CONGRESS OF THE FEDERATED STATES OF MICRONESIA
P.O. Box PS 3
Palikir, Sokehs
Pohnpei State, FM 96941
Tel: (691) 320-2324/2325/2326/2327/2337/2338/2707
Telex: 729-6809 Fax: (691) 320-5122

COMMITTEE ON
WAYS AND MEANS

STANDING COMMITTEE REPORT NO. 21-66

RE: C.B. No. 21-226/W&M

SUBJECT: TO INCREASE THE SPECIAL DRAWING RIGHTS (SDR) 5,100,000 TO SDR 7,200,000 FOR THE MEMBERSHIP QUOTA OF THE FEDERATED STATES OF MICRONESIA IN THE INTERNATIONAL MONETARY FUND (IMF).

SEPTEMBER 18, 2020

The Honorable Wesley W. Simina
Speaker, Twenty-first Congress
Federated States of Micronesia
Fifth Regular Session, 2020

Dear Speaker:

Your Committee on Ways & Means, to which was referred Congressional Bill No. 21-226, entitled:

> "TO AMEND PUBLIC LAW NO. 11-22, BY AMENDING SECTIONS 1 AND 2 THEREOF, IN ORDER TO INCREASE FURTHER FROM SPECIAL DRAWING RIGHTS (SDR) 5,100,000 TO SDR 7,200,000 THE MEMBERSHIP QUOTA OF THE FEDERATED STATES OF MICRONESIA IN THE INTERNATIONAL MONETARY FUND (IMF), AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of this bill are expressed in its title.

Your Committee received Presidential Communication No. 21-285, which transmitted a bill (C.B. No. 21-226) that proposes to increase the membership quota paid by the Federated States of Micronesia to the International Monetary Fund (IMF) by an additional 2,100,000 Special Drawing Rights (SDR)(approximately 2,974,799 USD). As brief summary and

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history of this bill, as well as, the Committee's recommendations can be found below.

BACKGROUND

Your Committee received C.B. No. 21-125 on January 28, 2020 which proposed to increase the membership quota of the Federated States of Micronesia in the IMF. On February 7, 2020, your Committee held an oversight hearing with the Department of Finance and Administration on several bills including C.B. 21-125. At that hearing, your Committee found many discrepancies in the proposed bill compared to the testimony of the Secretary of Finance and Administration as to its intended purpose. Your Committee asked the Department of Justice to review C.B. 21-125 and make corrections. On May 27, 2020, the Executive transmitted P.C. No. 21-185 which included a new bill (C.B. No. 21-226) on the same subject matter but corrected previous errors.

PUBLIC HEARING

Your Committee held a hearing on September 17, 2020 on Congressional Bill No. 21-226. Witnesses at the hearing included the nominee, the Secretary of Finance and Administration Eugene Amor; Senny Phillip, Department of Finance and Administration; Julyn P. Lawrence, Department of Finance and Administration; Jesse Mihkel, Department of Justice; Robert Nakasone, Department of Justice.

Chairman Figir opened the hearing by thanking the witness and committee members for attending. He then asked Secretary Amor to give his opening remarks and explain the reason that this request is needed at this time and to explain the benefits of approving the increase in the membership quota.

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Secretary Amor stated that the FSM is one of four IMF member countries which has not agreed to the increase in the membership quota. The other three countries are in Africa and are currently experiencing civil unrest.

Secretary Amor further stated that there are three main benefits to the Federated States of Micronesia from the IMF: loan lending, policy advice, and technical assistance. He stated that currently the Federated States of Micronesia does not have any loans with the IMF.

Secretary Amor explained that the IMF provides policy advice in the means of a comprehensive review of the countries micro-economic framework. He stated that the last review in 2018 resulted in the country being deemed a grant-only country. He said this was due to the uncertainty surrounding the expiration of the Compact of Free Association in 2023.

Secretary Amor stated that the IMF provides ample training opportunities to staff through the technical assistance. He listed several departments within the Executive branch which is/has benefited from this trainings/technical assistance. He also stated that the IMF sends staff to trainings in foreign countries and listed several of the locations of past trainings.

Finally, the Secretary explained that the IMF does not require an actual payment but a promissory note. He stated that the IMF has never executed their right to payment on demand under the promissory note in relation to smaller member countries. He stated that the last time the IMF called on members promissory notes was in 2007-2008 and they only called the bigger member countries. He stated to

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date the Federated States of Micronesia has not paid anything on its current promissory note.

Your Committee asked several clarifying questions in regards to the effects of the promissory note and it's effect and the possibility that the IMF would seek payment on demand.

Secretary Amor reiterated that the IMF has never called on small members promissory notes. He stated even if they did the assistance we will and have received exceeds the amount of the promissory note. He stated that if we do not increase then we will not get the trainings and grants at the same levels as other countries our size. He added that if the Federated States of Micronesia becomes loan eligible, then our funding level would be lower.

The Committee and staff asked several follow-up clarifying questions which the various witnesses from the Department of Finance and Administration addressed. Chairman Figir concluded by thanking all he witnesses, Committee members, and attendees.

Your Committee would like to offer the following amendments to read as follows:

1. Page 1, line 6, after "Micronesia" delete [~~e~~] and insert <u>to</u>, in lieu thereof.

2. Page 1, line 6, after "quota" delete [~~I~~] and insert <u>in</u>, in lieu thereof.

3. Page 1, line 8, delete [~~3,500,000~~] and insert <u>5,100,000</u>, in lieu thereof.

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4. Page 1, line 9, after "Paragraph" delete [~~2~~] and insert 1, in lieu thereof.

CONCLUSION

Your Committee has carefully reviewed Congressional Bill No. 21-226. Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 21-226, and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. 21-226 C.D.1.

Respectfully submitted,

Isaac V. Figir, chairman

Dion G. Neth, member

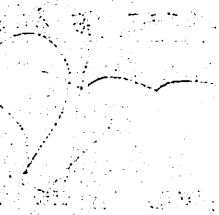
Victor V. Gouland, member

Robson U. Romolow, member

Ferny S. Perman, member

Joseph J. Urusemal, member

Paliknow K. Welly, member



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