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TO : Department of State (IO/UNP)
DEPT PASS (WITH ENCLOSURES) TO: Interior Dept. for Office of
Micronesian Status Negotiations and Asst. Secretary Loesch. Defense
Dept. for OSD/ISA and JCS. White House for Mr. Holdridge (NSC)

FROM : Hicomterpacis Polad, Saipan DATE: September 28, 1971
SUBJECT: TTPI - Budgetary and Other Critical Concerns of the
Congress of Micronesia

OCT 5 1973
ANALYSIS BRANCH

1. Although the annual \$60 million U.S. grant to the TTPI for that territory's budget is appropriated by the U.S. Congress (based on a submission by the Trust Territory executive branch through the Interior Department), the Congress of Micronesia in recent years has become directly involved on a consultative basis. Each year the Trust Territory Executive Branch submits to the Congress of Micronesia's Joint Committee on Program and Budget Planning a preliminary budget plan for review, comment, and recommendations by that Committee. The Committee recommendations for change are reported to the Executive Branch which then may or may not incorporate those recommendations into the budget estimates submitted to Washington.

2. Such an exercise, for FY 1973, has just been completed. The budgetary results of the Joint Committee's review of the preliminary FY 1973 budget are mainly of interest to those directly involved in the budget and programming process. However, the report of the Joint Committee on the FY 1973 budget proposals does provide some major insights with respect to Micronesian Congressional concerns on financial responsibility in the TTPI, decentralization, personnel policies, and other major current issues of political and/or administrative importance.

- Enclosures:
- (1) September 13 letter from TTPI Deputy Hicom to Raymond Setik, Congress of Micronesia
 - (2) FY 1973 Report of the Joint Committee on Program and Budget Planning, Congress of Micronesia

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For this reason, copies of the Joint Committee's report and recommendations are forwarded undercover of this airmail. Also enclosed is the TTPI Executive Branch's reply to the report's recommendations and comments, in the form of a letter from the Deputy High Commissioner dated September 13. (Attached to that letter are tables outlining the FY 1973 budget estimates as finally sent to Washington.)

Following are excerpts from key comments in the Joint Committee's report.

3. The Budget Process - The Joint Committee and others in the Congress have repeatedly complained that insufficient time has been given to that committee to review adequately highly complex and detailed budget proposals. Many budget papers are provided to the Committee in time for a few days' consideration at best. The Joint Committee in its report comments: "...the quality of budget submissions is directly related to the time which is spent on their preparation. This Committee will no longer tolerate a process which sacrifices quality for speed. In such a process, it is the Micronesian people who ultimately suffer. Therefore, the Committee has decided that it will never again begin budget hearings until all budget documents have been submitted to it for a period of at least 15 days. If the U.S. Government and the Trust Territory Administration cannot give the Committee this time for review of the budget documents before public hearings begin, the Committee will have to refuse to participate in the budget review process."

4. Decentralization - The level and character of "decentralization" of bureaucratic and policy responsibility from TT headquarters to the districts has become a major political issue. The Joint Committee, inter alia, commented: "...the budget hearings clearly confirmed the Committee's suspicion that decentralization in Micronesia has not been successful. The Committee has concluded that such failure has resulted from two conditions that must be immediately corrected. First, is the fact that no one knows what decentralization means. The concept has not been defined and the division of authority between districts and Headquarters departments has not been delineated. ...Second, is the fact that Headquarters departments seem reluctant to entrust power, authority, and responsibility to the District Administrators and their staffs. ...decentralization has turned out to mean nothing more than a promise by the central government to listen to and consult districts on district problems. It has not turned out to mean a shift of decision making power to the district level. ...This committee strongly recommends that the High Commissioner and his cabinet reconsider decentralization and issue a statement defining the concept and

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delineating the distinctions between Headquarters and district powers and responsibilities. The Committee also recommends that the concept of a district budget, separate and distinct from Headquarters departments' budgets, be recognized in reality, not just on paper. ...The committee specifically recommends that more financial responsibility be given to the districts in the area of financial management. ..."

5. Communications and Cooperation - "The Committee must again express its concern about the lack of communication and coordination between district and Headquarters departments, among various Headquarters departments, and within some Headquarters departments. ...The Committee feels that the problems of coordination and communication may well be some of the most serious problems faced by the executive branch of the Government of the Trust Territory."

6. District Legislature Participation in Budget Process - "The Committee was concerned that in some districts recommendations (on the budget) of the district legislature were ignored by the District Administrator."

7. Personnel Salary and Classification Systems - A major issue here, since Secretary Hickel's 1969 TTPI tour and commitments during that tour to work toward "equal pay for equal work", has been the multiple salary system. The Committee commented: "The Committee is compelled to point out that the Administration and the High Commissioner have repeatedly promised the U.S. Congress, the Congress of Micronesia, and the Micronesian people two things. The first was that discrimination based on national origin would be eliminated from the Trust Territory salary system. The second was that no new salary or classification systems would be implemented by the Administration until approved by the Congress of Micronesia. Both of these promises have been finally and conclusively broken. The Committee has decided that it cannot approve the salary systems contained in the FY 1973 preliminary budget. The only criterion used to determine which salary schedule an employee is to be paid under is the employee's citizenship."

8. Resources and Development - The issue of to what extent Micronesia resources should be developed quickly by foreign capital, or much more slowly by Micronesian capital (and the related issue of control of Micronesian resources and development) has become increasingly important. The Committee commented: "... it is the opinion of the Committee that it is preferable not to develop Micronesia's marine resources at all than to develop them primarily for the benefit of foreign concerns ..."

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9. Conclusion - After five pages of rather sharp criticism of the Trust Territory Administration and its budget processes, the report concludes: "the Committee would like to state that the FY 1973 budget hearings were, in the opinion of the Members, a step forward in the continuing efforts by all branches of the Government to improve the budget process."

10. Senator Roman Tmetuchl of Palau did, however, submit a minority report in the form of a letter to the Committee chairman. That dissenting report is included in the enclosed Joint Committee report. Following are key excerpts.

11. "I should express some fundamental and underlying objections which I have to the manner in which the Committee is connected to the budget process. ...My objections and concerns are with the entire fiscal and budgetary process, and with the Committee's connections to that process. ...I am convinced that the present budgetary process has become self-perpetuating. The system is so big and complex that no person can in fact control it. ...Are we in fact capable, through the budget hearings, of changing the course of Micronesian development or the structure of the Trust Territory Government? I think the answer is clearly no. ...It seems to me, therefore, that the Committee is performing a ritualistic rather than a real function. ...If we tried to drastically alter the government structure or drastically reallocate the money provided, we would be ignored. ... I feel that there are two objectionable results from the Committee's acceptance of the budget ritual. First we give our complete approval to a system that we are powerless to change. This is not a Micronesian system, it is an American system. Second, I feel that the process is harmful...because each year we are spending \$25,000 of the Micronesian people's money (for Committee expenses) for a ritual that in reality makes no difference to the Micronesian People one way or another. ...What is the point of planning how to spend this money (the U.S. Grant) for the next five years, or even as far away as 1973, when we have no idea what our status will be at that time? Can anyone say with certainty that we will even have \$60,000,000 by FY 1973? One thing is clear though. If we continue to make detailed plans for the expenditure of this \$60,000,000 for 1973 and later years, we will start to rely on that money being available. This is one further step in irrevocably binding us to the United States."

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