To appropriate the sum of $2,000,000 from the General Fund of the Federated States of Micronesia for the fiscal year 2014, to fund the hiring of a law firm to investigate and arbitrate management issues with the Compact grants, and for other purposes.

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

Section 1. Purpose. The Congress of the Federated States of Micronesia finds that over the years of the Compact of Free Association, as amended, the management of the Compact financial assistance grants by the grant managers at the Office of Insular Affairs Compact Division, is sometimes based on personal ambitions and grudges, and have often swayed from the letters and spirit of the Compact Agreement which is based on mutual trust and respect for the sovereignty of the compacting governments. This act is therefore enacted to provide a means for the FSM Government to seek remedies to such management issues arising from the grant managers' own interpretations of the amended provisions of the Compact which has given them unchecked powers over the grants to the detriment of the sovereignty of the grant owners, the FSM government entities.

Section 2. Appropriation. There is hereby appropriated the sum of $2,000,000, or so much thereof as may be necessary, from the General Fund of the Federated States of Micronesia for the fiscal year 2014, for the purpose of funding the employment of a competent law firm to assist the FSM in investigating, arbitrating
and where appropriate, adjudicate issues with the management of
the Compact grants by the grant managers at the Compact Division
of the Office of Insular Affairs, U.S Department of the Interior.
This fund shall be allotted to the President of the Federated
States of Micronesia who shall administer the fund according to
the provisions of this act and in accordance with the FSM
Financial Management Act. The funds appropriated by this act
shall remain available until the expiration of the 2015 fiscal
year in September, 2015, or until the law firm has accomplished
its tasks under this act, whichever is earlier. The Congress of
the Federated States of Micronesia may extend the lapse date. The
President shall submit reports to the Congress on the status of
the funds at the end of each fiscal year that the fund is
available and is being administered. The Congress may appropriate
additional funding in the future if it deems necessary.

Section 3. **Administration.** Within one month after this act
has become law, the President shall direct the FSM Secretary of
Justice to advertise for interested law firms to be employed by
the FSM for the purpose of this act. Within a month after the
closing of the advertisement, the Secretary shall meet with and
review any and all applications with all the FSM State Attorney
Generals and decide which firm is to be hired. No firm or
attorney shall be hired that has done business or received Amended
Compact grants from the OIA Compact Division since the effective
date of the Amended Compact. The FSM and State Attorneys Generals
1 shall collaborate on negotiating and drafting the retainer
2 agreement with the law firm and shall review all billings from the
3 law firm before payments can be processed by the FSM Department of
4 Finance and Administration. All meeting expenses for the FSM and
5 State Attorney Generals may be made against this fund but in no
6 way shall such administrative costs exceed the total of $100,000
7 of the total appropriation unless authorized by the Congress. The
8 FSM and State Attorney Generals may provide support to the law
9 firm in the execution of this act where necessary.

Section 4. **Tasks and Deadlines.** The FSM and State Attorney
11 Generals shall specifically specify in the retainer agreement with
12 the law firm the tasks to be pursued and performed by the law firm
13 include the following:

14      (1) What is the extent of the grant managers’
15 authority over the use of all “carried over funds” under the
16 Amended Compact and the right of any of the Governments to recover
17 any “carried over funds” mistakenly disbursed by the grant
18 managers?

19      (2) The right of the grant managers to demand “Burden
20 Sharing” by the Congress or Government of the FSM in the
21 administration of the Amended Compact grants; whether or not the
22 grant managers can properly deny a FSM government grant proposal
23 based on any burden sharing consideration?

24      (3) The basis and extent of the grant managers’ or the
25 OIA’s authority to approve part of the Amended Compact grants for
uses as “Compact Impact” funds for any of the U.S territories or agencies or any other entities, and whether the FSM governments can recover any such funds being so used?

(4) The propriety of the grant managers’ ongoing practice of awarding Compact grants to projects of their own designs to consultants and contractors of their own choosing without adhering to the bidding requirements of the Fiscal Procedures Agreement and without consultation with the grantee governments, including the practice of overriding the FSM governments’ bidding committees actions and decisions so as to favor awarding project contracts to American companies or entities affiliated with individual grant managers?

(5) Whether or not the United States may be required to pay any unpaid obligations to the Compact Trust Fund, including lost earnings due to such non-payments?

(6) Whether or not the “Strategic Denial Right” accrued to the United States under the Compact of Free Association may be terminable after the expiration of the original 50-year Compact of Free Association since 1986?

(7) The FSM Government may add additional tasks to the law firm where appropriate.

(8) The law firm and the FSM Attorney General shall endeavor to resolve and arbitrate or adjudicate all the above issues before the expiration or lapse date of this fund.

(9) The President will certify to the Congress and all
four FSM States all tasks completed or resolved pursuant to this act.

Section 5. This act shall become law upon the approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 9/11/13 Introduced by: /s/ Victor Gouland

Victor Vicky Gouland