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JEMCO APPROVES REFORM ASSISTANCE FOR CHUUK

The U.S.-FSM Joint Economic Management Committee (JEMCO) has approved the use of US \$2.3 million in unallocated FY 2008 Compact Sector Grant funds to support the Reduction-In-Force (RIF) component of the Chuuk State financial recovery plan. A Memorandum of Understanding (MOU) signed by the FSM and Chuuk State leadership on July 19, 2007 documents the terms of this plan, which provides a roadmap to restoration of Chuuk State's financial viability.

To ensure its success, the Chuuk State government identified and eliminated approximately 400 public service positions that were formerly budgeted under its General Fund. Chuuk State employees whose positions have been permanently abolished will receive a lump sum severance payment, equivalent to one year of their former salary, as financial assistance while they seek other employment. This one-time RIF Assistance Program was designed to produce fiscal savings of approximately \$2.5 million dollars.

The FSM and Chuuk State Governments have established a joint Debt Relief Fund under their mutual control for deposit of recurrent annual cost savings realized as a result of the Chuuk reform measures. Proceeds from this fund will be used to service the state's outstanding primary debt obligations as mutually agreed to by both the FSM and Chuuk State.

The Chuuk State and FSM Governments worked together in close partnership with the United States Embassy to propose and secure JEMCO funding for this fiscal reform and financial recovery measure. A similar RIF Assistance Program was approved at the August 2007 JEMCO meeting for the State of Kosrae.



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