

SEVENTH LEGISLATURE OF THE STATE OF CHUUK

FIRST REGULAR SESSION,  
THIRD SPECIAL SESSION, FEBRUARY, 2004

Chuuk State Law No. 7-04-01  
ACT NO: 7-15

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AN ACT

To authorize the Governor of the State of Chuuk to borrow \$3,079,000 from the National Government for the purpose of funding the private sector development programs and projects in the State, to appropriate certain loan proceeds, to establish a Multi-Loan Disbursing Fund, and for other purposes.

BE IT ENACTED BY THE CHUUK STATE LEGISLATURE:

1       Section 1. Authorization. The Governor is hereby authorized to borrow money  
2       from the National Government of the Federated States of Micronesia ("FSM") to the  
3       purpose of private sector development as provided hereinafter. The borrowing shall be  
4       by way of a program loan and a separate project loan from the Asian Development Bank  
5       ("Bank") to the Government of the Federated States of Micronesia.

6       Section 2. Amounts. The total amount to be borrowed by the State is the  
7       equivalent in SDRs (Special Drawing Rights) of the Bank, as of such point in time as the  
8       Bank and the President of the Federated States of Micronesia shall agree of up to  
9       \$3,079,000. Of the amount \$1,300,000 shall be under the program loan and \$1,779,000  
10      shall be under the project loan.

11      Section 3. Financial Terms

- 12           (1) The program loan (\$1,300,000) to the State shall
- 13                   (a) Provide for the disbursement in two equal and separate draw  
14                           downs, or "trenches";
- 15                   (b) have an 8 year grace period for the repayment of principal;
- 16                   (c) bear interest at the rate of 1% per annum during the grace  
17                           period and 1.5% per annum thereafter; and
- 18                   (d) provide for repayment of the principal over a 15-year period  
19                           commencing at the end of the grace period.
- 20           (2) The project loan (\$1,779,000) to the State shall
- 21                   (a) Have an 8 year period for the repayment of principal;
- 22                   (b) bear interest at the rate of 1% per annum during the grace  
23                           period and 1.5% per annum thereafter; and

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(c) provide for the repayment of principal over a 24-year period commencing at the end of the grace period.

Section 4. Local Proceeds. The loans will be for the purpose of facilitating development of the private sector in the State. Loan proceeds may be used only as provided in the loan agreements between the Federated States of Micronesia and the Bank.

Section 5. Loan Conditions. The loans to the State shall be the subject of program and project. Re-Lending Agreements between the National Government and the State are taken together.

(1) Place the foreign exchange risk on the State until the estimation and transfer process called for in subsection (3) below and on the National Government thereafter.

(2) Amend provisions relating to the Trust Account created in the name of the State pursuant to the existing financial agreement between the National Government and the State with respect to ADB Public Sector Reform Program so as to permit and require Trust Account to be used in conjunction with the External Debt Management Fund created or to be created by the National Government, for repayment of not just the Public Sector Reform Program Loan but also these loans and possibly other loans for the State.

(3) Provide for annual estimation of the amount conservatively estimated to be needed as a sinking fund for repayment of all loan proceeds advanced to the State since the last such estimate followed by transfer of the amount so estimated from the Trust Account to the External Debt Management Fund.

(4) Provide for disbursement to the State of funds remaining in the Trust Account after five years if and when all loans are repaid from the Trust Account have been disbursed.

(5) Provide that from and after completion of each annual estimation and transfer process called for in subsection (3) above, the National Government shall bear the risk if those funds in the Trust Account and the External Debt Management Department Fund may not be sufficient to repay all the loans intended to be repaid therefrom and the State shall be released from liability for any shortfall except as otherwise expressly provided in the Re-lending Agreements; and

(6) Contain such other provisions as the President or the Bank may require and the Governor may agree to.

#### Section 6. Delegations.

(1) While the Governor shall remain involved and informed, he may delegate

(a) to the Chief of Commerce and Industry the authority to negotiate and sign the Re-lending Agreements and other relevant documents on behalf of the State; and

(b) to such officials as the Governor deems appropriate the authority to administer various portions of the programs and projects funded by the loans of the State.

(2) The right to delegate the performance of an act to a person include the right to ratify the performance of that act by that person after the fact.

#### Section 7. Appropriation of Loan Proceeds.

(1) If and in the event that such an appropriation is necessary, all sums directly or indirectly received as proceeds for the project loan to the State are hereby appropriated for the purpose of funding private sector development projects, to the extent and in the manner specified in the project Re-lending Agreement with the National Government. Such funds may not be obligated until received from or made available by the National Government.



(2) The sum of \$1,779,000 or so much thereof as may be necessary and have been made available by the National Government under the project loan to the State, is hereby appropriated for the following purposes.

(a) Land Admin. Building \$275,000

(b) Land Equipment \$561,000

(c) Land Technical Assist. \$ 89,000

(d) SBDC Building and Other Program authorized under the Re-Lending Agreement between Chuuk State and the National Government and ADB and may be revised upon consensus and approval of Chuuk State Government, FSM National Government and ADB \$854,000

Total \$1,779,000

(3) The sum of \$1,300,000 or so much thereof as may be necessary and have been made available by the National Government under the program loan to the State, and \$650,000 is hereby appropriated under item (a) and \$650,000 under item (b) is hereby authorized.

(a) Payment of Past Debts to Local Vendors \$650,000.

A certified list will be provided by the division of Finance which will be the basis for an equal percentage distribution and disbursement to all the local vendors for payment of outstanding obligations and/or debts of the Chuuk State Government.

(b) To be appropriated by Legislature \$650,000

Total \$1,300,000

1       Section 8. Multi-Loan Disbursing Fund.

2               The General Fund and all other funds of the State.

3               (1) The purpose of the Fund is to provide, for the receipt and disbursement  
4               of proceeds of the loans authorized by this act and such other loans to  
5               the State as may be specified in the State legislation, which authorized  
6               those loans.

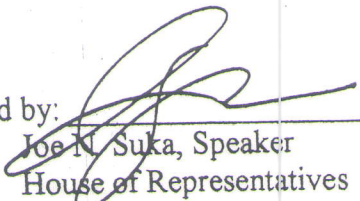
7               (2) The Fund shall contain a separate account for each separate loan  
8               which is covered by the Fund. All proceeds of such loan shall be  
9               deposited in the account for that loan with the Fund and may only be  
10              disbursed for the purpose specified in the applicable loan documents.

11              (3) The Fund shall be administered by the Chief of Commerce and  
12              Industry in accordance with the applicable law, loan documents,  
13              generally accepted accounting practices, prudent investment  
14              standards, and sound financial accounting practices for the  
15              effectuation and implementation of the provisions of this section and  
16              the purpose of the subject loans. The loans shall also be administered  
17              in accordance with the Chuuk State financial Management Act.

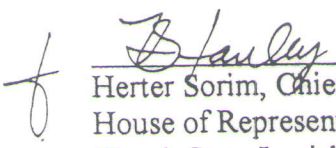
18       Section 9. Administration. All funds appropriated by this act shall be allotted,  
19       managed, administered, and accounted for in accordance with applicable laws, including  
20       but not limited to the financial Management Act of the State. The allottee shall be  
21       responsible for insuring that these funds, or o much thereof as may be necessary, are used  
22       solely for the purposes specified in this act and that no obligation are incurred in excess  
23       of the sums appropriated. The authority of the allottee to obligate funds appropriated by  
24       this act shall not lapse.

- 1 Section 10. Effective Date. This act shall become law upon approval by the
- 2 Governor, or upon its becoming law without such approval.

Signed by:

  
Joe N. Suka, Speaker  
House of Representatives  
Chuuk State Legislature

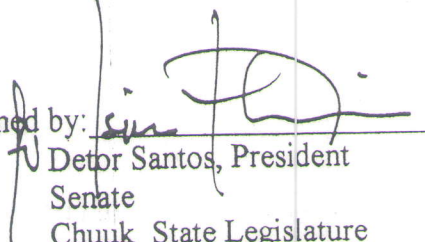
Attested:

  
Herter Sorim, Chief Clerk  
House of Representatives  
Chuuk State Legislature


Date:

02/27/04

Signed by:

  
Detor Santos, President  
Senate  
Chuuk State Legislature

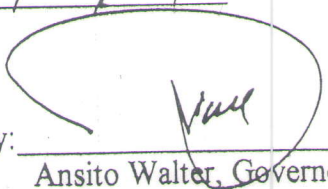
Attested:

  
Songkinita Bossy, Chief Clerk  
Senate  
Chuuk State Legislature

Date:

02/27/04

Approved by:

  
Ansito Walter, Governor  
Chuuk State Government

Date:

Feb 27, 2004

History

: H.B.No: 7-48; SD1; CD1  
: H.S.C.R. No: None  
: S.S.C.R. No: None  
: J.C.R.No: 7-1R-3S-01