



OEK authorizes President to enter into a loan agreement with ADB

WRITTEN BY JOSE RODRIGUEZ T. SENASE

THURSDAY, 29 OCTOBER 2015 23:31



President asked to submit appointees to the BSCC

Both houses of the Olbiil Era Kelulau (OEK) approved yesterday the Senate Joint Resolution that approves, authorizes, and ratifies the authority of the President of the Republic to secure loans from the Asian Development Bank (ADB) to finance Palau's participation in the South East Asia-US Cable System (SEA-US).

The SEA-US will connect Palau by fiber optic cable to Guam.

SEA-US is made up of first rate telecommunications providers-namely Telin (Indonesia), Globe (Philippines), GTA (Guam), Hawaiian Telecom (USA) and RTI International (USA). They have contracted NEC of Japan to build the entire cable system for SEA-US.

Aside from Palau, Yap State in the Federated States of Micronesia (FSM) will also be connected to the aforementioned fiber optic cable system, which is slated to be built soon. The cable will be built from Asia to the west coast of the US via Guam.

Senate Joint Resolution No. 9-60 was approved by the Senate during its session yesterday morning. The House subsequently adopted the same resolution in the afternoon of the same day.

Delegate Jonathan Isechal said the right process is being followed for the project.

He noted that Article 9, Section 5, and Subsection 7 of the Palau Constitution provide that the OEK ratify any treaty or agreement that that the government wishes to enter into with majority of members of both houses of the OEK voting for it.

A resolution has to be adopted by both houses of the OEK to authorize Pres. Remengesau to secure the loan.

After adoption by the Senate, the joint resolution will be transmitted to the HOD for its concurrence.

All ten senators present during yesterday's session voted for it. Three senators- Senators Kathy Kesolei, Mlib Tmetuchl, and Joel Toribiong- were not present during the adoption of the Resolution. Sen. Kesolei recently passed away, Sen. Tmetuchl is reportedly off-island, while Sen. Toribiong is said to be sick.

A source from the House of Delegates (HOD) said all 12 delegates present voted for it. Delegates Frank Kyota, Marino Ngemaes, Sebastian Marino, and Gibson Kanai reportedly attended to some other important matters and were excused.

The procurement of a fiber optic submarine cable connection for Palau is a multi-step process. The first step was the passage and approval of RPPL 9-47, establishing the Belau Submarine Cable Corporation (BSCC).

Next, in order to move forward in the process, the OEK must approve the loan negotiated between the Palau Government and ADB.

Per the Constitution of Palau, the OEK has the power “to borrow money” on the credit of the National Government to finance public programs” such as the acquisition of a fiber optic submarine cable.

By scrutinizing the negotiations conducted with the ADB, the OEK performs due diligence in the exercise of that authority.

The Palauan negotiating team was led by Minister of Finance Elbuchel Sadang, and included Sen. Rukebai Inabo, Del. Isechal, Director of Revenue and Taxation Rhinehart Silas, and Counsel to the President Pramod Thummala.

The negotiating team returned to Palau with an agreement with the ADB for a maximum in loans of \$25 million provided from the ADB’s special operations and ordinary operations pool of funds.

Per terms of the agreement, the ADB will disburse the funds directly to vendors as appropriate. Palau is required to pay a \$4 million deposit to secure its participation in the SEA-US cable project by October 31, 2015.

However, the ADB funds will not be available for disbursement before December 2015 or early January 2016.

Therefore SJR 9-60 also authorizes a bridge, or temporary, loan from the National Development Bank of Palau (NDBP) to pay the security deposit, to be paid back immediately upon availability for disbursement of ADB funds.

But substantial changes were made to the original resolution before the OEK approved it.

The changes were made upon the recommendation of the Senate Ways and Means Committee chaired by Sen. Whipps, Jr.

In a Committee Report issued on Oct. 29, 2015, the W&M Committee noted its disappointment in the lack of transparency through this process.

The Committee Report was signed by Senators Whipps, Jr., Inabo, J. Uduch Sengebau Senior, Hokkons Baules, Raynold Oilouch, Mason Whipps, Phillip Reklai, Regis Akitaya, and Mark Rudimch.

The Report stated that despite the fact that members of the OEK have been included in the negotiations, the information provided to the legislature is continually changing and it does not leave an impression of trustworthiness.

The Committee also urged the President to submit to the Senate a list of appointees for the Board of the BSCC for their advice and consent.

The Committee also recommended that the resolution be amended to clarify that the ADB will be repaying the bridge loan from NDBP.

The purpose of the bridge loan is to cover initial outlays before the ADB loan disburses; the loan from the NDBP will be paid back from ADB funds within 60 days of the NDBP disbursement. Additionally, the amount of the bridge loan should be reduced to \$3.6 million, to reflect the amount already appropriated for initial outlays in RPPL 9-47.

The Resolution was originally introduced in the Senate by Senators Inabo, Camsek Chin, Oilouch, Baules, Reklai, Senior, S. Whipps, Jr., and M. Whipps on Thursday, October 22, 2015. {/reg}