



OFFICE OF MICRONESIAN STATUS NEGOTIATIONS

Washington, D.C. 20240

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To: Ambassador F. Haydn Williams, The President's Personal Representative
for Micronesian Status Negotiations

From: Mr. S. Silver, Consultant *JS*

Subj: Phase I Funding

On the assumption that our next round of negotiations with the Marianas will prove fruitful, it would be desirable to make plans now for the initiation of Phase I studies that are needed for the orderly transition to the new political status.

After examining the MPSC Phase I proposal for \$4.5 million, it is my conclusion that an 18 month Phase I research and planning period costing about \$1 million is likely to meet the most urgent requirements. This presupposes that the cadastral work on public lands will be funded from a Micronesia-wide supplemental budget request.

Under this proposal, \$500,000 would be earmarked for economic and social development planning - broadly defined. I visualize a combination of sectoral production and marketing experts (agriculture, fisheries, tourism), financial policy experts (income tax, banking and interest rates, customs and excise levies, financial incentives for investment, etc.), and physical planners (zoning, infrastructure).

On the expectation that experts will cost about \$50,000 a head per year on the average (including overhead, travel allowances, etc.), \$500,000 would permit 10 man years or the equivalent of about 6 men full time for 18 months. This seems a reasonable level of effort - a substantial trimming down of the MPSC proposal of \$1.4 million for economic and physical planning in Phase I.

The other major item in Phase I is research in connection with the legal and institutional basis for the new Commonwealth. This involves research related to government organization, the drafting of a constitution and a detailed examination of applicability of U.S. Federal laws. The MPSC has submitted a legal research proposal covering a much larger area (including, for example, research on political education and holding a plebiscite, legal advice to economic planners) costing \$450,000.

It is proposed that we agree to finance a limited program costing about \$175 - 200 thousand to supplement the efforts of U.S. Government staff in Washington and Saipan. We cannot accept the whole package. It would be difficult, for example, to demonstrate the need for or feasibility of new research by outside experts in political education or in holding a plebiscite in the Marianas.

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Some moderate level of outside assistance would be helpful to U.S. Government and Marianas officials in drawing up plans for the three branches of the new Commonwealth. The MPSC proposes a project costing \$130,000 -- including 80 man weeks of stateside experts and 16 trips to the Marianas. This is obviously an excessive level of outside assistance; we might go along with a \$75,000 allocation for the government reorganization research project, including assistance on setting up the transition government.

The MPSC propose a project costing \$170,000 for research on the application of Federal laws. This proposal envisions 80 man weeks of stateside lawyers and consultants and some 6 visits to the Marianas. Before agreeing to finance this project, we should explore the possibility of having DOTA, TT Government, and the Department of Justice handle the entire matter. A PASA relationship with Justice is another option.

A separate MPSC proposal costing \$45,000 for legal research on establishing an interim government should be handled as part of the government organization project discussed above.

Finally, the MPSC proposes a project looking toward the holding of a Constitutional Convention. This is estimated to cost about \$50,000 for 18 man weeks of stateside lawyers and public administration consultants. It should be pointed out that this does not include the cost of holding the convention - that comes later on in the MPSC scheme of things and costs another \$80 - \$170 thousand. On the basis of the Micronesia precedent we might approve \$100,000 for both elements.

As an over-all item in Phase I, there is need for about \$100 thousand to cover the costs of the Marianas side of a Joint Executive Secretariat that would provide executive direction, coordination and surveillance for the entire planning effort.

The sum total of these three elements: economic and social development planning, legal planning, and Executive Secretariat, is about \$800,000. It would be prudent to go forward for a million dollars on the chance we have underestimated the cost for the enumerated items or underestimated the scale of the work to be done.

The timing for the request for these funds is conditioned upon our estimate of how the negotiations will go in December and on our estimate of what assurances the Congress will want before providing funds for Phase I.

Assuming the negotiations go well and that we can demonstrate this to the Congress, then we would agree with the MPSC starting time estimate of the Spring of 1974. DOTA will be going to Congress with a second supplemental request in February; this would be an FY 1974 supplemental and the funds would be immediately available. We could make arrangements to participate in the February exercise.

If this proves impractical - the negotiations don't go well and/or advance soundings on the Hill are discouraging - then an attempt can be made at the OMB to squeeze the funds into the President's FY 1975 appropriations package. Such funds would become available July 1.

If both these efforts fail, then we would have to wait for the Winter of 1974 for the first FY 1975 supplemental; the Spring of 1975, for the second FY 1975 supplemental, or the Summer of 1975 for the FY 1976 regular appropriation.

CC: Mr. Wilson
Capt. Scott
Mr. de Graffenried