

AN ACT

To amend section 2 of Public Law No. 9-135, the ADB Water Project Authorization Act, to permit certain changes to the form of Financing Agreement with the States, and for other purposes.

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

Section 1. Section 2 of the Public Law No. 9-135 is hereby amended to read as follows:

"Section 2. Definitions. Unless otherwise defined or required by the context, terms used in this act shall have the following meanings:

- (1) 'Bank' means the Asian Development Bank.
- (2) 'Congress' means the Congress of the FSM.
- (3) 'FSM' means the Federated States of Micronesia.
- (4) 'Financing Agreement' means a three-party agreement between the FSM, a State, and utility company within that State in substantially the form heretofore submitted to Congress and labeled 'Congress Draft'; provided, however, that said form shall be modified to:
 - (a) provide that repayment of the loan to one State cannot be accelerated because of a default by any other State or by the FSM;
 - (b) change the section 4.02 grant of security by a State to provide that the pledged funds may not be retained or applied except to the extent of a default, which amount may never aggregate more than the total amount due under the loan; and
 - (c) extend the grace period for repayment of principal by the State to the FSM from five to ten years. The section 4.01 diversion to the FSM of repayments by the utility company shall remain in place as if the grace period were still five years, and the funds thereby retained by the FSM shall be deposited into a separate trust account within the national investment portfolio, for the benefit of the State but under the control of the Secretary of Finance. The State shall be entitled to the net investment earnings from that trust account.
- (5) 'Loan Agreement' means the Loan Agreement (Special Operations) (Water Supply and Sanitation Project) between the FSM and

the Bank in substantially the form heretofore submitted to Congress and labeled "Negotiated Draft 14/viii/96".

(6) 'President' means the President of the FSM or his designee, or in the absence of the President, the Vice President of the FSM or his designee.

(7) 'Project' means the water supply and sanitation project contemplated by the Loan Agreement.

(8) 'State' means a state of the FSM."

Section 2. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

September 9 _____, 1997

/s/ Jacob Nena
Jacob Nena
President
Federated States of Micronesia