is to account for Compact funds received from the  
22 Government of the United States by the Government of the  
23 Federated States of Micronesia on behalf of itself and  
24 each of the States from the time of receipt of such  
25 Compact funding and until such funding is disbursed to



1 the respective Government to which such funding accrues.

2 (4) Funds will be received into the Compact Financial  
3 Assistance Fund quarterly for Operational Grants and on  
4 the basis of Accrued Expenditure for Infrastructure  
5 Sector Grants.

6 (5) The accounting records and accounts maintained for  
7 the fund shall be in sufficient detail to provide a full  
8 and complete accounting of Compact funds received by the  
9 Federated States of Micronesia."

10 Section 9. Section 312 of Title 55 of the Code of the  
11 Federated States of Micronesia (Annotated), is hereby amended  
12 to read as follows:

13 "Section 312. Operational Reserve Fund.

14 (1) There is hereby created an "Operational Reserve  
15 Fund" to be administered by and under the authority of  
16 the Secretary, pursuant to Article IV, Section 5(b)(2)  
17 of the 2004 Fiscal Procedures Agreement.

18 (2) The Operational Reserve Fund shall be an  
19 interest-bearing account established at a bank or  
20 commercial financial institution organized in accordance  
21 with the laws of the United States or a state of the  
22 United States; or, subject to the approval of the  
23 Government of the United States, a bank or commercial  
24 financial institution organized in accordance with the  
25 laws of the Federated States of Micronesia, in either

1 case for the purpose of receiving payments of Grant  
2 funds pursuant to Article IV, Section 5(b)(2) of the  
3 2004 Fiscal Procedures Agreement.

4 (3) Funds on deposit in the Operational Reserve Fund  
5 were to be used to cover unanticipated delays of  
6 payments from the Government of the United States of  
7 funds in respect of Grant Awards, provided that the  
8 Government of the United States has approved any such  
9 use of funds.

10 (4) In the event of an unanticipated delay of  
11 payments, the Secretary shall promptly notify the  
12 President and the Government of each affected State.

13 (5) As the 2023 Amended Compact and the 2023 Fiscal  
14 Procedures Agreement no longer provide for the existence  
15 of the Operational Reserve Account, any unobligated  
16 funds remaining in the Operational Reserve Fund as of  
17 the end of Fiscal Year 2024 shall be treated as other  
18 Compact Funds as specified at Section 317 of this  
19 chapter.

20 Section 10. Section 313 of Title 55 of the Code of the  
21 Federated States of Micronesia (Annotated), is hereby amended  
22 to read as follows:

23 "Section 313. Infrastructure Maintenance Fund.

24 (1) There is hereby created an "Infrastructure  
25 Maintenance Fund" to be administered by and under the

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1 authority of the Secretary.

2 (2) The Infrastructure Maintenance Fund shall be  
3 comprised of five interest-bearing accounts, one for  
4 each Government, established at a bank or commercial  
5 financial institution organized in accordance with the  
6 laws of the United States or a State of the United  
7 States; or, subject to the approval of the Government of  
8 the United States, a bank or commercial financial  
9 institution organized in accordance with the laws of the  
10 Federated States of Micronesia, in either case for the  
11 purpose of receiving infrastructure maintenance  
12 contributions from the Government of the United States  
13 and any voluntary contribution from the Government of  
14 the Federated States of Micronesia pursuant to Article  
15 VII, Section (9) of the 2023 Fiscal Procedures  
16 Agreement.

17 (3) The Secretary shall deposit the voluntary  
18 contributions of each Government into that Government's  
19 account in the Infrastructure Maintenance Fund.

20 (4) The Secretary shall deposit each Governments  
21 proportional share of the annual contributions received  
22 from the Government of the United States into each  
23 Government's account in the Infrastructure Maintenance  
24 Fund based upon the distribution formula for division of  
25 Compact funds among National and State Governments, as

1 specified in Section 305 of this chapter.

2 (5) Each Government shall submit to the President  
3 an annual infrastructure maintenance plan not later than  
4 May 15 detailing the planned uses of funds available to  
5 that Government from the Infrastructure Maintenance  
6 Fund.

7 (6) Funds on deposit in the Infrastructure  
8 Maintenance Fund shall be utilized by each Government in  
9 accordance with its infrastructure maintenance plan.

10 (7) The Secretary shall disburse available funds from  
11 the Infrastructure Maintenance Fund account of a  
12 requesting Government after the President has submitted  
13 the required Annual Infrastructure Maintenance Plan to  
14 the Government of the United States and:

15 (a) the requesting Government has submitted  
16 Accrued Expenditure reports evidencing an authorized  
17 expenditure or obligation of such funds; and

18 (b) the Secretary has determined that the  
19 requesting Government has complied with each relevant  
20 requirement under this section."

21 Section 11. Section 314 of Title 55 of the Code of the  
22 Federated States of Micronesia (Annotated), is hereby amended  
23 to read as follows:

24 "Section 314. Drawdown Procedures - Cash Disbursement  
25 to National and State Treasuries.



(1) Pursuant to Article IV, Section 5 of the 2023 Fiscal Procedures Agreement, the Government of the Federated States of Micronesia will receive an advance payment for Compact Sector Operational Grants equivalent to one-quarter (1/4) of the Fiscal Year Operational Grants, at the beginning of each quarter of the Fiscal Year and will receive advance payments for Accrued Expenditures related to the Sector Grants for infrastructure projects.

(2) Any State Government or the Secretary may request an accelerated disbursement of Operational Grant funds by submitting to the President an outlay analysis for the Fiscal Year. The request shall detail by month the Government's anticipated cash disbursement requirements from Compact Sector Operational Grants, and shall include supporting documentation.

(3) The President shall use reasonable efforts to obtain the approval of the Government of the United States for any accelerated disbursement of Operational Grant funds and shall promptly notify the affected State Government or Secretary of a decision by the Government of the United States.

(4) The Secretary shall request Cash Disbursement for non-Operational Grants (Sector Grants for infrastructure) from the Government of the United States

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1           on behalf of each Government on the basis of Accrued  
2           Expenditures pursuant to Article IV, section 5(b)(ii) of  
3           the 2023 Fiscal Procedures Agreement.

4           (5) Upon receipt of Compact funds, the Secretary  
5           shall determine whether the amount and allocation of  
6           such funds is consistent with the Sector Grant Awards.  
7           The Secretary shall immediately notify the President and  
8           the Government of any affected State of any discrepancy  
9           and determine the cause.

10          (6) If the Secretary determines that Compact funds  
11          have been withheld or suspended pursuant to Article IV,  
12          Section 5(c) of the 2023 Fiscal Procedures Agreement,  
13          the Secretary shall immediately notify the President  
14          and, if the withholding or suspension affects a State,  
15          the Government of that State. The Secretary shall  
16          withhold from disbursement to the affected Government  
17          that portion of the Compact funds not received as a  
18          result of such withholding or suspension.

19          (7) Any Government whose Compact funding is withheld  
20          or suspended pursuant to Article IV, Section 5(c) of the  
21          2023 Fiscal Procedures Agreement may dispute such  
22          withholding or suspension through the Office of the  
23          President and in the manner set forth in the 2023 Fiscal  
24          Procedures Act.

25          (8) Unless otherwise provided in this section, the

Secretary shall disburse funds from the Compact Financial Assistance Fund to the National Treasury and each State Treasury not later than the close of the business day following the day upon which the Secretary receives notice of the receipt of such funds."

Section 12. Section 315 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 315. Reprogramming/Re-Allocation of Compact Funds.

(1) No Government shall re-allocate Compact funds from one Sector to another Sector during the course of the Fiscal Year.

(2) A Government may reprogram funds, consistent with the Annual Implementation Plan, upon obtaining the required approval (as set out in (3) or (4) below), only between October 1 and June 30 of any Fiscal Year PROVIDED THAT the such reprogramming is permissible outside of the period October 1 to June 30 only if it is necessary in an emergency to protect public health and safety.

(3) For reprogramming of the amounts that are less than the lesser of: fifteen percent (15%) of a Government's share of a Sector Grant for the Fiscal Year or the Government's proportional share of \$1,000,000 -

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1 the President's approval is required, however that  
2 approval shall not unreasonably be withheld, PROVIDED  
3 that the reprogramming request does not include, and  
4 would not require, any of the following:

5 (a) any revision of the scope or performance  
6 objectives of a Sector Grant or infrastructure project;

7 (b) an extension of the period of funding  
8 availability;

9 (c) changes in key persons specifically named in  
10 a Sector Grant award;

11 (d) the contracting out or otherwise obtaining  
12 the services of a third party to perform non-  
13 construction related activities (except general support  
14 services) that are central to the purposes of the Sector  
15 Grant; or

16 (e) any revision that would result in the need  
17 for additional funding over and above the original  
18 award.

19 (4) For proposed reprogramming that would  
20 include or require any of the revisions described at  
21 (3)(a)-(e) or exceed the financial limits provided in  
22 subsection (3) of this section, the approval of the  
23 President and the Government of the United States is  
24 required. The President shall use his best efforts to  
25 obtain the prior approval of the Government of the



1 United States.

2 (5) As part of the Annual Financial Reports, the  
3 Governments shall provide a summary document of all  
4 reprogramming by sector."

5 Section 13. Section 316 of Title 55 of the Code of the  
6 Federated States of Micronesia (Annotated), is hereby amended  
7 to read as follows:

8 "Section 316. Internal Reporting Requirements.

9 (1) For each fiscal quarter, not later than  
10 twenty (20) days after the end of such fiscal quarter,  
11 each State Government and the Secretary shall submit to  
12 the President the following reports:

13 (a) for all Governmental fund types:

14 (i) a statement of revenues and  
15 expenditures;

16 (ii) a comparison of budget and actual  
17 expenditures by function;

18 (b) with respect to Operational Grants, a budget  
19 execution report for each function, including major  
20 offices, cost centers, budget activities and performance  
21 reports; and

22 (c) with respect to all Sector Grants for public  
23 infrastructure, including the Infrastructure Maintenance  
24 Fund contribution, the information required to complete  
25 a US Federal Form` SF-425 (or any successor to that

1 form).

2 (2) The Members of JEMCO appointed by the  
3 Federated States of Micronesia shall at least twice  
4 annually submit written reports to the President,  
5 Congress and the States including the following  
6 information:

7 (a) a summary of actions taken by JEMCO  
8 since the date of the last report to Congress;

9 (b) a description of any significant  
10 unresolved issues before JEMCO or relating to the  
11 Compact;

12 (c) the schedule for future JEMCO meetings.  
13 Such reports shall be submitted to Congress no later  
14 than April 1 and September 15 of each year, and at  
15 such other times as there may be significant  
16 developments relating to the interpretation or  
17 implementation of the Compact.

18 (3) At least twice annually the members  
19 appointed by the Federated States of Micronesia to the  
20 Joint Trust Fund Committee, formed pursuant to the  
21 *Agreement Between the Government of the United States*  
22 *of America and the Government of the Federated States*  
23 *of Micronesia Implementing Section 215 and Section 216*  
24 *of the Compact, As Amended, Regarding a Trust Fund,*  
25 shall submit reports to the President, Congress and

1 the States including the following information:

2 (a) the current balance of the funds in the  
3 Compact Trust Fund and a comparison with the  
4 balances as of: (i) the same date of the previous  
5 year; and (ii) the date of the last previous  
6 report to Congress;

7 (b) an analysis of the performance of  
8 investments made with funds in the Compact Trust  
9 Fund, including a comparison with generally-  
10 accepted measures of investment performance for  
11 the same period; and

12 (c) a description of significant investment  
13 strategy decisions relating to funds in the  
14 Compact Trust Fund.

15 Such reports shall be submitted to Congress no later  
16 than April 1 and September 15 of each year, and at such  
17 other times as there may be significant developments  
18 relating to the Compact Trust Fund."

19 Section 14. Section 317 of Title 55 of the Code of the  
20 Federated States of Micronesia (Annotated), is hereby amended  
21 to read as follows:

22 "Section 317. Availability of Grant Funds.

23 (1) For Fiscal Year 2025 and thereafter,  
24 pursuant to Section 218 of the 2023 Amended Compact, and  
25 Article VI, Section 1(c) and Article IX of the 2023

Fiscal Procedures Agreement, Sector Grant funds that are unobligated by each respective Government by the end of the Fiscal Year shall:

(a) for Operational Grants - shall be deposited into the Trust Fund, as required by Article IX, Section 4(a) of the 2023 Fiscal Procedures Agreement; and

(b) for Sector Grants for public infrastructure - shall remain available for obligation in a subsequent Fiscal Year as described in the terms and conditions of the Sector Grant, as required by Article IX, Section 4(b) of the 2023 Fiscal Procedures Agreement.

(2) For Fiscal Year 2024 only, the amount of Sector funds that were unobligated by each respective Government in the previous Fiscal Years, shall remain available in the same sector for Fiscal Year 2024."

Section 15. Section 318 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 318. Internal Annual Final Cash Transactions Report. Not later than eighty (80) days after the end of each Fiscal Year, each State Government and the Secretary shall submit to the President a final cash

1 transactions report for each Sector Grant. For  
2 Operational Grants, through Fiscal Year 2023 only, the  
3 reports shall include the amount of any unobligated  
4 Operational Grant funding that will carry over to  
5 subsequent Fiscal Years."

6 Section 16. Section 319 of Title 55 of the Code of the  
7 Federated States of Micronesia (Annotated), is hereby amended  
8 to read as follows:

9 "Section 319. Compact Annual Final Cash Transactions  
10 Report. Not later than ninety (90) days after the end  
11 of each Fiscal Year, the President shall submit to the  
12 Government of the United States a final cash  
13 transactions report for each Sector Grant. For  
14 Operational Grants, through Fiscal Year 2023 only, the  
15 reports shall include the amount of any unobligated  
16 Grant funding that will carry over to subsequent Fiscal  
17 Years."

18 Section 17. Section 320 of Title 55 of the Code of the  
19 Federated States of Micronesia (Annotated), is hereby amended  
20 to read as follows:

21 "Section 320. Plans and Reports of the President to the  
22 Government of the United States.

23 (1) There are <sup>^</sup>three plans <sup>//</sup> that the President is  
24 required to provide to JEMCO and the Government of the  
25 United States prior to receiving Grant Awards (pre-

award requirements). For these reports, JEMCO is required to review and concur with (or reject portions of the plan that relate to the use of Sector Grants) within sixty (60) days of their submission. Pursuant to Article V Section 4 of the 2023 Fiscal Procedure Agreement, JEMCO may extend the due date of these plans upon receiving a justified request to do so.

The plans are:

✓(a) The Strategic Development Plan - this plan is due no later than March 31 of the fiscal year after the fiscal year in which the 2023 Fiscal Procedures Agreement enters into force, and thereafter at appropriate intervals. This plan must satisfy the requirements of Section 261(c) of the 2023 Amended Compact and Article V, Section 1 of the 2023 Fiscal Procedures Agreement.

✓(b) The Infrastructure Development Plan - this plan is due no later than March 31 of the fiscal year after the fiscal year in which the 2023 Fiscal Procedures Agreement enters into force, and thereafter at appropriate intervals. This plan must satisfy the requirements of Article V, Section 2 of the 2023 Fiscal Procedure Agreement and must include:

(i) a single, integrated list of State and National projects for new and reconstructed capital infrastructure to be funded with the Sector Grant for public infrastructure;

(ii) for each project, a preliminary cost estimate, scope of work, and implementation schedule; and

(iii) an explanation of how each proposed project reasonably furthers one or more of the goals and broad strategies in the Strategic Development Plan.

✓(c) The Annual Implementation Plan - this plan is due no later than July 15 of each year. This plan should be developed in conjunction with the budget process and must satisfy the requirements of Article V, Section 3 of the 2023 Fiscal Procedures Agreement, including that it details the proposed uses and expenditure of Sector Grants. Additionally, for infrastructure projects that will be funded by a Sector Grant, there are specific requirements that must be included in the Annual Implementation Plan.

(2) A consolidated Annual Infrastructure



1 Maintenance Plan must be submitted by the President to  
2 the Government of the United States, pursuant to  
3 Article VII, Section 9(e) of the 2023 Fiscal Procedure  
4 Agreement. This Plan must be submitted before the  
5 funds in the Infrastructure Maintenance Fund are  
6 available for use each year.

7 (3) The Section 264 Report must be provided by  
8 the President to JEMCO and the Government of the  
9 United States, in Fiscal Year 2024 and every two years  
10 thereafter. This report must satisfy the requirements  
11 of Section 264 of the 2023 Amended Compact, which  
12 requires the report to state the use of Sector Grant  
13 assistance and other assistance provided by the  
14 Government of the United States during the previous  
15 two Fiscal Years, and report on the progress of the  
16 Governments in meeting program and economic goals.  
17 JEMCO shall review the Section 264 Report within 30  
18 days of its submission.

19 (4) There are two post-award reports that the  
20 President must provide to the Government of the United  
21 States and to JEMCO. Pursuant to Article VI, Section  
22 2(b), the Government of the Federated States of  
23 Micronesia is required to consult with the Government  
24 of the United States in choosing a "qualified third-  
25 party," and in "retaining that third-party" to assist



1 with the preparation and submission of the two post-  
2 award reports. These two reports are:

3 (a) The Annual Financial Report -

4 (i) For Fiscal Year 2023, the  
5 Government of the Federated States of  
6 Micronesia is required to provide the Annual  
7 Financial Report to the President of the  
8 United States and to JEMCO. JEMCO shall  
9 review and comment on the Report and make  
10 appropriate recommendations. These are  
11 requirements under Section 214 of the 2023  
12 Amended Compact.

13 (ii) For Fiscal Years 2024 and  
14 thereafter, not later than 180 days after  
15 the end of each Fiscal Year, unless such due  
16 date is extended by JEMCO after receiving a  
17 justified request, the President shall  
18 submit the Annual Financial Report to the  
19 Government of the United States and JEMCO in  
20 accordance with Article VI, Section 1(b) of  
21 the 2023 Fiscal Procedures Agreement, and  
22 shall transmit copies of the Annual  
23 Financial Report to the Congress and the  
24 Government of each State; and

25 (b) The Annual Performance Report - this report

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1 must be provided to the Government of the United  
2 States and to JEMCO each year, no later than 180 days  
3 after the end of the Fiscal Year, unless JEMCO has  
4 extended the due date upon receiving a justified  
5 request. The content of this report must satisfy  
6 Article VI, Section 2(a) of the 2023 Fiscal Procedures  
7 Agreement.

8 (5) The United States Federal Form SF-425, or any  
9 successors thereto, must also be prepared annually  
10 with regard to the Infrastructure Maintenance Fund  
11 contribution, and submitted by the President to the  
12 Government of the United States within 180 days of the  
13 end of the Fiscal Year. This report shall include  
14 accounting information and a status of progress for  
15 each project funded from Grant."

16 Section 18. Section 321 of Title 55 of the Code of the  
17 Federated States of Micronesia (Annotated), is hereby amended  
18 to read as follows:

19 "Section 321. Accounting and Record Keeping.

20 (1) All obligation and expenditure of Compact Funds  
21 shall be in accordance with the Compact and this  
22 chapter.

23 (2) The financial reporting systems of each  
24 Government shall provide full disclosure of the  
25 financial position and results of operations of each

1 accounting fund in accordance with a uniform and  
2 standardized format. The financial information  
3 generated from these systems shall include, but not be  
4 limited to, all pertinent information needed to prepare  
5 the comprehensive Annual Financial Report, the Annual  
6 Performance Report, the Strategic Development Plan, the  
7 Infrastructure Development Plan, the Infrastructure  
8 Maintenance Plan, the Form SF-425 Report on uses of the  
9 Infrastructure Maintenance Fund, the Annual  
10 Implementation Plan, as well as the biennial Section 264  
11 Report as required by the 2023 Fiscal Procedures  
12 Agreement and the 2023 Amended Compact."

13 Section 19. Section 323 of Title 55 of the Code of the  
14 Federated States of Micronesia (Annotated), is hereby amended  
15 to read as follows:

16 "Section 323. Enforcement.


17 (1) Each State Government and the Secretary shall  
18 immediately report to the President any violation of  
19 this chapter.

20 (2) If the President of the Federated States of  
21 Micronesia determines that any Government is not in  
22 compliance with one or more provisions of the 2023  
23 Amended Compact, the 2023 Fiscal Procedures Agreement,  
24 any provision of this chapter, or rules and regulations  
25 promulgated pursuant to this chapter, he shall confer

1 with the appropriate Government in an effort to remedy  
2 the effects of such noncompliance and to ensure future  
3 compliance with such provisions.

4 (3) Notwithstanding any provision to the contrary in  
5 this chapter, the President may withhold Compact  
6 financial assistance until such time as the non-  
7 compliant Government has complied with all of the  
8 provisions of the 2023 Amended Compact, the 2023 Fiscal  
9 Procedures Agreement, any provision of this chapter, and  
10 any rules and regulations promulgated pursuant to this  
11 chapter."  
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October 21, 2023

  
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Wesley W. Sulmina  
President  
Federated States of Micronesia