

AN ACT

To authorize the President of the Federated States of Micronesia, or his designee, to execute a sovereign guarantee to secure an Asian Development Bank loan for the Yap Renewable Energy Development Project, and for other purposes.

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

1 Section 1. Purpose. The FSM National Energy Policy seeks to
2 prioritize the use of renewable energy. The Asian Development
3 Bank ("ADB") has proposed the Yap Renewable Energy Development
4 Project to reduce the dependency on imported diesel fuels. The
5 Yap Renewable Energy Development Project will support development
6 of grid connected wind and solar power, will improve the
7 efficiency of diesel generation, and will build technical
8 capacity. The proposed cost of the project is \$11.16 million, to
9 be funded with \$4.68 million from ADB's Ordinary Capital Resources
10 ("OCR") funds, \$4.38 million from ADB's Asian Development Fund
11 ("ADF"), and \$2.12 million from the State of Yap. As a condition
12 of the loan to the State of Yap, the Asian Development Bank
13 requires a sovereign guarantee that the loan will be repaid.

14 Section 2. Authorization to execute sovereign guarantee.
15 Pursuant to the authority to appropriate funds and to borrow money
16 on public credit under Article IX of the FSM Constitution,
17 Congress hereby authorizes the President, or his designee, to
18 execute a sovereign guarantee with the State of Yap and the Asian
19 Development Bank guaranteeing repayment of the Yap Renewable

1 Energy Development Project loan.

2 Section 3. Authorization for appropriation. There is hereby
3 authorized to be appropriated out of the General Fund of the
4 Federated States of Micronesia the sum of not more than \$9,060,000
5 to guarantee the repayment of the ADB Yap Renewable Energy
6 Development Project loan.

7 Section 4. Terms of the guarantee. The guarantee shall be
8 executed upon such terms as may be set by the President of the
9 Federated States of Micronesia consistent with the provisions of
10 this act to include the following conditions:

11 a. The State of Yap is primarily responsible for
12 repayment of the Asian Development Bank loan.

13 b. FSM National Government's obligation as
14 guarantor extends only to disbursements of the Asian Development
15 Bank Renewable Energy Development loan after execution of an
16 appropriate guarantee agreement.

17 c. FSM National Government's obligation applies
18 only if the State of Yap is in default of its repayment
19 obligations.

20 d. The State of Yap pledges its state revenues
21 and agrees to an offset if its national revenues in the event of
22 default by the State of Yap.

23 e. The State of Yap provides full indemnity to
24 the FSM National Government to indemnify the FSM National
25 Government whenever the latter becomes obligated to pay under the

1 guarantee.

2 f. FSM National Government shall have
3 subrogation rights in the event it becomes liable under its
4 guarantee.

5 Section 5. Duties of the Secretary of Finance. Upon default
6 of the State of Yap on its repayment obligations to the Asian
7 Development Bank, the Secretary of Finance and Administration
8 shall submit to the President an appropriation bill for
9 consideration of Congress of the Federated States of Micronesia
10 for fulfilment of the sovereign guarantee.

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

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February 11 _____, 2013

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/s/ Manny Mori
Manny Mori
President
Federated States of Micronesia

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