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A BILL FOR AN ACT

To authorize the FSM to borrow approximately \$18,000,000 from the ADB and relend \$15,000,000 to the States for the purpose of funding early retirement programs, and for other purposes.

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

1 Section 1. Authorization. The President of the Federated
2 States of Micronesia is hereby authorized to borrow money from
3 the Asian Development Bank (the "Bank") and relend a portion
4 thereof to the States as provided hereinafter.

5 Section 2. Amounts. The amount to be borrowed from the
6 Bank is the equivalent in SDRs (Special Drawing Rights) of the
7 Bank, as of such point in time as the Bank and the President
8 may agree, of up to \$18,000,000. The National Government will
9 assume the risk of gain or loss in the exchange rate between
10 SDRs and U.S. dollars and will relend to the States in U.S.
11 dollars as follows:

12	(1) Chuuk State Government.....	\$ 5,300,000
13	(2) Kosrae State Government.....	2,000,000
14	(3) Pohnpei State Government.....	4,200,000
15	(4) Yap State Government.....	<u>3,500,000</u>
16	Total	\$15,000,000

17 Loan proceeds not so allocated to the States shall be retained
18 by the National Government for its own use.

19 Section 3. Financial Terms. The loan from the Bank and
20 each of the loans to the States shall:

- 21 (1) provide for disbursement in two separate
- 22 drawdowns; or "tranches";
- 23 (2) be interest-free but bear a service charge of 1%
- 24 per year;
- 25 (3) have a 10-year grace period for repayment of the

1 principal; and

2 (4) provide for repayment of the principal over a 30-
3 year period commencing at the end of the grace period.

4 Section 4. Use of Proceeds. The loans will be for the
5 purpose of facilitating the early retirement component of the
6 public sector reform program of each of the participating
7 State and National Governments. Loan proceeds may be used
8 solely to fund the cost of severance packages and the cost of
9 training directly related to the early retirement of employees
10 from government service and other government restructuring
11 pursuant to early retirement legislation enacted by each of the
12 participating governments.

13 Section 5. Relending Conditions.

14 (1) Relending of proceeds to a State shall be by way
15 of a Financing Agreement between the National Government and
16 the State which:

17 (a) requires the establishment of a separate
18 trust account within the national investment portfolio, for the
19 benefit of the State but under the control of the Secretary of
20 Finance, into which the State must gradually deposit, by
21 September 30, 2001, and thereafter maintain, a sum not less
22 than the principal balance which it owes;

23 (b) grants to the National Government an
24 unconditional security interest in the State's share of section
25 211 block grants and section 217 inflation adjustments under

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1 the Compact of Free Association and in the State's share of
2 national tax revenues;

3 (c) binds the State to the set-off provisions
4 of section 3 of Public Law No. 9-136;

5 (d) contains such other provisions as the
6 President or the Bank may require; and

7 (e) is specifically and properly authorized by
8 the legislature of the State.

9 (2) Except as provided herein or in the loan
10 agreement with the Bank, the form of the Financing Agreement
11 shall be the same for all States so as to assure that no State
12 is preferred over any other State.

13 Section 6. Delegations.

14 (1) While the President shall remain involved and
15 informed, he may delegate:

16 (a) to the Secretary of Finance the authority
17 to negotiate the loan agreement with the Bank, the Financing
18 Agreements with the State, and any other relevant documents;

19 (b) to the Secretary of Finance the authority
20 to sign any such documents on behalf of the National
21 Government;

22 (c) to the FSM's representative on the Board of
23 the Bank in Manila the authority to sign agreements between the
24 Bank and the National Government; and

25 (d) to such officials as the President deems

1 appropriate the authority to administer various portions of the
2 early retirement program.

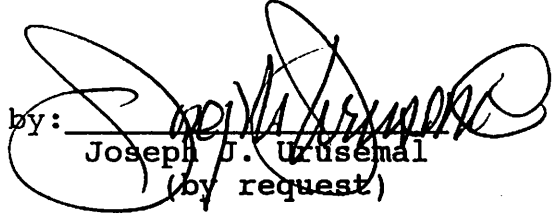
3 (2) The right to delegate the performance of an act
4 to a person includes the right to ratify the performance of
5 that act after the fact.

6 Section 7. Repayment Authorization. The sum of up to
7 \$18,000,000 is hereby authorized to be appropriated in future
8 years when and as necessary for repaying the loan from the
9 Bank.

10 Section 8. Reporting. The President shall keep the
11 Congress informed of the progress being made in implementing
12 this act.

13 Section 9. This act shall become law upon approval by the
14 President of the Federated States of Micronesia or upon its
15 becoming law without such approval.

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17 Date: 3/11/97

18 Introduced by: 
Joseph J. Urusemal
(by request)

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