

Annex 9 – Legal Due Diligence

Government or regulatory approvals, licences or permits required for implementing the Programme

At this stage, the programme does not require specific licences or permits. Depending on the activities proposed by the Local Authorities (LAs), such authorisations might be needed. Assessment of whether the activities will require permits and licences is part of the technical review and administrative due diligence that will be undertaken as part of the EDA Coordination Unit's grant-making process following the rules and regulations of the Pacific Community (SPC). This process and due diligence requirements are described in detail in the Operations Manual. In the case that specific authorisations are required, it will be the responsibility of LAs to obtain them prior to grants being approved.

Applicable taxes and foreign exchange regulations related to the Programme

The Federated States of Micronesia (FSM) is a member of SPC and hosts SPC's Micronesia Regional Office.

Article 6.1 of the Host Country Agreement between FSM and SPC states that "within the scope of its official activities, the SPC, its property, premises and its income, including contributions made to the SPC under this Agreement, shall be exempt from all national taxes."

Article 6.3 of the abovementioned agreement states that "the Government shall not impose any foreign exchange restrictions or taxes upon any financial transfers into and out of the Federated States of Micronesia made by the SPC, staff members, experts and representatives, other than citizens of the Federated States of Micronesia."

Therefore, SPC is exempt from national taxes by the Government of FSM and is not subject to any foreign exchange restrictions.

Any tax liability that may incurred by the co-financing entities will be covered through their own resources.

Details of any insurance policies or requirements related to the Programme

At this stage, the programme does not require specific insurance policies or requirements.

Depending on the activities that will be proposed by LAs, insurance coverage for sub-project equipment will be included under sub-project budgets and provide coverage up to sub-project completion. The procurement of goods and services for funded activities, whether by SPC as the Accredited Entity and Executing Entity, or by a third party, shall be done in accordance with the rules, policies and procedures of SPC to the extent and scope of its accreditation.