Dear JEMCO members:

Please find attached, copies of ten resolutions passed unanimously on September 2, 2009 at the JEMCO meeting held in Honolulu, Hawaii.

Sincerely,

[Signature]

Nikolao Pula
Chairman
Joint Economic Management Committee

Attachment: JEMCO Resolutions 2009 01-10
JEMCO Resolution Compendium

Resolution JEMCO 2009 -1
Chuuk State Public Utilities Corporation

JEMCO resolves that no later than October 31, 2009, the FSM National Government shall submit to JEMCO, through the Office of Insular Affairs, a plan and timeline specifying actions that will be undertaken within a defined timeframe to hire and place a professional management team at the Chuuk State Public Utility Corporation.

JEMCO will consider use of Compact Public Sector Capacity Building funds for partial implementation of the plan. The goal should be a public utility operating on a self-sustaining basis.

Resolution JEMCO 2009 -2
Sustainability of Sector Grants

JEMCO resolves that the FSM National and State Governments shall develop plans for managing annual decreases in Compact direct assistance and/or general fund support, and shall use those plans as the basis for Fiscal Year 2012 budget decisions. The plans should include an evaluation of the ability of the health and education sectors to fulfill their strategic outcomes in fiscal years 2012-2014.

JEMCO further resolves that the FSM shall submit its findings and plans to the JEMCO through the Office of Insular Affairs not later than August 1, 2010 and shall demonstrate that it has used the findings and plans as part of its internal budget development process for Fiscal Year 2012.

Resolution JEMCO 2009 -3
Infrastructure Maintenance Fund

JEMCO resolves that prior to October 1, 2009 the FSM National Government shall submit to JEMCO, through the Office of Insular Affairs, a proposed deposit schedule of “local” cash contributions for each of the FSM governments’ respective Infrastructure Maintenance Fund (IMF) bank accounts. In order for the FSM to be in compliance with Article VII of the Fiscal Procedures Agreement, this schedule shall ensure that FSM’s unfunded IMF liabilities be eliminated and no unfunded liabilities shall exist by September 30, 2011.

Resolution JEMCO 2009 -4
Sustainability of Public Utilities in the FSM

JEMCO resolves that a concerted multilateral effort be undertaken in order to assist the FSM in identifying potential funding opportunities to upgrade power generation and distribution capabilities in the FSM and to identify alternate energy opportunities.
JEMCO further resolves that a review of existing management capacity and rate structures, and implementation of the results of such a review are necessary to ensure that opportunities for improvement of power generation and distribution capabilities are maximized.

Therefore, JEMCO further resolves that the Office of Insular Affairs, with the Office of SBOC, shall organize a meeting, no later than March 31, 2010, of multilateral partners, including, but not limited to the Government of the FSM, FSM utilities, the U.S. Department of the Interior, the U.S. Agency for International Development, the Pacific Power Association, the Asian Development Bank, and Rural Utilities Services, to:

- Review power generation and distribution capacity within each state of the FSM;
- Identify funding resources for power generation capacity;
- Identify alternate energy opportunities;
- Review current state pricing structures and identify rate structures required to access loans for power generation upgrades; and
- Identify opportunities for improving management capacity.

Resolution JEMCO 2009 -5
Chuuk Department of Education Reform

JEMCO endorses a multi-agency task force (SBOC, CDOE, NDOE and OIA, and U.S. ED) to provide monitoring and technical assistance to the Chuuk Department of Education, using the Chuuk State Department of Education’s 2005 Reform Plan as the base line for determining additional necessary interventions.

Resolution JEMCO 2009 -6
National Department of Education

JEMCO will consider funding for the FSM National Department of Education when the FSM provides a financial plan that is aligned with the FSM National Department of Education’s integrated performance plan.

Resolution JEMCO 2009 -7
Chuuk Land

JEMCO acknowledges the process that has been undertaken by Chuuk State and the FSM National Government to acquire land through an expedited process using Chuuk State’s Eminent Domain authority, in conjunction with Article VI(1)(e) of the Fiscal Procedures Agreement’s Real Property provision.

JEMCO encourages Chuuk State, the FSM and the Office of Insular Affairs to continue this process of establishing principles and conditions under which the land acquisition process may be implemented including:

- Identification of infrastructure projects that can proceed immediately without the need for an Eminent Domain process or the need for the use of Compact funds for land purchase;
• The resolution of all outstanding legal issues at the state and national level regarding the availability of the power of Eminent Domain, as well as the appropriate process, for gaining title to land for possible Compact Infrastructure Sector projects;

• Development of appropriate mechanisms for the transfer of title between the national and state governments to land purchased with Compact Infrastructure Sector funding;

• Identification of the conditions under which the use of the power of Eminent Domain is necessary and appropriate and for which funding through the Fiscal Procedures Agreement (Title VI, Section 1(e)) would be proposed;

• Identification of national and state laws and regulations, if any, that must be amended or revised in order to implement this proposal;

• Identification and clarification of all other essential issues; and

• The process should be completed within six months of this resolution.

JEMCO resolves that once the process has been worked out it will be submitted, through the Office of SBOC, to the Office of Insular Affairs for review in relation to Article VI, Section 1(e) of the Fiscal Procedures Agreement and OIA will report to JEMCO on the results of its review within one month of submission to OIA.

JEMCO notes that infrastructure projects where part of the proposal would involve the use of Compact funding to acquire land would be subject to the same analysis regarding use of Compact funds and priorities as other proposals for the use of Public Infrastructure Sector projects.

Resolution JEMCO 2009 -8

Pohnpei Private Sector Development
JEMCO resolves that funding will be considered for the Private Sector Development Sector for Pohnpei State in Fiscal Year 2010 after Pohnpei State changes its foreign investment regime in a manner that is compatible with the intent and purpose of the Compact, as amended, to enhance private sector development within Pohnpei State.

Resolution JEMCO 2009 -9

Special Grant Terms and Conditions
JEMCO resolves that the following special grant terms and conditions shall be added to the Fiscal Year 2010 Sector Grants:

Education
a) The Education Sector grant shall limit the payment of teachers’ salaries to teachers who are certified or who have agreed to and are following an approved program of professional development leading to certification.
b) The FSM National Government, not later than October 31, 2009, shall develop a timeline and budget for replicating the Yap model of job/management audits for all state departments of education.

c) The FSM National Department of Education shall contract outside expertise to develop comprehensive technology plans including standards for students, teachers, and administrators and budget and training schedules to meet those standards. JEMCO encourages the Office of Insular Affairs to seek unexpended Supplemental Education Grant monies from Fiscal Years 2005 and 2006 to fund the plans.

Resolution JEMCO 2009 -10

Fiscal Year 2010 Sector Grant Allocations

JEMCO resolves that the following amounts are approved for use of Fiscal Year 2010 Compact of Free Association grant funding, subject to the terms and conditions of Resolution JEMCO 2009-9:

- $ 28,171,015  Education
- $ 21,007,869  Health
- $ 2,887,816   Public Sector Capacity Building
- $ 1,579,510   Environment
- $ 2,333,638   Private Sector Development
- $ 24,303,552  Public Sector Infrastructure
- $ 80,283,400

JEMCO further resolves that the detailed breakdown, attached herewith, by Sector, government, cost center and project will be included in the sector grant awards.
Fiscal Year 2010 Sector Grant Allocation – Sector/Government/Cost Center

**Health Sector**

$ 845,334  FSM National Government
$ 8,977,642  Chuuk
$ 2,217,716  Kosrae
$ 5,853,231  Pohnpei
$ 3,113,946  Yap
$ 21,007,869  Health Sector FY 2010 Allocation

The FSM requested and JEMCO has approved an allocation of $21,007,869 from Fiscal Year 2010 Compact Sector funding.

- **FSM National Government - Health**
  
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<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Personnel</td>
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<tr>
<td>Travel</td>
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<tr>
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<td>OCE</td>
<td>$301,338</td>
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<tr>
<td>Fixed Assets</td>
<td>$0</td>
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<tr>
<td><strong>TOTAL -BUDGET</strong></td>
<td><strong>$ 845,334</strong></td>
</tr>
</tbody>
</table>

National Government Funded Agencies:
1. Dept. of Health & Social Affairs $ 845,334

- **Chuuk State Government - Health**
  
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
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<td>OCE</td>
<td>$3,617,532</td>
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<td>Fixed Assets</td>
<td>$250,320</td>
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<td><strong>TOTAL BUDGET</strong></td>
<td><strong>$ 8,977,642</strong></td>
</tr>
</tbody>
</table>

Chuuk State Government Funded Agencies:
1. Dept. of Health Services $ 8,943,642
2. Chuuk Red Cross $ 34,000

- **Yap State Government – Health**
  
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Personnel</td>
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<tr>
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<td>Contractual</td>
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<td>OCE</td>
<td>$1,522,763</td>
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<tr>
<td>Fixed Assets</td>
<td>$51,500</td>
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<td><strong>TOTAL BUDGET</strong></td>
<td><strong>$ 3,113,946</strong></td>
</tr>
</tbody>
</table>
Yap State Government Funded Agencies:
1. Dept of Health Services $ 3,041,091
2. Dept. of Resources & Development $ 30,654
3. Dept of Public Works & Transportation $ 42,201

- Kosrae State Government - Health
  Personnel $ 971,415
  Travel $ 27,562
  Contractual $ 321,250
  OCE $ 776,489
  Fixed Assets $ 121,000
  TOTAL BUDGET $ 2,217,716

Kosrae State Government Funded Agencies:
1. Dept. of Health Services $ 2,217,716

- Pohnpei State Government - Health
  Personnel $ 2,889,317
  Travel $ 171,006
  Contractual $ 571,242
  OCE $ 2,221,666
  Fixed Assets $ 0
  TOTAL -BUDGET $ 5,853,231

Pohnpei State Government Funded Agencies:
1. Department of Health Services $ 5,773,231
2. Office of T&I $ 80,000
The FSM requested an allocation of $28,880,110 from Fiscal Year 2010 Compact Sector funding. Based on the recommendations of the OIA, JEMCO is approving funding for $28,351,542. OIA is unable to recommend a level of funding for the FSM National Department of Education until the FSM presents a budget of proposed activities that align with a performance plan that includes an appropriate set of activities for the NDOE to conduct during FY 2010.

- **FSM National Government - Education**

  - **Education Sector:** $3,800,000

- **Chuuk State Government - Education**

  - **Education Sector:**
    - Personnel $6,632,285
    - Travel $65,976
    - Contractual $1,619,032
    - OCE $1,597,357
    - Fixed Assets $132,599

  **TOTAL BUDGET** $10,047,249

  Chuuk State Government Funded Agencies:
  1. Dept. of Education $8,882,449
  2. Board of Education $12,700
  3. Scholarship Board $952,100
  4. Aid to Non-Public Schools $200,000

- **Kosrae State Government - Education**

  - **Education Sector:**
    - Personnel $1,544,971
- Travel $ 20,938
- Contractual $ 437,903
- OCE $ 477,474
- Fixed Assets $ 43,000

**TOTAL BUDGET $ 2,524,286**

Kosrae State Government Funded Agencies:
1. Dept. of Education $ 2,283,264
2. Scholarship Board $ 241,022

- **Pohnpei State Government - Education**
  - **Education Sector:**
    - Personnel $ 6,226,559
    - Travel $ 17,940
    - Contractual $ 357,915
    - OCE $ 997,143
    - Fixed Assets $ 0

**TOTAL BUDGET $ 7,599,557**

- **Yap State Government - Education**
  - **Education Sector:**
    - Personnel $ 2,071,377
    - Travel $ 82,573
    - Contractual $ 634,950
    - OCE $ 1,198,212
    - Fixed Assets $ 212,811

**TOTAL BUDGET $ 4,199,923**

Yap State Government Funded Agencies:
1. Dept. of Education $ 3,428,454
2. Yap Public Transportation System $ 168,441
3. Yap State Scholarship $ 527,240
4. Yap State Public Library $ 43,888
5. Aid to Non-Public Schools $ 31,900
Public Sector Capacity Building

$ 493,140 FSM National Government
$ 761,000 Chuuk
$ 337,200 Chuuk Component Unit Assistance (CUA)
$ 406,048 Kosrae
$ 451,739 Pohnpei
$ 438,689 Yap
$ 2,887,816 Public Sector Capacity Building FY 2010 Allocation

- National Government
  - Public Sector Capacity Building:
    - Personnel $ 218,329
    - Travel $ 28,041
    - Contractual $ 95,570
    - OCE $ 150,200
    - Fixed Assets $ 0
  - TOTAL BUDGET $ 493,140

National Government Funded Agencies:
1. Department of Finance & Admin. $ 209,750
   a. Financial Advisors (81,750)
   b. VAT (128,000)
2. Office of the Public Auditor $ 283,390
   a. Performance Audits (109,033)
   b. Chuuk Field Office (174,357)

- Chuuk State Government
  - Public Sector Capacity Building:
    - Personnel $ 10,400
    - Travel $ 33,500
    - Contractual $ 587,200
    - OCE $ 93,700
    - Fixed Assets $ 36,200
  - TOTAL BUDGET $ 761,000 (CUA not included)

Chuuk State Funded Agencies:
1. Office of the Attorney General $ 139,000
2. Department of Public Safety $ 64,000
3. Chuuk Public Service Commission $ 138,000
4. CFCC $ 420,000
5. Component Unit Assistance $ 337,200

➢ Kosrae State Government
✓ Public Sector Capacity Building:
  • Personnel $ 75,202
  • Travel $ 26,694
  • Contractual $ 296,802
  • OCE $ 7,350
  • Fixed Assets $ 0
  TOTAL BUDGET $ 406,048

Kosrae State Funded Agencies:
  1. Office of the Attorney General $ 84,429
  2. Office of the Public Auditor $ 132,942
  3. Department of Administration&Finance $ 188,677

➢ Pohnpei State Government
✓ Public Sector Capacity Building:
  • Personnel $ 241,078
  • Travel $ 20,000
  • Contractual $ 151,191
  • OCE $ 39,470
  • Fixed Assets $ 0
  TOTAL BUDGET $ 451,739

Pohnpei State Government Funded Agencies:
  1. Department of Treasury & Admin. $ 208,255
  2. Office of the Public Auditor $ 243,484

➢ Yap State Government
✓ Public Sector Capacity Building:
  • Personnel $ 136,819
  • Travel $ 131,470
  • Contractual $ 133,800
  • OCE $ 23,800
  • Fixed Assets $ 12,800
  TOTAL BUDGET $ 438,689
Yap State Government Funded Agencies:

1. Office of Admin. Services $ 156,083
2. Office of Planning & Budget $ 35,300
3. Office of the Attorney General $ 48,040
4. Dept. of Public Works & Transportation $ 23,000
5. Office of the Public Auditor $ 176,266
## Environment Sector

<table>
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<tr>
<th>State</th>
<th>Budget Allocation</th>
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</thead>
<tbody>
<tr>
<td>Chuuk</td>
<td>$690,096</td>
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<tr>
<td>Kosrae</td>
<td>$253,342</td>
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<tr>
<td>Pohnpei</td>
<td>$315,589</td>
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<tr>
<td>Yap</td>
<td>$320,482</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong> $1,579,509</td>
</tr>
</tbody>
</table>

### Chuuk State Government

- **Environment Sector**
  - Personnel: $346,271
  - Travel: $50,950
  - Contractual: $100,900
  - OCE: $214,495
  - Fixed Assets: $77,480
  - **Total Budget**: $690,096

Chuuk State Funded Agencies:
1. Environmental Protection Agency: $285,243
2. Department of Agriculture: $145,202
3. Department of Marine Resources: $159,651

### Kosrae State Government

- **Environment Sector**
  - Personnel: $135,352
  - Travel: $3,540
  - Contractual: $70,000
  - OCE: $44,450
  - Fixed Assets: $0
  - **Total Budget**: $253,342

Kosrae State Funded Agencies:
1. KIRMA: $204,842
2. Department of Transportation: $48,500

### Pohnpei State Government

- **Environment Sector**
  - Personnel: $257,832
  - Travel: $500

Pohnpei State Funded Agencies:
• Contractual $ 16,051
• OCE $ 41,206
• Fixed Assets $ 0

TOTAL BUDGET $ 315,589

Pohnpei State Government Funded Agencies:
   1. Environmental Protection Agency $ 315,589

➤ **Yap State Government**

✓ **Environment Sector**:

• Personnel $ 189,190
• Travel $ 27,695
• Contractual $ 7,460
• OCE $ 73,339
• Fixed Assets $ 22,798

TOTAL BUDGET $ 320,482

Yap State Government Funded Agencies:
   1. Department of Resources & Dev. $ 123,149
   2. Environmental Protection Agency $ 127,600
   3. Yap CAP $ 69,733
## Private Sector Development Sector

<table>
<thead>
<tr>
<th></th>
<th>Chuuk</th>
<th>Kosrae</th>
<th>Yap</th>
<th>Total FY 2010 Allocation</th>
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<td>764,679</td>
<td>687,760</td>
<td>881,199</td>
<td>2,333,638</td>
</tr>
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</table>

### Chuuk State Government

#### Private Sector Development:
- Personnel $301,098
- Travel $90,377
- Contractual $222,950
- OCE $124,900
- Fixed Assets $25,354

**Total Budget $764,679**

#### Chuuk State Funded Agencies:
1. Chuuk Visitors Bureau $168,501
2. Chuuk Small Business Dev. Center $133,115
3. COM Land Grant $96,000
4. Dept. of Marine Resources $74,833
5. Dept. of Agriculture $292,230

### Kosrae State Government

#### Private Sector Development:
- Personnel $23,691
- Travel $17,014
- Contractual $633,320
- OCE $12,835
- Fixed Assets $900

**Total Budget $687,760**

#### Kosrae State Funded Agencies:
1. Dept. of Resources & Economic Affairs $520,443
2. Kosrae Visitors Bureau $112,440
3. Kosrae Small Business Dev. Center $54,877
Yap State Government

Private Sector Development:

- Personnel $344,911
- Travel $69,988
- Contractual $278,818
- OCE $185,482
- Fixed Assets $2,000

Total Budget $881,199

Yap State Government Funded Agencies:

1. Yap Small Business Dev. Center $223,056
2. Yap Visitors Bureau $285,764
3. Department of Resources & Development $372,379
Infrastructure Sector Development

JEMCO allocates $24,303,552 of Fiscal Year 2010 Compact Section 211 funding for the Public Infrastructure sector. This funding will be provided to the FSM through individual project grants for the following projects:

**JEMCO Concurrence for Development of Project Scope, Design, Construction Bid Package Preparation, and Tender of Construction of Bid Packages**

**Education**
1) Early Childhood Education Classrooms – Pohnpei State
2) Yap High School Vocational Education Building – Yap State
3) PICS High School Library/Classroom Building – Pohnpei State
4) Yap High School Classroom Building – Yap State
5) Madolenihmw High School Library/Classroom Building – Pohnpei State
6) Nanpei Memorial High School Library/Classroom Building – Pohnpei State
7) Chuuk Campus - College of Micronesia Phase 1 – National Government
8) Chuuk Campus - College of Micronesia Phase 2 – National Government
9) National Campus - College of Micronesia Student Center – National Government
10) Pohnpei Campus – College of Micronesia Vocational Center and Classroom Building – National Government

**Health**
1) Chuuk State Hospital Renovation – Chuuk State
2) Chuuk State Dispensaries – Chuuk State

**JEMCO Concurrence for Preparation of Preliminary Engineering Reports and/or Development of Preliminary Cost Estimates**

**Health – Water/Sewer**
1) Kinakapw to Lehn Diadi Water line – Pohnpei State
2) Sekere to Nanpei Memorial High School Water line – Pohnpei State
3) Lelu Water System – Kosrae State
4) Kolonia to Palikir Sewer System Expansion – Pohnpei State
5) Kolonia to U Sewer System Expansion – Pohnpei State

**Health – Sanitation**
1) Closure and Relocation of Public Solid Waste Disposal Site – Pohnpei State
2) Emergency Generator - Pohnpei State Hospital