

**FEDERATED STATES OF MICRONESIA –  
EUROPEAN COMMUNITY  
EDF 10**

**Country Strategy Paper  
&  
National Indicative Programme  
(For the period 2008 – 2013)**

The Government of Federated States of Micronesia and the European Commission hereby agree as follows:

- (1) The Government of Federated States of Micronesia, represented by Ms Rose Nakanaga, National Authorising Officer for FSM and the European Commission, represented by Mr Roberto Ridolfi, Head of the Commission Delegation in Fiji, hereinafter referred to as the Parties, held discussions from March 2006 until August 2007 with a view to determining the general orientations for cooperation for the period 2008 –2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Federated States of Micronesia, were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in the *Federated States of Micronesia*. The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community plans to set aside for the Federated States of Micronesia for the period 2008-2013, an amount of €8.3 million for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of €0.7 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Federated States of Micronesia benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10<sup>th</sup> EDF Multi-annual Financial Framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Federated States of Micronesia within the limits of the A- and B- allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-



State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10<sup>th</sup> EDF and on the financial regulation applicable to the 10<sup>th</sup> EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2 (c ) and 3 of Annex 1b of the ACP-EC Partnership Agreement regarding the 10<sup>th</sup> ED Multi-annual Financial Framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.

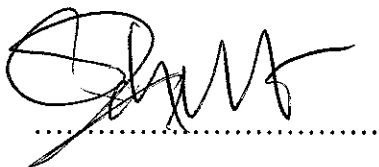
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

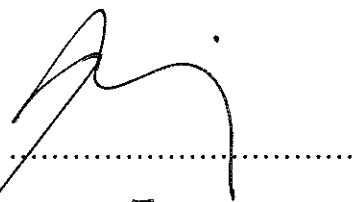
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10<sup>th</sup> EDF Multi-annual Financial Framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

#### Signatures

For the Government of  
Federated States of Micronesia



For the Commission



Date: 18 October 2007  
at Nukunalofo Toaga



## SUMMARY

The FSM is situated in the western Pacific Ocean and consists of more than 600 small islands historically known as the Caroline Islands. The geographic dispersion of the islands has resulted in an Exclusive Economic Zone (EEZ) of approximately 1.0 million square miles, giving the FSM one of the largest tuna fisheries in the Pacific. The total land area is about 271 square miles. FSM signed a Compact of Free Association with the United States in November 1986, marking the FSM as an independent nation. The United States retains responsibility for defence and security matters. In 2005, the FSM population was a little over 108,000 with an annual growth rate of 0.26% (FSM Census, 1994-2000). This reflects the high, and increasing, rate of migration to the United States. FSM became signatory to the Cotonou Agreement on 23 June 2000. A Fisheries Partnership Agreement (FPA) between the EU and FSM came into force on 6 February 2007. FSM is classified in the Biodiversity Convention as a "hotspot".

Under the first Compact Agreement with the US, the US provided FSM with approximately US\$2 billion in grants and services between 1986-2001. A renegotiated Compact (Amended Compact) signed in 2003 provides a further US\$1.8 billion over the next 20 years. The aim of the new Compact assistance is to advance economic self-reliance and complete the transition from U.S. dependence.

The external support provided to FSM has produced a standard of living in the urban centres that is generally higher than elsewhere in the Pacific ACP region. However, the relative position of FSM can be expected to decline in the near future as the reduction in external funding from the US and associated budget constraints reduce income levels and the quality of health and education services.

FSM has a young and rapidly growing population, with some 50% under 18 years of age. Unemployment rates among youth will increase and career opportunities diminish in the public sector as a result of the reform process. The working-age population is under-employed and underpaid, especially as regards women. Wage differentials remain a critical labour market issue.

FSM is exceptionally vulnerable to natural disasters and its remoteness from major trading markets greatly impedes its ability to economically compete in the global market. The country's economic development is directly linked to the environment; crucial for providing the natural resources for food, shelter, and traditional medicines. Currently the EU provides about 1% of total ODA to FSM. Although small in comparison to that received from the US, the 9<sup>th</sup> EDF is directed largely at renewable energy, - a sector where few other donors have been traditionally involved. EDF initiatives attempt to redress the imbalance between the urban and rural/outer island and to achieve a more equitable distribution of the nation's resources. For this reason Government has again selected the **renewable energy** as the focal sector under the 10<sup>th</sup> EDF. This objective is coherent with the Country Support Strategies of many other Pacific Island countries, and complements the EU strategy for the Pacific and the Pacific Plan. Renewable energy falls within the *Water and Energy* sector as defined in the *European Consensus, June 2006*, as well as the FSM's Strategic Development Plan.

The Government proposes to allocate 90 percent of the A-envelope or €7.47 million for the development of renewable energy. NSAs will be encouraged to participate in the implementation of the programme. The remaining 10 percent (€0.83 million) will be to establish a Technical Co-operation Facility from which necessary Technical Assistance, studies and activities in pursuit of improved governance will be funded.

## **PART 1: STRATEGY PAPER**

### **CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY**

#### **I.1.1. General Objectives of the EC's external policy**

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

#### **I. 1.2. Strategic objectives of cooperation with the partner country**

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and the FSM shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the

international agenda, and with particular attention for the Millennium development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, keeping into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In May 2006 the European Commission adopted a proposal to deepen the EU's relations with the Pacific Islands, in particular the 15 Pacific ACP countries. This is the first formal strategy in 30 years of EU-Pacific relations, and it aims to strengthen political dialogue, provide greater focus to development cooperation and improve the effectiveness of aid delivery. The Commission's proposal reflects the growing environmental, political and economic importance of the Pacific region. The strategy makes three main proposals:

1. Building stronger political relations on interests of common concern such as global political security, trade, economic and social development and the environment;
2. Focusing development cooperation on areas where the Pacific has important needs and where the EU has a comparative advantage and a good track record, such as the sustainable management of natural resources, regional cooperation and good governance (for example, addressing the root causes of instability in the region, reducing corruption); and
3. Increasing the efficiency of aid delivery including using more direct budgetary aid and working more closely with other partners, in particular Australia and New Zealand.

### **I.1.3 Main bilateral agreements**

FSM became signatory to the Cotonou Agreement on 23 June 2000

A Fisheries Partnership Agreement (tuna) or FPA between the EU and FSM entered into force in February 2007. This FPA, the first to be signed between the EU and FSM, with an initial duration of three years, provides fishing possibilities for 6 purse seiners and 12 longliners. The total financial contribution amounts to € 559.000 per annum,. Of this amount, at least 18% will support the definition and implementation of a sectoral fisheries policy, with a view to enhancing suitable and responsible management of fisheries resources in FSM waters. This contribution shall be managed according to the objectives agreed mutually between the EC and GoFSM, in order to ensure coordination of the FPA with development policy, eg to strengthen the institutional capacities to implement a fisheries policy, e.g to strengthen the institutional capacities to implement a fisheries policy.

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **II.1. Analysis of the political, economic, social and environmental situation in the recipient country**

#### **II.1.1 Political and institutional situation**

On 10 May 1979 Pohnpei, Chuuk, Yap and Kosrae ratified a new constitution to become the Federated States of Micronesia. FSM signed a Compact of Free Association with the United States in November 1986, marking the FSM as an independent nation. The United States retains responsibility for defence and security matters. Under the first Compact, 1986 - 2001, the US provided FSM with approximately US\$2 billion in grants and services. A renegotiated Compact signed in May 2003 provides for a further US\$1.8 billion over the next 20 years, some of which will be used to build up a trust fund to replace direct financial assistance from 2024. A stated aim of the new Compact assistance is to advance economic self-reliance and complete the transition from U.S. dependence. Emphasis is placed on greater accountability in the use of Compact funds.

Political legitimacy rests on the popular will expressed by a majority vote through elections in accordance with the Constitution. There are three branches of government: An executive branch led by a president who also serves as head of state; a unicameral legislature elected from the four constituent states that elects the President and Vice-President from among its members; and an independent judicial system that applies criminal and civil laws and procedures that closely parallel those of the United States. Individual states enjoy significant autonomy and have their own constitutions and governmental systems. Traditional leaders retain considerable influence.

The President and the Vice-President are chosen from among the four at-large members of Congress. Cabinet is nominated by the President and members are subject to approval by Congress. President Emanuel (Manny) Mori was elected by Congress in April 2007 following general election. Vice-President is Mr Alik L. Alik. The National Congress, a single chamber federal legislature, meets at Palikir, the FSM capital and administrative centre in Pohnpei. The National Congress has 14 members, including one representative elected at large from each of the four states elected for a period of four years. The remainder of the Congress are elected for two year terms from electoral districts based on population size. Each of the four states elects its own Governor and state legislature in separate elections.

General elections are held every four years after which the President and Vice President are elected, with intermediate elections every two years for the two-year seat senators. There is universal suffrage with all adults over 18 years of age entitled to vote. FSM citizens residing overseas are entitled to vote and voting booths are located in major concentration centres overseas to facilitate this group's participation. There are no political parties although family/clan and church factors are influential

FSM has maintained a stable government since independence. Each state has unique characteristics and geographic dispersion and the linguistic, cultural and historical differences between the four states can sometimes make national consensus difficult. Within each state the traditional chiefly systems and churches are amongst the most critical factors underpinning community cohesion. Given the strong cultural and social systems, the role of government is much larger than would normally be the case in most market economies, and will be slow to change.

The period from mid 2004 to the present has been characterized primarily by adjustment to the new Compact funding regime with the US. This has resulted in greater emphasis on developing and enforcing systems for more stringent budget preparation and performance monitoring. In 2004 the FSM 14<sup>th</sup> Congress approved the FSM Strategic Development Plan (SDP) for the next twenty years (2004 – 2023).

The government upholds the principles of democracy and is generally respectful of human rights and the rule of law. FSM has ratified several international conventions (cfr Annex 7). However, it has yet to accede to core UN human rights conventions, namely the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention against Torture, and the Convention on the Elimination of all forms of Racial Discrimination. The law and judiciary provide effective means of dealing with individual instances of abuse; however, there are problems in some areas. In particular, government efforts to address societal problems such as family violence are constrained by traditional society.

The law does not provide for the granting of asylum or refugee status in accordance with the 1951 UN Convention relating to the Status of Refugees and its 1967 protocol. However, in November 2005 Congress introduced comprehensive legislation to establish a system for providing protection to refugees in accordance with the 1951 convention and 1967 protocol. The legislation was pending at year's end. In practice the government provided protection against *refoulement*, the return of persons to a country where they feared persecution. The government cooperated with the Office of the UN High Commissioner for Refugees and other humanitarian organizations in assisting refugees and asylum seekers.

The law gives citizens the right to change their government peacefully, and citizens exercised this right in practice through periodic, free, and fair elections held on the basis of universal suffrage.

Cultural factors in the male-dominated society have limited women's representation in government and politics. Women are well represented in the middle and lower ranks of government at both the federal and state level, and women hold the federal cabinet-level positions of attorney general and public defender.

There is one woman in the 23-seat Pohnpei State legislature and no women in the other state legislatures or in the national legislature.



Government corruption has been a problem, particularly in Chuuk State. Following the 2004 convictions of the then speaker of Congress, one other member of Congress, and two former members on charges relating to misuse of government funds, the Attorney General's Office investigated and indicted other Chuuk politicians for corrupt practices, although one indicted member of Congress retained his seat in the March 2005 elections.

There is no national law providing for public access to government information. Under rules in effect during 2005, the speaker of Congress can declare any congressional documents confidential. State laws and practices vary. Legislative hearings and deliberations generally are open to the public.

Although there were no official restrictions, no local groups concern themselves exclusively with human rights. There are groups that address problems concerning the rights of women and children, and the government cooperates with these groups.

Women have equal rights under the law, including the right to own property, and there are no institutional barriers to education or employment. Women receive equal pay for equal work. Additionally several small NGOs are interested in women's issues, particularly those associated with family violence and abuse. The Women's Interest Section of the Department of Health, Education and Social Affairs work to protect and promote women's rights as well.

The law does not specifically prohibit trafficking in persons; however, there have been no reports that persons were trafficked to, from, or within the country. In 2003 Congress passed legislation to regulate foreign labour recruiters as part of a strategy to control abusive recruitment practices, but the government still had not promulgated implementing regulations by year's end.

Each of the country's four states has a different language and culture. Traditionally the state of Yap has a caste-like social system with high-status villages, each of which has an affiliated low-status village. In the past, those who came from low-status villages worked without pay for those with higher status. In exchange those with higher status offered care and protection to those subservient to them. The traditional hierarchical social system has been gradually breaking down, and capable people from low-status villages can rise to senior positions in society. Nonetheless, the traditional system continues to affect contemporary life, with individuals from low-status villages still likely to defer to those with higher status. Persons from low-status backgrounds tend to be less assertive in advocating for their communities' needs with the government. As a result low-status communities sometimes continue to be underserved.

## **II.1.2 Economic and commercial situation**

Negotiations regarding amendments to the Compact of Free Association, which focused primarily on the financial provisions, were completed in May 2003. After review and approval by the respective legislatures, the amended Compact was formally ratified in June 2004.

Under the terms of Compact II, budgetary transfers are replaced by sector grants designated for specific purposes jointly agreed upon by the two governments. Six sector grants are specified: (1) Health, (2) Education, (3) Infrastructure, (4) Capacity Building, (5) Private Sector Development, and (6) Environment.

In the new Compact, the real value of annual grant assistance is substantially lower than at the end of Compact I. The assistance package includes an annual US contribution to a jointly-managed trust fund, the earnings from which are intended to replace annual grant assistance beginning in 2023, the end of Compact II. The annual grant amount under the new agreement, before inflationary adjustment<sup>1</sup>, is \$76 million for the initial years (fiscal 2004-2006). Beginning in 2007, the annual grant amount will decline by \$800,000 annually. This amount will be added to the annual trust fund contribution.

While the original Compact Agreement was successful in meeting the political goals of establishing independence and a stable democratic government, it was less successful in stimulating economic development and self-sustaining growth in the country. Over the last decade, and despite more than US\$1 billion worth of US assistance, real GDP per capita (€ 2,152) has stagnated somewhat, although there has been some slight growth in GDP since 2000.

The FSM economic structure is still dominated by a large administration with heavy reliance on external funding, mainly Compact and other US funding. The FSM economy is dominated by three types of economic activity: 1) subsistence farming and fisheries, 2) wholesale/retail trade, 3) the provision of government services. Tourism is also a growing industry. A money economy with modern communications, transport and utilities has developed, but is limited to the population centres of the main islands. Traded goods and services (agriculture, fish and tourism) represent only 1 to 2% of GDP. Private sector activity is primarily engaged in non-traded goods production (subsistence and semi-commercial production), the service industry based on government and payroll expenditures, with few exports and a small, emerging tourism sector. The main source of income from offshore fishing is from annual licences granted to foreign vessels.

FSM has rich fisheries resources, particularly skipjack, yellow fin and big eye tuna. Fish exports, mainly to Japan make up 80% of FSM's total exports. FSM earns an estimated US\$20 million annually from the licensing of foreign vessels fishing in its Exclusive Economic Zone, and has fishing agreements with the EU, China, the United States, Japan, Taiwan and Korea.

As regards fisheries, it should be noted that one of the priorities of the EU in this area, which nowadays is becoming increasingly important, is the fight against illegal, unreported and unregulated (IUU) fishing activities which is a drain on the economy of FSM. The new Fisheries Partnership Agreement (see below) will take into account this important aspect, which is also being addressed with the recent SCIFISH regional intervention, financed from the 9<sup>th</sup> EDF. A major marine surveillance programme funded by Australia is attempting to enforce regulations and halt illegal fishing by foreign fleets, with some success. However, there are huge challenges. According to the most recent Green Peace figures, there are an approximate 300 illegal or pirate fishing vessels within the FSM EEZ at any given time. This creates an opportunity for the EU in particular, and other countries to assist in strengthening of the surveillance program of the nations EEZ to ensure continued viability of the valuable and threatened fish stocks of the FSM and the Micronesian Region.

A Fisheries Partnership Agreement has been ratified by both parties and entered into force on 26 February 2007. Together with fisheries agreements in Kiribati and the Solomon Islands the

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<sup>1</sup> As in the case of Compact II, grant funding and trust fund contributions will be adjusted for inflation by two-thirds of the percent change in the US GDP implicit price deflator up to a maximum annual adjustment of 5 percent. In Compact I the maximum adjustment was 7 percent.

FSM agreement will strengthen the network of EC tuna fisheries agreements in the Pacific. The FSM/EU agreement has an initial duration of three years, providing fishing opportunities for up to 6 purse seiners and 12 longliners. The total financial contribution from the EC amounts to €559,000 p.a. from which at least 18% will finance the definition and implementation of a sectoral fisheries policy aimed at enhancing responsible fishing in FSM waters. This contribution shall be managed in the light of objectives identified between the EC and FSM.

There is potential for the development of the tourism industry. FSM attracts approximately 15,000 visitors per year, mainly from Australia, Japan, the U.S., and Europe, by virtue of some of the best World War II wrecks diving in the world (Chuuk Lagoon), the 1,000 year old stone city of Nan Madol in Pohnpei, the Stone Money of Yap, the Lelu Ruins of Kosrae, and the world class biodiversity. Growth in the tourism sector is hindered due to the high cost of travelling to and from the FSM.

Macro-economic performance indicators for 2005 are limited. Total official external debt outstanding at the end of FY2003 was US\$ 54.3 m, or about 24% of GDP, with debt servicing equivalent to 6.1% of exports of goods and services. The debt repayment position was enhanced as the five governments held portfolio investments in an external debt management fund. Adjusting for these assets, unsecured external debt was equivalent to about 9% of GDP.

Real GDP declined by 1.5% in 2004 due to the anticipated fiscal shocks of a 7.3% reduction in 2006 FSM's per capita GDP is estimated to be US\$2,300. Compact transfers into national and state government budgets under the new Compact, and the delayed availability of infrastructure sector grant funding. Further delays occurred in the implementation of planned infrastructure spending in 2005 but the Project Management Unit responsible for supervising these expenditures was selected and operationalized in mid 2005 with every expectation of sustained high rates of infrastructure expenditures, especially in the key Compact sectors of Health and Education.

In fiscal year 2007, FSM is expected to face a further fiscal shock when a cumulative reduction of USD800,000 annually will be withdrawn from the Compact operating grants. To help offset these shocks, the FSM Government places a very high priority upon the capitalization and increased returns from various national Trust Funds that it utilizes to increase government revenues through the judicious use of short term investment and cash flow.

In 2005, the FSM population was estimated to have been a little over 108,000 with an annual growth rate of 0.26%. This reflects the high, and increasing, rate of migration to the United States. This migration pattern is expected to have a major impact upon the FSM's economy and social structure, with some projections that as many as 22 percent of the FSM population currently resides overseas and that more than 50 percent may reside overseas by the end of the current Compact period in 2024.

FSM has gone through reform programmes with the assistance of the Asian Development Bank to downsize the public sector and strengthen the productive sectors of the economy. There has been a nominal increase in private sector participation (in agriculture and fisheries subsistence and semi-subsistence engagement) but no clear indication of the magnitude of any increased private sector production. Furthermore, despite the efforts put into the reform programmes, the labour market remains distorted by the high public sector wage rate. Low and unregulated wages paid in the private sector are believed to create disincentives for the unemployed to seek jobs.

Compact funding has resulted in the development of the government as the core influence on the economy. Public sector growth combined with relatively high wages paid to public servants has crowded out private sector initiatives and removed incentives for individuals to contribute to the productive base of the economy. Private sector activity comprises largely services and distribution and there is little indigenous private commercial production or investment. Reducing the size of the public sector is a stated policy aim, and a prerequisite for improved economic performance.

Compact assistance is scheduled to last for another two decades, but in order to advance the cause of economic self-reliance, and to reduce the increasing social problems associated with the high unemployment, it is vital that the authorities successfully implement policies capitalizing on the potential economic growth. This is likely to involve a degree of privatization and, more generally, to create a more favourable environment for private sector development. As in many Pacific Island countries, unemployment is an area of considerable concern, with the present rate standing at 22%.

### **EPAs**

Although FSM has not yet demonstrated much enthusiasm regarding EPAs, since the country has little to trade in goods, there are some EPA discussions which could be of interest. These include the discussions on services, regional integration, investment and fisheries, much of which is vital to the sustainable expansion of the economy. FSM can request technical assistance from the Forum Secretariat or under the various EDF ACP facilities. FSM are not members of the WTO, and do not envisage joining.

### **II.1.3 Social situation, including decent work and employment**

Basic social services often fail to reach the poorer strata of society, the outer islands and rural areas. FSM also faces decreasing education enrolment rates, retention rates and access in the outer islands. It also has poor health indicators. Although maternal mortality has fallen significantly, it is still relatively high, and the incidence of non-communicable diseases is increasing. Available data suggest that only 41% of the population have access to an improved water source, and 45% to improved sanitation (UNDP).

The external support provided to FSM has produced a standard of living in the urban centres that is generally higher than elsewhere in the region. However, the relative position of FSM can be expected to decline in the near future as the reduction in external funding and associated budget constraints reduce income levels and the quality of health and education services.

FSM has a young and rapidly growing population, with some 50% under 18 years of age. Unemployment rates among youth will increase and career opportunities diminish in the public sector as a result of the reform process. Wage differentials remain a critical labour market issue. Average public sector wages are close to double those of the private sector, which acts as a disincentive for participation in the private sector. As the reform process implies a major reduction in public sector wages at all levels, migration may continue to be significant.

The government, recognising the need to improve the status of women and to include them in the development policy-making process, has incorporated women's issues within planning and operations practices. A Women's Coordination Unit has been established within the Department of Health, Education and Social Affairs. At state levels, Women's Interest Officers have been appointed who have broad responsibility for input into policy-making, especially for the social

sectors. Women's NGOs also play an increasing role in advocacy for women and relevant issues.

#### **II.1.4 Environmental situation**

The total landmass of the FSM is 438 square miles (702 km<sup>2</sup>), with a declared Exclusive Economic Zone (EEZ) covering over 1 million square miles (1.6 million km<sup>2</sup>). The FSM is comprised of 607 islands between 1.0-9.90 N and 138.2-162.60 E with land elevation ranging from sea level to 2,500 feet (791 m). The northeast trade wind belt heavily influences the tropical climate of the FSM with strong trade winds prevailing from December through April and periods of weaker winds and doldrums occurring from May to November. Rainfall is extremely high on the high volcanic islands of Kosrae, Pohnpei and Chuuk and can exceed 400 inches (1,016 cm) a year). The region is affected by storms and typhoons – Chuuk and Yap are in the more affected areas by the natural phenomenon - that are generally more severe in the western islands, and by periods of drought and excessive rainfall associated with the "El Nino" (ENSO) phenomena. In recent times, the droughts of 1982-1983 and 1997-1998 were especially severe with groundwater sources greatly reduced, agricultural systems damaged and coral bleaching events recorded.

The indigenous population is Micronesian with most of the people residing on the main islands of the State capitals. The 2000 Census preliminary count of the population is 107,000 (July, 2000), half of which are younger than 20 years of age. Traditional, social and cultural institutions are still very strong and Micronesian society is based on the extended family, which is responsible for the family welfare, especially in relation to customary family land. Ownership of land and marine areas varies between States. In Kosrae and Pohnpei, land is both privately and State owned, while marine areas are managed by the State as public trusts. In Chuuk and Yap, the majority of land and marine areas are privately owned or managed by individual estates and are acquired through inheritance, gift or, recently, by purchase. In all States, land cannot be sold to non-citizens of the FSM. These land and marine ownership patterns greatly influence the strategies and actions required to sustainably develop the nation.

FSM is classified in the Biodiversity Convention as a "hotspot". The country is exceptionally vulnerable to natural disasters and its remoteness from major trading markets greatly impedes the nation's potential to economically compete in the global market. FSM's economic development is directly linked to the environment, which is present in every facet of Micronesian's way of life providing the natural resources for food, shelter, and is utilised for medicinal and traditional purposes. The majority of households within the nation are dependent on subsistence living. Traditional resource utilization practices and community management regimes are eroding and this has a direct negative impact on the health of the nation's environment. This deterioration has been greatly enhanced in more recent times due to the changes from subsistence to a commercial economy, urbanization and the development of centralized governments. The nation has embarked on a programme to conserve, preserve, manage and protect the ecosystems and the biodiversity of the country which have included the implementation of conservation areas, wise land use and marine management plans, and environmental community awareness and capacity building. Sustainable development principles have been integrated into these programmes, however increased information exchange and programme implementation is required. The development and implementation of suitable traditional and scientific resource management programmes that can address these issues in both the near and long term are essential.

Globalization and global environmental crises such as climate change, sea level rise and climate variability (frequent and severe typhoon, storm surges, droughts) are major concerns to the FSM and the protection and conservation of island biological resources that can assist the nation to protect itself from these natural forces is extremely important. Equally, the mitigation of anthropogenic activities within the nation that are contributing to these issues need to be further addressed.

In March 2006 FSM joined Palau, RMI, Guam and NMI in adopting the Micronesian Challenge – a unique programme which aims to conserve 30 percent of near-shore marine resources and 20 percent of forest resources by 2020. This ambitious challenge far exceeds current goals set by international conventions and treaties, which call for countries to conserve 10 percent of marine and terrestrial resources by 2012. The challenge also emphasises the need for Micronesian leaders to work together to confront environmental and sustainable development issues.

### **II.1.5 The country in the international context**

Through its *Compact of Free Association* FSM's principle bilateral relationship is with the United States. It has diplomatic missions in Washington, Honolulu, Guam, Tokyo and Suva, and recently in china, a permanent mission to the UN, and has established diplomatic relations with over 50 countries. There are four resident diplomatic missions in FSM - Australia, the United States, Taiwan and Japan.

Pohnpei is the Headquarters for the newly instigated Western and Central Pacific Fisheries Commission.

FSM became a member of the UN in September 1991 and has been active in regional affairs, with a focus on environmental issues, fisheries and transportation issues. FSM is a member of the Pacific Islands Forum (playing host in 1998) and a number of other regional institutions including the South Pacific Community (SPC), Pacific Islands Development Program, Forum Fisheries Agency, South Pacific Regional Environment Program, and the Council of Micronesian Chief Executives. FSM is a member of the Asian Development Bank (ADB), the World Health Organisation, the International Civil Aviation Organisation, the Economic and Social Commission for Asia and the Pacific (ESCAP, the UN Development Program, the Food and Agriculture Organisation, the ACP Group and the Asia Pacific Parliamentary Union.

### **II.2. Poverty reduction analysis**

FSM shows little progress towards meeting the MDGs by 2015. Poverty incidence is estimated to be high with approximately 30% of the population falling below the national poverty line in 1998, and there are signs of increasing inequalities between the regions (Gini coefficient – poverty gap ratio – 0.408, with large regional disparities), urbanization is one of them.

Although average GDP per capita, (US\$2084, 2001/02 in 1998 prices) is high by Pacific regional standards this masks the highly dualistic nature of the FSM economy. Those in formal public sector employment, as well as those living in Kosrae and Yap states, have per capita incomes significantly above those living in the rural areas and outer islands of Pohnpei and Chuuk states. The highly monetised nature of the FSM economy is placing ever greater demands on households for cash resources to buy store goods including food, pay utility bills,

transport and make contributions to education, community/social events and donations to the church. Often traditional gifts are no longer adequate by themselves, cash donations or other cash oriented gifts are also often expected. Frequently even traditional gifts must be purchased by households that no longer have the time or skills to make them for their own needs.

The continued migration of people to state capitals and overseas is depopulating some of the outer island and rural parts of the country. It is also increasing the dependency ratios amongst those remaining. Social tensions are being created by the increasing numbers of land-less or land-poor.

The level of basic literacy is both high and equitably distributed throughout the states and between genders. However there is evidence that the quality of education, and the consequent attainment level reached by many students, has failed to show any significant improvement in recent years. This despite the stated emphasis on education and the additional resources devoted to the sector. Similarly in health. Whilst many key health indicators have improved in recent years there is concern that the quality of services being delivered, especially in some rural and outer island areas, is relatively poor.

In order to quantify the extent to which households might be experiencing hardship, national and regional poverty lines based on the 1998 Household Income and Expenditure Survey (HIES) have been calculated. This analysis suggests that in 1998 nationally approximately 30% of households had reported incomes below the estimated basic needs poverty line of US\$768 per capita per annum (US\$5693 per household per annum). The highest level of hardship and income poverty is recorded in Chuuk 32.9%, and Pohnpei 29.5%. Households with incomes (cash and non-cash own production) below this level would be likely to experience some degree of financial hardship on a daily or weekly basis. For the 16% of households in Chuuk (one-in-six) and one-in-ten on Pohnpei, which reported per capita annual incomes below the food poverty line of US\$437 per capita per annum, the extent of hardship being experienced would be quite acute.

Analysis of the HIES data indicates that the twenty percent (quintile) of households with the lowest incomes receive only 3.6% of total income. In comparison the highest quintile received 55.5% of income, a ratio of 15.4:1. These figures, together with the corresponding Gini coefficient of income inequality, 0.51, suggest that income distribution in FSM is more unequal than in other countries of the region. The clear conclusion is that an increasing number of families and households in FSM are living in conditions of hardship. The issues of hardship and poverty can no longer be ignored.

These results do not necessarily imply that people who had incomes or expenditure below the poverty lines were going hungry. It means, rather, that on a day-to-day basis they would have had insufficient income to meet their average expenditure commitments for a basic diet plus the costs of other essential non-food items. Such families have to make difficult daily choices about expenditure priorities; e.g. purchasing food or meeting social and community obligations or paying power and communications bills. Even those households where the household head is in employment, but earning only a minimum wage in the private sector, could be amongst those experiencing financial hardship in this way. These are commonly termed the "working poor".

Thus whilst those in public sector employment may appear to have become better-off there are a growing number of others, particularly amongst the unemployed, youth and the elderly,

who are almost certainly becoming worse off. Many youth are finding it difficult to get the sort of jobs to which they now aspire; a traditional village and subsistence agriculture lifestyle no longer has much appeal. Conditions of financial hardship whilst not widespread are, nevertheless, leading to increased social and domestic tensions, rising crime, increasing drug abuse and a deteriorating quality of life for those most affected. These were amongst the concerns of those consulted in the participatory assessment.

### **II.3. The recipient country's development strategy**

The Strategic Development Plan and Infrastructure Development Plan are the principal planning documents utilized by FSM and the United States for the implementation of Compact programmes. These plans are also intended to guide programming of assistance from other development partners.

The Asian Development Bank's CSP and Program update for FSM for 2005-2006 is prepared in active consultation with all stakeholders: government, NGOs, civil society, private sector and development agencies. It contains a comprehensive set of policies and strategies for achieving the overall economic goal of the Government, which is private-sector-led economic growth. It has three operational strategies: good governance; social development and pro-poor economic growth. The main objectives and strategies outlined in the document are (a) to reduce reliance on external aid funds (through reducing the size of the public sector and increasing public and private savings and investment); (b) long-term public sector capacity building and improved participation of civil society, (c) improved basic education and health and d) to increase the size and competitiveness of the productive sector.

The period from mid 2004 to the present has been characterized primarily by adjustment to the new Compact funding regime. This has resulted in greater emphasis on developing and enforcing systems for more stringent budget preparation and performance monitoring. In 2004 the FSM 14<sup>th</sup> Congress approved the FSM Strategic Development Plan (SDP) for the next twenty years (2004 – 2023). This plan, along with a national infrastructure development plan, are required under the new Compact funding terms, as a framework on which to base the annual requests for the Compact sector grants and strategic programming guides for the FSM governments. In the development of the SDP in early 2004, the FSM convened the 3<sup>rd</sup> FSM Economic Summit with participants from the four FSM States, the traditional leadership, private sector, National and State Governments, non-government organizations, churches, women's and youth groups, government officials, as well as representatives of foreign governments and donor institutions. The theme of the Summit was, 'The Next 20 Years: Achieving Economic Growth and Self-Reliance'.

The Summit recognised the weak performance in attaining the goals of the original Compact, and expressed a desire that the Nation should do better during the coming 20-year period. In particular, the Nation endorsed a high growth strategy, which is now known as the Sustained Growth Strategy (SGS), aimed to accelerate growth above the poor rates attained during the original Compact.

FSM relies mostly on imported fossil fuels for its energy generation. This places an increasing strain on the economy, as diesel fuel is expensive to import and diesel-generated electricity expensive to produce. Moreover, oil imports have increased in recent years due to a steady growth of the urban population and an increase in the load on power stations. The shortage of energy supply to the rural areas and outer islands is creating an obstacle to the progressive development in the education and health sectors. The government, recognising the need to redress such disparities, considers the development of indigenous energy sources in the outer



islands and rural areas as well as within the urban centers where poverty is present crucial for the sustainable and equitable development of the country.

A priority objective of the government is the provision of an adequate and secure supply of energy to meet the needs of households, commerce and industry and considered to be crucial for the sustainable growth and equitable development of the country.

#### **II.4. Analysis of the viability of current policies and the medium-term challenges**

Amongst the key issues facing FSM in addressing hardship and poverty are the need to:

- improve standards of governance, including transparency and accountability;
- strengthen the institutional and regulatory basis for renewed domestic economic growth and stability;
- ensure fiscal discipline and sound financial management within the framework of Compact II;
- give greater emphasis to promoting private sector investment and employment creation;
- The sustainable development of the rural areas and outer-islands must be considered and advanced. This is crucial not only for the benefit of the rural communities to prevent poverty and to improve quality of life, but also to relieve social and economic pressures in the urban centres.
- to improve technical and vocational training opportunities in order to meet the skill needs of the private sector and of those who will need lifestyle skills to succeed in the rural economy; and to
- continue to improve the delivery of education, primary health care and health/nutrition education, particularly to those in the more remote islands.

### **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY**

#### **III. 1.1 Focal sectors (and macroeconomic support)**

In July 2005 the Financing Agreement for the Renewable Energy Programme (covering also Marshall Islands, Nauru, Niue and Palau) was signed by the Secretary General of the Pacific Island Forum Secretariat on behalf of all five countries concerned. The tender award procedure for the recruitment of the Programme Management Unit (PMU) has been completed and implementation began in January 2006. The PMU opened an office in Pohnpei during the first quarter of 2006. Tender specifications will be drawn-up in 2007 and contracts let in 2007 to 2008. The programme in FSM focuses on the provision of PV solar systems in rural areas and the remote outer islands. Yap will get a mini-grid, dispensaries and schools will be equipped in Pohnpei and Chuuk, while Kosrae will have PV grid connected systems.

### **III.1.2 Projects and programmes outside focal sectors**

As regards the non-focal sector, a draft financing proposal with non-state actors in the area of conservation and environment protection was prepared and submitted to Brussels in September 2005 (total amount € 720,000). The comments received were subsequently forwarded to the NAO and the Micronesian Conservation Trust. The Financing Proposal was finalised in August 2006 and has been approved..

Given the slow start to the 9<sup>th</sup> EDF the main lesson learnt is that project design and formulation needs to begin well in advance and that the number of projects and financing proposals should be kept to a minimum. In this context a contract agent based in Suva has been engaged for the purpose of expediting current and future programmes. Additionally, programme delivery can be enhanced by recruiting local TA support to the NAO. US funded programmes in FSM are of such a magnitude, and the territory itself of such strategic importance, that a full US embassy is present in Pohnpei. Even countries with programmes smaller than the EU (e.g. Australia) have permanent resident representation in FSM.

### **III.1.3 Utilisation of Envelope B**

FSM has not been subject to disasters, and is not eligible for FLEX or HIPC, so the B envelope (EUR 1.4 million) has remained untouched. A multi-country programme on disaster preparedness is being developed for CROP implementation and FSM has indicated its interest in using its B envelope to join and benefit from this programme. In August 2006 the FSM/NAO formally mandated the RAO/Forum Secretariat to act as contracting authority in respect of the prospective multi-country 'B' envelope programme. This programme is currently being assessed at HQ.

It should be noted as regards disaster preparedness that all current and future programmes should include reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies.

### **III.1.4 Other instruments**

The 9<sup>th</sup> EDF Pacific Regional Indicative Programme funded and extended a number of existing projects in the six new Pacific ACP countries, including FSM. These consisted of:

Pacific ACP Regional Economic Integration Programme (PACREIP)

Development of Sustainable Agriculture in the Pacific (DSAP)

Pacific Regional and OCT Fisheries Programme (PROCFISH)

Plant Protection Programme (PPP)

Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)

Reducing Vulnerability in PACP States – SOPAC

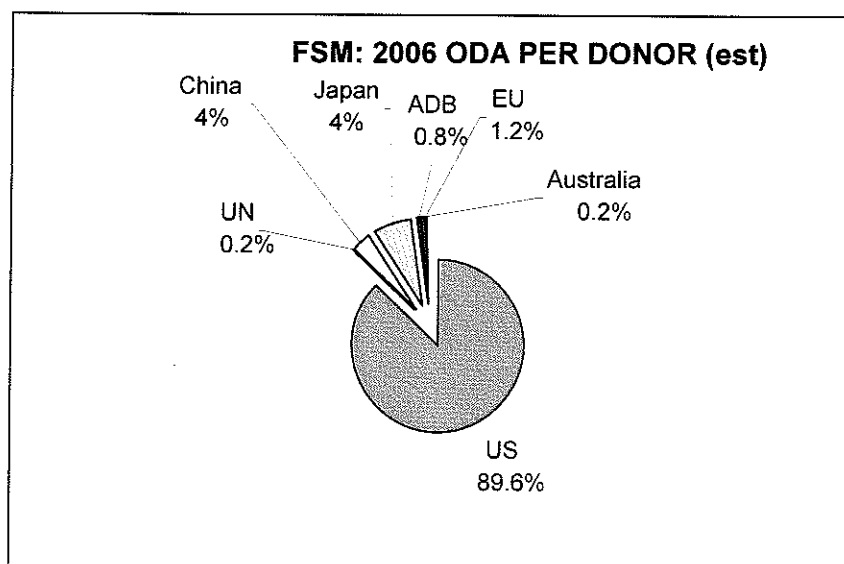
Development of Fisheries in the Pacific (DEVFISH)

Pacific Environmental Information Network (PEIN)

Additionally FSM has benefited from training provided through the Technical Support to RAO Project and EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

### III.2 Information on the programmes of the Member States and other donors (complementarity)

The largest single donor to FSM is the United States, providing some EUR 58 million per annum through the Compact agreement and an additional EUR 38 million per annum through a variety of instruments including Federal grants. Most Compact funds are directed toward the Health and Education sectors. In total the US provides 90% of all aid to FSM. Japan provides about EUR 4 million for infrastructure projects and China EUR 4million, half of which goes into budget support. The Asian Development Bank is active and provides assistance to the FSM of about EUR 0.78million in grants. Annual EU bilateral assistance amounts to EUR 1.4 million accounting for about 1.2% of total annual ODA received. Australia provides some assistance, mostly for education scholarships, and the UN provides assistance, mainly in the health sector. None of the EU member country states have major aid programmes in FSM, however, Germany, Greece, France, Spain and the UK all provide small grants from time to time. In the past France has provided some assistance to the renewable energy sector and the UK in training and education through British Council scholarships. Greece currently provides training for FSM police officers active in peace-keeping operations. In recent years Spain has assisted in the construction Catholic Mission schools, and Germany has provided some support for sustainable agriculture and forestry programmes.



### III.3 Other EC policies

There are two important links to be mentioned. The first one is with the European environmental policy and the active role of EU and the Commission in implementing this as the Kyoto Protocol and secondly, the Green Blue Diplomacy Strategy in general.

The second area of exchange and interaction is linked to cooperation on tax matters. The need for transparent corporate information mechanisms plays a vital role when countering terrorism, its financing, tax evasion, tax avoidance and corruption. It assumes an increasing importance in small open economies that have developed an offshore financial sector. FSM has declared its willingness to fully comply with international standards and practices in the area of money control and taxation.

Coherence between development co-operation policy and other EC policies (trade, fisheries, agriculture, and environment) relevant for FSM will be assessed on a continuing basis. Coherence with cross-cutting issues referring to gender mainstreaming, environmental considerations and principles of good governance will be observed in all future projects. In 2004 a Fisheries Partnership Agreement with FSM was initialled – and subsequently ratified by the EU in 2006. The agreement came into force in 2007.

#### **III.4 Description of the political dialogue with the partner country**

FSM is a relatively new member of the ACP group having joined on signature of the Cotonou Agreement in June 2000. Neither the EU nor its member states has permanent representation in FSM; the country is served by the EC Delegation in Suva (over 5,000 km to the south). Accordingly, opportunities for political dialogue have been few, mainly taking place on the margins of regional meetings such as the annual Forum meeting, or during the course of periodic missions to the country. Relations between the EU and FSM are cordial with no contentious issue to note.

#### **III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation**

None of the EC member states have active or planned programmes in FSM. France provides some funding for renewable energy but this is targeted and project specific. The largest single donor - the U.S - provides resources through the Compact II agreement. The extent of EU funding in FSM is of such a scale that a single focal area, not addressed by Compact funding, will be targeted. Therefore, the issue of harmonisation and common programming is not as significant or as pressing as may be experienced in other countries.

### **CHAPTER IV: RESPONSE STRATEGY**

Based upon the global objectives defined in the Cotonou Agreement between the ACP countries and the European Union, and taking into account the priority objectives of the FSM Government, the future co-operation programme will in particular contribute to the alleviation of poverty and improving the standard of living of people in the rural areas and the outer islands without access to a secure and sustainable energy supply.

The priorities for the FSM-EC co-operation have been identified in such a way that:

- the EDF funded interventions will have a positive impact on the constraints which slow down economic and social progress in the country;
- the operations are sustainable, i.e. continue to deliver benefits to the target groups after completion of the EDF funded projects;
- the operations are undertaken in areas where the EC has a comparative advantage, compared to other donor organisations, and where it is possible to operate in close partnership with established and reputable regional agencies that have already established networks in the FSM.

The Government of FSM and the European Commission jointly recognize that important environmental issues and the sustainable management of natural resources form an essential part of the country's development priorities, to which the European Commission wants to align its response strategy. Issues related to the reliable provision of water and sanitation,

management of solid waste and renewable energy are therefore topics of central relevance for any discussion on the future partnership.

In October 2005 the European Commission proposed to the Pacific Forum Leaders to focus the EDF's future assistance in the Pacific on the sustainable management of natural resources, a sector of strategic importance to all Pacific Island Countries, where there is a general commonality of interests between the region and the European Union and where the EU has significant expertise. Sustainable development is also one of the four key pillars of the regional framework underpinning the Pacific Plan, which was approved by the Forum Leaders on the same occasion in 2005. The above-mentioned new EU strategy for the Pacific, which was approved by the General Affairs Council of the European Union on 17 July 2006, refers to the sustainable management of natural resources as one of the priority areas for more focused development cooperation.

In recent years, the focus of investment has been mainly on urban development resulting in a growing urban drift and/or out-migration. The FSM Government is mindful of the need to spread the benefits of growth more widely and evenly across the country and to improve the standard of living of people in the rural areas and outer islands. The Government recognizes that addressing the energy needs of the people through a sustainable, environmentally sound and secure energy supply can supplement the long-term energy needs of the country in an economically and environmentally sustainable way and contribute to reduce the dependence on imported fossil fuels.

To redress the imbalance between the urban and rural/outer island amenities' provision and achieve a more equitable distribution of the nation's resources, the Government has selected the **energy sector** as the focal sector under the Cotonou Agreement, in particular the identification and promotion of new and renewable sources of energy for sustainable and equitable development. This objective is also coherent with the Country Support Strategies of many other Pacific Island countries, which also feature outer island development as focal sector. The sector chosen falls within the *Water and Energy sector* as defined in the *European Consensus on Development, June 2006*.

The Government proposes to allocate 90 percent of the A-envelope or €7.47 million for the development of the energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 10 percent (€0.83 million) will be to establish a Technical Co-operation Facility from which necessary Technical Assistance, studies and EDF-related travel will be funded. The TCF may be used to fund necessary technical studies and activities related to EDF implementation, future programming and/or regional integration and EPA. The TFC can also be used to finance measures which improve overall governance, in particular, actions that are directly linked to the government's commitments. Assistance in the improvement of statistical reporting may also be provided through the TCF.

It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a regional basis (for example the multi-country programme under the 9<sup>th</sup> EDF B-envelope).

Coherence between development co-operation policy and other EC policies (trade, fisheries, agriculture, and environment) relevant for FSM will be assessed on a continuing basis. Coherence with cross-cutting issues referring to gender mainstreaming, environmental

considerations and principles of good governance will be observed in all future projects. Climate change is also an important cross-cutting issue, in particular for the Pacific region and SIDs as a whole. Major regional initiatives are being considered in the context of the forthcoming 10<sup>th</sup> EDF Regional Indicative Programme. SPREP is also very active in this field, as is UNDP. Under the 10<sup>th</sup> EDF, due consideration needs to be given to the likely exacerbation of potential problems such as epidemics and famine due to water contamination, loss of arable land, and population displacement (the latter linked also to disaster response planning). For FSM, some specific issues should also be borne in mind, for example the possible need for watershed management, and alternative production systems in agricultural activities (eg agro-forestry) - these issues should also be addressed during the identification process and the feasibility studies which will determine the specific interventions and accompanying measures of the focal sector programme.

The programme is complementary to FSM's own efforts to improve the living conditions in the outer islands and redress the imbalance between urban and outer island development by spreading the benefits of growth more evenly across the country as well as to observe the sustainable use of the natural environment. It is co-ordinated with and complements the support for outer island development of other donors. The chosen sector corresponds closely with the Sustainable Development strategy of the Pacific Plan, in particular section 5.4 which is to *"Implement the Pacific Island Energy Policy and associated Strategic Action Plan to provide available, reliable, affordable and environmentally sound energy for the sustainable development of all Pacific island communities"*.

As discussed at the Regional Seminar in March 2006 and if deemed feasible and desirable by partner governments, a multi-country program approach is proposed as the preferred modality for implementing the 10<sup>th</sup> EDF. This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10<sup>th</sup> EDF assistance.

## PART 2: INDICATIVE PROGRAMME

### 1 Indicative Programme<sup>2</sup>

#### 1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

#### 1.2 Financial instruments

The implementation of the EC's cooperation strategy with the Federated States of Micronesia will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

##### 1.2.1 10th EDF, A envelope, €8.3 million: this envelope will cover long-term programmable development operations under the strategy, and in particular ....

<b>Energy</b>	<i>€7,470,000</i>	<i>90% of total</i>	<i>EDF</i>
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The specific areas to be addressed within the focal area will be determined on conclusion of a project design study to be undertaken in 2007. Programme Implementation may be through a multi-country approach where a centrally located Project Management Unit will service a number of participating countries. The countries involved in this approach are, Cook Islands, FSM, RMI, Palau, Nauru, Niue, Kiribati, Tuvalu and Tonga. A degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional agencies for technical assistance, such as the Secretariat of the Pacific Community, (SPC), should remain an option.

<b>Non-focal</b>	<i>€830,000</i>	<i>10% of total</i>	<i>EDF</i>
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*<of which:*

*- the Technical Cooperation Facility €830,000*

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<sup>2</sup> The sentences in italics should be completed or deleted in the final version of the document.

- 1.2.2 **10th EDF, B envelope, € 0.7 million:** this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

- 1.2.3 **Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the Centre for the Development of Agriculture (CTA).

- 1.2.4 **10th EDF Pacific Regional Indicative Programme** (amount to be confirmed): this allocation will cover long term programmable development operations under the regional strategy for the Pacific. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of the FSM in the programmes proposed under the regional framework.

#### **1.2.5. Other financial instruments:**

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

#### **1.2.6. Monitoring and evaluation**

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Federated States of Micronesia implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.



### *1.3 Focal sector*

## **WATER AND ENERGY<sup>3</sup>**

### **Renewable Energy**

The following specific objective will be pursued:

- to increase power production from renewable energy sources and
- to improve the overall policy framework of the energy sector

As an indicative amount, approximately **€7.47 million** will be set aside for this field.

The main actions proposed are: **the supply and installation of renewable energy systems in rural areas/outer islands.**

The main implementing instrument will be: **project support**

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are: **Formulation and approval (Congress) of Energy Policy/Plan.**

The main commitments by the Government to ensure mainstreaming of the crosscutting issues are:

**When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.**

### *1.4 General budget support*

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

### *1.5 Other programmes*

An indicative amount of €830,000 is set aside for the following actions:

The Technical Cooperation Facility; €830,000. The TCF will primarily fund the cost of local technical assistance and training and capacity building of the NAO office. It will also be used to fund necessary technical studies and activities related to EDF implementation, future programming and/or regional integration and EPA.

The TFC can also be used to finance measures which improve overall governance, in particular, actions that are directly linked to the government's commitments. The improvement of statistical reporting may also be supported through the TCF (in close cooperation with the Statistics Unit of the Division of Economic Planning and Statistics and the relevant sector Ministries).

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<sup>3</sup> Sector defined in European Consensus, June 2006

Support for Non-State Actors covers NSAs eligible for funding as defined in Article 6 of the Cotonou Agreement and article 4(1) (d) of Annex IV to the revised Agreement. Depending on their mandate, support to NSAs may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting NSAs, the EC may make use of article 15(4) which allows it to be the Contracting Authority.

The main policy measures to be taken by the Government as a contribution to the implementation of the response strategy in the non focal areas are:

- The Government of FSM agrees to assign sufficient human and financial resources to ensure a smooth running of the office of the NAO

**1.6 Intervention Framework & Performance Indicators**  
**1.6.1 First Focal Sector – WATER AND ENERGY - RENEWABLE ENERGY**

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objectives</b>	To improve social and economic development and reduce poverty in the outer islands	Reduction in poverty Increased employment Improved HDI rankings	Poverty assessments Government records HDI index	N/a
<b>Programme Purpose</b>	To provide cost effective and reliable renewable energy and promote energy efficiencies	All RE systems supplied and in use by 2012 Increase in demand for RE systems Increase in private sector involvement in RE technologies	Government records Independent reviews Independent surveys	World demand for oil continues at current or higher levels Government policies continue to support private sector growth
<b>Results</b>	Cheaper electricity costs Cleaner environment Educated public (in energy efficiencies)	Reduced dependency on fossil fuels Improved Household income Diesel imports reduced	Independent survey Inter-island shipping records Household income surveys	RE equipment properly maintained User pay system accepted Battery disposal system applied

**Below are some proposals for sector indicators for MCP in the energy sector which could be used when defining future activities**

## **1. User benefits and costs**

- Proportion of population using solid fuels (*MDG 7 indicator*)
- Proportion of population with access to electricity from a grid, urban and rural areas separately
- Connection fees and unit costs for electricity, relative to household income
- Share of household income spent on electricity and fuels, urban and rural separately
- Average time spent on collecting and preparing fuel, urban and rural separately
- Proportion of population with access to modern fuel services (e.g. LPG) or improved stoves, urban and rural areas separately

## **2. Sector performance**

### Economic and financial

- Costs of oil imports relative to GDP
- Energy use (kg oil equivalent) per \$1 GDP (*MDG 7 indicator*)
- Percentage of GDP allocated to energy investments
- Technical and non-technical losses in power and fossil fuel generation, transmission, distribution and end-use
- Share of government budget allocated to energy spending
- Share of financial contributions from international financing institutions and donors to the energy sector

### Institutional

- Percentage of energy services delivered by the private sector, such as electricity, petrol, coal, charcoal, paraffin etc, and other non-state actors, such as e.g. community based organisations

- The level of decentralisation of energy decision making power and capacity, to e.g. local authorities
- Cost of operating the electricity utilities, relative to amount of units (kWh) delivered to end-users
- Maintenance conditions and cost recovery for different energy systems

Environmental

- Extent of incorporation of environmental concerns in guidelines and standards for energy systems and energy investments
- Carbon dioxide emissions per capita (*MDG 7 indicator*)
- Ambient air pollution related to energy usage, e.g. for power generation, transport, heating etc
- Indoor air pollution related to the use of fuels for cooking and heating (e.g. wood, charcoal, coal, LPG, kerosene, paraffin)

**1.6.2 Second focal sector**

n/a

**1.7 Indicative timetable for commitments and disbursements**

**1.7.1 Indicative timetable of global commitments**

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
<b>1<sup>st</sup> FOCAL SECTOR – WATER AND ENERGY (RENEWABLE ENERGY)</b>	<b>M €7.47</b>						
- Project 1 : Renewable Energy Programme (MCP)	M €7.47	0	7.47				
	M €						
<b>2<sup>nd</sup> FOCAL SECTOR – NONE</b>	<b>M €</b>						
- Project 1	M €						
- Project 2	M €						
<b>NON FOCAL SECTORS</b>	<b>M €</b>						
- Institutional support for non state actors.	M €						
- Technical cooperation facility	M €0.83	0.50				0.33	
- Contribution to regional programmes	M €						
-<optional> Support for EPA	M €						
-<optional> Support for Governance	M €						
-Other	M €						
<b>Total Commitments:</b>	<b>M €</b>	<b>0.50</b>	<b>7.47</b>			<b>0.33</b>	
<b>Total Cumulative Commitments :</b>	<b>M €</b>	<b>0.50</b>	<b>7.97</b>			<b>8.3</b>	

**1.7.2 Indicative timetable of disbursements**

	Indicative allocation	2008		2009		2010 →	
		1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – WATER AND ENERGY (RENEWABLE ENERGY)</b>	<b>ME7.47</b>						
- Project 1 : Renewable Energy Programme	ME7.47		0.07	0.2	0	7.1	0.1
- Project 2 : NONE	ME						
<b>2<sup>ND</sup> FOCAL SECTOR – &lt;name&gt;</b>	<b>ME</b>						
- Project 1	ME						
- Project 2	ME						
<b>NON FOCAL SECTORS</b>	<b>ME0.83</b>						
- Institutional support for non state actors.	ME						
- Technical cooperation facility	ME0.83	0.15	0.18	0.15	0.1	0.1	0.15
- Contribution to regional programmes	ME						
-<optional> Support for EPA	ME						
-<optional> Support for Governance	ME						
-Other	ME						
<b>Total Commitments :</b>	<b>ME</b>	<b>0.15</b>	<b>0.25</b>	<b>0.35</b>	<b>0.1</b>	<b>7.2</b>	<b>0.25</b>
<b>Total Cumulative Commitments :</b>	<b>ME</b>	<b>0.15</b>	<b>0.4</b>	<b>0.75</b>	<b>0.85</b>	<b>8.05</b>	<b>8.3</b>

1.8 Chronogram of activities

	Indicative allocation	2008				2009				2010→			
		Q1 Q2		Q3 Q4		Q1 Q2		Q3 Q4		Q1 Q2		Q3 Q4	
		AF	FP	#	#	#	#	#	#	#	#	#	#
<b>1<sup>st</sup> FOCAL AREA (... M €7.47)</b>	M €7.47												
- Project 1													
- Project 2	M €												
<b>2<sup>nd</sup> FOCAL AREA (... M €)</b>													
<b>Education</b>													
- Project 1	M €												
- Project 2	M €												
<b>NON FOCAL AREAS (... M 0.83 €)</b>													
<b>Same schedule as above</b>													
- Institutional support for non state actors.	M €												
- Technical cooperation facility	M €0.83												
- Contribution to regional programmes	M €												
-<optional> Support for EPA	M €												
-<optional> Support for Governance	M €												
-Other	M €												

FS: Feasibility Study

AF: Action Fiche

FD: Financing decision

\* : Project implementation



Annex 1 : Country at a glance : FSM

<b>Micronesia, Fed. Sts. Data Profile</b>			
<b>Click on the indicator to view a definition</b>	<b>2000</b>	<b>2004</b>	<b>2005</b>
<b>People</b>			
Population, total	107.1 thousand		109.7 thousand
	110.5 thousand		
Population growth (annual %)	-0.1	0.8	0.7
Life expectancy at birth, total (years)	67.3	67.9	..
Fertility rate, total (births per woman)	4.4	3.9	..
Mortality rate, infant (per 1,000 live births)	20.0	18.5	..
Mortality rate, under-5 (per 1,000)	24.0	22.5	..
Births attended by skilled health staff (% of total)	..	..	..
Immunization, measles (% of children ages 12-23 months)		82.0	85.0
			..
School enrollment, tertiary (% gross)	14.1	..	..
<b>Environment</b>			
Surface area (sq. km)	700.0	700.0	700.0
Forest area (sq. km)	630.0	..	630.0
Agricultural land (% of land area)	67.1	..	..
Improved water source (% of population with access)	..	94.0	..
Improved sanitation facilities, urban (% of urban population with access)	..	..	61.0
	..	..	..
<b>Economy</b>			
GNI, Atlas method (current US\$)	232.2 million	251.9 million	253.7 million
GNI per capita, Atlas method (current US\$)	2,170.0	2,300.0	2,300.0
GDP (current US\$)	215.7 million	226.4 million	232.0 million
GDP growth (annual %)	8.4	-3.8	0.3
Inflation, GDP deflator (annual %)	2.0	1.4	2.2
Agriculture, value added (% of GDP)	..	..	..
Exports of goods and services (% of GDP)	..	..	..
Imports of goods and services (% of GDP)	..	..	..
Gross capital formation (% of GDP)	..	..	..
<b>States and markets</b>			
Time required to start a business (days)	..	36.0	36.0
Fixed line and mobile phone subscribers (per 1,000 people)		90.1	225.9
			..
Internet users (per 1,000 people)	37.4	109.4	..
Roads, paved (% of total roads)	..	..	..
<b>Global links</b>			
Merchandise trade (% of GDP)	57.1	62.4	62.5
Official development assistance and official aid (current US\$)		101.6 million	86.3 million
			..
<b>Source: World Development Indicators database, April 2006</b>			

## Table of macroeconomic indicators

	2000	2001	2002	2003	2004	2005	2006	2007	
<b>Basic data</b>									
1	Population (in 1000)	107	107.3	107.5	107.8	108.0	108.3	108.5	108.8
	- annual change in %	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
2a	Nominal GDP (in millions €)	217.1	220.9	223.7	230.4	224.4	237.0	244.7	249.6
2b	Nominal GDP per capita (in millions €)	2,029	2,059	2,080	2,138	2,077	2,189	2,254	2,294
2c	- annual change in %	0.06	0.02	0.01	0.03	-0.03	0.05	0.03	0.02
3	Real GDP (annual change in %)	4.2	0.4	1.4	3.3	-4.4	1.5	-0.7	-0.5
4	Gross fixed capital formation (in % of GDP)								
<b>International transactions</b>									
5	Exports of goods and services (in % of GDP)	18.53	19.95	21.10	21.60	16.45	17.80	N/A	N/A
	- of which the most important: ... (in % of GDP)								
6	Trade balance (in % of GDP)	-40.2	-40.9	-37.8	-39.8	-53.0	-51.1	N/A	N/A
7	Current account balance (in % of GDP)	-14.8	-23.5	-5.3	5.4	-40.3	-31.7	N/A	N/A
8	Net inflows of foreign direct investment (in % of GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	External debt (in % of GDP)	31%	27%	26%	25%	26%	25%	N/A	N/A
10	Service of external debt (in % of exports of goods and non-factor services)	0.57	0.25	0.05	0.05	0.07	0.06	N/A	N/A
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Government</b>									
12	Revenues (in % of GDP)	19%	17%	19%	20%	21%	20%	N/A	N/A
	- of which: grants (in % of GDP)	9%	8%	9%	12%	10%	9%	N/A	N/A
13	Expenditure (in % of GDP)	24%	23%	20%	21%	19%	20%	N/A	N/A
	- of which: capital expenditure (in % of GDP)	2%	2%	2%	2%	1%	1%	N/A	N/A
14a	Deficit (in % of GDP) including grants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

14b	Deficit (in % of GDP) excluding grants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	Debt (in % of GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	- of which: external (in % of total public debt)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Other**

16	Consumer price inflation (annual average change in %)	2.0	1.3	-0.1	-0.2	1.8	4.1	3.9	N/A
17	Interest rate (for money, annual rate in %)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
18	Exchange rate (annual average of national currency per 1 €)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Unemployment (in % of labour force, ILO definition)	5%	5%	5%	5%	5%	5%	N/A	N/A
20	Employment in agriculture (in % of total employment)	0.18	0.14	0.14	0.14	0.16	0.17	0.15	N/A

*Progress toward the Millennium Development Goals*

Target	Indicator	Status of Progress			Explanation/ Proxies
		1990	1995	Latest	
<b>Goal 1 Eradicate extreme poverty and hunger</b>					
<b>Target 1</b> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 per day (PPP- values)			National 27.9 Yap 14.4 Chuuk 32.9 Pohnpei 29.5 Kosrae 12.3	% of population falling below national poverty line (1998)
	2. Poverty gap ratio [incidence x depth of poverty]			0.51 (1998) (b)	Gini coefficient 0.408 (1998) (b)
	3. Share of poorest quintile in national consumption (H20/L20)			Inc 3.6 Exp 4.5 L20 55.552.6 H20 (1998 HIES)	
	4. Prevalence of underweight children (under 5 yrs of age)	13.3 (1987-88 National Nutrition Survey)		15.0 (1997) (c)	
	5. Proportion of population below minimum level of dietary energy consumption				No data available but likely to be low
<b>Goal 2 Achieve universal primary education</b>					

<p><b>Target 3</b> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</p>	<p>6. Gross enrolment ratio in primary, secondary and tertiary education</p>	<p>85.0 (84-94) (h)</p>	<p>Primary 93.7 Male 95.5 Female 93.9 Secondary 81.4 Male 78.4 Female 84.7 (Census 1994)</p>	<p>Primary 92.3 Male 91.7 Female 92.9 Secondary 72.3 Male 68.1 Female 76.7 (Census 2000)</p>	<p>Census data</p>
<p><b>Goal 3 Promote gender equality and empower women</b></p>	<p>7. Proportion of pupils starting grade 1 who reach grade 5</p> <p>8. Literacy rate of 15-24 year olds</p>	<p>National Male 92.4 Female 92.3 (1980)</p>	<p>National Male 96.4 Female 96.2 96.6 (1994)</p>	<p>National Male 95.0 Female 94.2 96.0 (2000)</p>	<p>Census data</p>
<p><b>Goal 4 Reduce child mortality</b></p>	<p>9. Ratio of girls to boys in primary, secondary and tertiary education</p> <p>10. Ratio of literate females to males of 15-24 year olds</p> <p>11. Share of women in wage employment in the non-agricultural sector</p> <p>12. Proportion of seats held by women in national parliament</p>	<p>1.0</p>	<p>Primary 0.92 Secondary 0.98 College 0.79 (1994)</p>	<p>Primary 0.93 Secondary 1.04 College 1.07 (2000)</p>	<p>Census data</p>

<b>Target 5</b> Reduce by 2/3 between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate (per 1,000 live births)	16 (1990)	12 (1996)	12 (2000)
	14. Infant mortality rate (per 1,000 live births)	46 (1990)	40 (1996)	40 (2000)
	15. Proportion of 1 year old children immunised against measles		83 (1994 census)	83.7 (2001)
<b>Goal 5 Improve maternal health</b>				
<b>Target 6</b> Reduce by ¾, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio (per 100,000 live births)		561.0 (97-98) (c)	274.0 (1999) (e)
	17. Proportion of births attended by skilled health personnel		82.0 (95-97) (c)	92.8 (1999) (e)
<b>Goal 6 Combat HIV/AIDS, malaria and other diseases</b>				
<b>Target 7</b> Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women		Nil	Nil
	19. Contraceptive prevalence rate		25.0 (97-98) (c)	45.0 (1998) (c)
	20. Number of children orphaned by HIV/AIDS		Nil	Nil
<b>Target 8</b> Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria (per 100,000)		Nil	Nil Malaria is not endemic in FSM
	22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures		Nil	Nil
	23. Prevalence and death rates associated with tuberculosis (per 100,000)			Prevalence 78 Death 17 (2000) (e)
	24. Proportion of TB cases detected and cured under DOTS			
<b>Goal 7 Ensure environmental sustainability</b>				
<b>Target 9</b> Integrate the principles of sustainable development into	25. Proportion of land area covered by forest	34.8 (m)		21.7 (2000) (m) 15 (1994)
	26. Land area protected to maintain biological diversity			

country policies and programs and reverse the loss of environmental resources	27. GDP per unit of energy use (as proxy for energy efficiency)					No data available
	28. Carbon dioxide emissions (kg per capita)		2,231 (1994) (I)	1,312 (1996) (I)		
	29. Proportion of population using solid fuels		National 76.0 Yap 79.9 Chuuk 83.3 Pohnpei 67.8 Kosrae 34.2 (1994 census)	National 77.6 Yap 63.6 Chuuk 88.9 Pohnpei 74.4 Kosrae 16.6 (2000 census)		
	30. Proportion of population with sustainable access to an improved water source		National 43.8 Yap 50.9 Chuuk 25.1 Pohnpei 56.8 Kosrae 92.4 (1994 census)	National 50.0 Yap 53.2 Chuuk 24.8 Pohnpei 69.4 Kosrae 97.6 (2000 census)		Access to piped supplies through either public or communal reticulated system
<b>Target 10</b> Halve, by 2015, the proportion of people without sustainable access to safe drinking water	31. Proportion of people with access to improved sanitation		National 7.9			Access to public sewage system, septic tank or cesspool system
	32. Proportion of people with access to secure tenure				94 (2000)	
<b>Target 11</b> By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers						

## Goal 8 Develop a Global Partnership for Development <sup>4</sup>

<p><b>Target 16</b> In co-operation with developing countries, develop and implement strategies for decent and productive work for youth</p>	<p>45. Unemployment rate of 15-24 year olds</p>	<p>National 33.7 Male 25.8 Female 45.3</p> <p>Yap 23.5 Chuuk 36.7 Pohnpei 31.8 Kosrae 43.0</p>	<p>National 35.3 Male 35.0 Female 35.7</p> <p>Yap 7.1 Chuuk 50.1 Pohnpei 21.8 Kosrae 38.5</p>	<p>1994 and 2000 Census data</p>
<p><b>Target 17</b> <i>In co-operation with the pharmaceutical companies provide access to affordable essential drugs</i></p>	<p>46. Proportion of population with access to affordable essential drugs on a sustainable basis</p>	<p>&gt;90</p>	<p>&gt;90</p>	<p>Estimated, access to free health services is available throughout the country</p>
<p><b>Target 18</b> In co-operation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p>47. Telephone lines per 1,000 people</p> <p>48. Personal computers and internet use per 100 population</p>	<p>2.9% (1980)</p>	<p>23.3% (1994 census)</p> <p>28.6% (2000 census)</p>	<p>Proportion of HH with telephone</p> <p>Total number of telephone lines: 11,000 (f) 9,863 (n) No data available</p>

Sources:

ADB, Basic Statistics of DMICs including MDGs (May 2002); ADB, Medium-Term Strategy (2001-2005); ADB, Key Indicators 2002; ADB, RETA 5907 Discussion Papers (2001) and RETA 6002; UNDP Pacific Human Development Report (1994, 1999); UNDP, Human Development Report (2000, 2001, 2002); World Bank, World Development Indicators database (April 2002); World Bank, The Little Green Data Book (2002); WHO, Western Pacific Region Health Data Bank (rev. 2001); WHO, Selected Indicators (2000); WHO/UNICEF, End Decade Databases, 2002 (www.childinfo.org); CIA, The World Factbook - FSM  
SPREP, Action Strategy for Nature Conservation in the Pacific Islands Region (1999-2002); UNICEF, Progress of Nations - Social Indicators (1997), End Decade Databases, 2002 (www.childinfo.org); Inter-Parliamentary Union (IPU), (www.ipu.org); (k) UNESCO, Statistical Yearbook (www.unesco.org); UNFCC-CDIAC (United Nations Framework Convention on Climate Change- Carbon Dioxide Information Analysis Centre (USA)) from United Nations, Statistics Division (www.unstats.un.org); FAO, Food and Agriculture Organisation of the United Nations Database (FAOSTAT), United Nations, Statistics Division (www.unstats.un.org); International Telecommunications Organisation (ITU)

<sup>4</sup> The selection for indicators for Goal 8 are subject to further refinement.



**Annex 1a: List of acronyms**

ACP	Africa, Caribbean, Pacific
ADB	Asian Development Bank
AusAID	Australia Agency for International Development
CEDAW	(UN) Convention on the Elimination of all forms of Discrimination Against Women
CSP	Country Strategy Paper
EC	European Community
ECHO	European Commission's Office for Humanitarian Assistance
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FSM	Federated States of Micronesia
HDI	Human Development Index
kWh	kilo Watt hours
MDG	Millennium Development goals
NCD	Non-communicable diseases
NIP	National Indicative Programme
NSA	Non State Actors
NZAID	New Zealand Assistance for International Development
NSDP	National Sustainable Development Plan
NGO	Non Government Organisation
OECD	Organisation for Economic Cooperation and Development
OPM	Office of the Prime Minister
PIAF	Pacific Islands Aids Foundation
PIC	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PIERS	Pacific Islands Economic Report (ADB document)
PM	Prime Minister
RMI	Republic of Marshall Islands
TA	Technical Assistant
TCF	Technical Cooperation Facility
UNFPA	United Nations Population Fund
WSSD	World Summit on Sustainable Development

**ANNEX 2: DONOR MATRIX**

Natural Resource	Agriculture & Forestry			US 1.04	0.7
	Marine				0
	Environment			US 1.23 EU 0.2	0.9
HRD and Social Development	Governance				0
	Law & Justice				0
	Disaster Mitigation			US 0.05 EU 0.06	0.1
	Health			US 22.3	15.5
	Culture			US 0.312	0.2
	Community Development			US 1.16	0.8
	Basic Education			US 11	7.6
	Secondary Education			US 9.82	6.8
	Tertiary Education			US 19.81	13.8
	Non-Formal Education			US 6.3	4.4
Other	Direct Budget Support			China 2.5 US 7.5	6.9
	Miscellaneous			China 2.5 US 20.5 ADB 1	16.7
Economic & Private Sector	Private Sector			US 6.5	4.5
	Tourism				0
	Industry & Trade				0
	Energy			EU 1.22	0.8
	Transport & Communication			US 19.24 Japan 10	20.3
	Economic Reform & Finance				0
		Civil Society (including Churches and NGO)			
		Private Sector			
		Multilateral & Bilateral Institutions			
					Percentage of total ODA

Annex 3  
**FEDERATED STATES OF MICRONESIA**  
**COUNTRY ENVIRONMENT PROFILE**  
**Summary**

This Federated States of Micronesia Country Environment Profile provides the background information and suggests possible areas for intervention with EDF 10 resources.

Federated States of Micronesia encompasses 607 small islands in the Western Pacific, situated north of the Equator. While the country's total land area amounts to only 702 square kilometres, it occupies more than 2.6 million square kilometres of the Pacific Ocean. Each of the four States (Pohnpei, Yap, Chuuk and Kosrae) centres on one or more "high islands," and all but Kosrae include numerous atolls.

There is extensive forest cover within each state of Federated States of Micronesia, although on the low atoll islands, and the littoral slopes of the high islands, the forest cover is better described as an agro-forestry complex with a scattered secondary forest on long-fallow within the traditional gardening system. Over fishing, destructive fishing practices, waste, pollution, and coastal development are some of the key environmental issues.

With an abundance of natural resources in the marine and terrestrial environments in the Federated States of Micronesia, and a relatively small population, it would be reasonable to perceive that natural resources depletion would not be a priority concern. However, Rio's Agenda 21, the Barbados process and globalisation has refocused national priorities to factor into the depletion equation, the pressures of increasing population, unsustainable exploitation practices, and economic pressures on the natural resources. These accelerators of resource depletion if unchecked would be detrimental to the Federated States of Micronesia's sustainable development.

In recent years, the Federated States of Micronesia embarked on a programme to conserve, preserve, manage and protect the ecosystems and the biodiversity of the country which have included the implementation of conservation areas, wise land use and marine management plans, and environmental community awareness and capacity building programmes.

The Federated States of Micronesia National Environment Management Strategy NEMS (1993) highlighted four environmental objectives within which were embedded 18 strategies and 39 programmes. These environmental objectives were:

- integrate environmental considerations in economic development;
- improve environmental awareness and education;
- manage and protect natural resources; and
- improve waste management and pollution control.

Sustainable development principles have been integrated into these programmes. However, increased information exchange and programme implementation is required. The development and implementation of suitable traditional and scientific resource management programmes that can address these issues in both the near and long term are essential.

Three broad sustainable development challenges were identified by the Federated States of Micronesia National Government in 1999:

- promoting sustainable economic growth by addressing issues that will reduce the nation's environmental, social and economic vulnerabilities;
- balancing resource conservation and management; and
- ensuring and improving the quality of life for all citizens and that of future generations.

Within this context the state of the environment overview prepared in 2004 identified the following emerging concerns.

#### **Climate Change**

- The significant costs associated with fieldwork in geographically-dispersed areas of the Federated States of Micronesia.
- The limited number of scientific technical and professional staff available.
- There is no significant enhanced programme of community-based education and outreach.
- Limited financing and human capital.

#### **Natural and Environmental Disasters**

- Increased frequency and intensity of tropical storms and impact of ENSO events.
- Ineffective national disaster framework plan.
- Non-existent coordination between national and states governments.
- Non-involvement of relevant NGOs in governmental planning processes.
- Lack of financial capacity.
- Lack of trained human resources.
- Cultural differences.
- Lack of data and centralisation of data of assessment for effective planning.

#### **Coastal and Marine Resources, including Coastal and Marine Biodiversity Resources**

- Degradation of habitat and ecosystems through over exploitation and unsustainable harvesting methods and practices.
- Waste management and pollution (oil spills, coastal waste dumpsites); hazardous waste usage and disposal; inadequate sewage treatment and inadequate disposal of heavy equipment.
- Introduction of alien invasive species into marine and aquatic habitats.
- Rapidly increasing population and consumptive lifestyles.
- Inadequate scientific base line for information on inshore fisheries and biodiversity.
- Insufficient aquatic conservation areas and management plans.
- Insufficient coastal planning and zoning.
- Lack of accepted regulations.
- Incomplete survey and delimitation of national boundaries including continental shelf.

#### **Land Resources, including Terrestrial Biodiversity**

- Increasing terrestrial pollution, including poor solid and hazardous waste collection and disposal, and lack of ability to treat, recycle, and dispose of these substances...
- Negative impacts on native species terrestrial habitats by alien invasive species.
- Increased impacts of tropical storms and changing rainfall patterns.
- Rapidly increasing population and consumptive lifestyles.
- Inadequate scientific base line on biodiversity.

- Insufficient terrestrial conservation areas and management plans, legislation and enforcement.
- Insufficient skilled/trained human resources.
- Insufficient awareness of links between conservation and sustainable economic development, and limited knowledge of the threat that certain chemicals pose for community and environmental health.

### **Energy**

- A relatively small but fragmented energy sector which is not conducive to competition and private sector participation, and with insufficient capacity at both national and state levels.
- Absence of an effective overseeing and coordinating mechanism between the national and state governments, and between the states and their respective energy sector players.
- A highly subsidised power sector operation.
- Absence of any standardised technical and operational procedures.
- Absence of any long-term experience with renewable energy, the nation's renewable energy potential has not been fully assessed.
- The limited financial resources of the state governments to venture further into the area of renewable energy, for example some existing solar electrification programmes are not sustainable (due to the lack of maintenance).
- Lack of technical knowledge and awareness of potential benefits of renewable sources of energy.

### **Management of Waste and Provision of Water and Sanitation Services**

- The water systems that are currently in place in the states continue to experience excessive waste and leakage and a times prevent 24-hour water service leading to the use of water hours when the system is turned off for scheduled periods, and depressurisation of the water lines causes contamination of the distribution network making it prone to waterborne and water associated diseases.
- Lack of education and understanding of water usage and conservation issues.
- Limited financial, technical and human resources.
- Limited public awareness and education on waste management, pollution control and sanitation.
- Lack of effective data collection, analyses, and monitoring systems.
- Environmental health not a priority among the policy makers.
- Lack of feasibility and engineering studies for sustainable waste management services; and waste collection, treatment and disposal.
- Lack of available land for, and appropriate disposal facilities (sanitary landfill) including other infrastructure for waste management.
- Limited management capacity for policy and planning for waste management.
- Lack of promotional strategies focusing on cultural factors that underpin many of the problems associated with waste management, including community participation and development.

### **Tourism**

- Lack of adequate infrastructure, including internal transportation, port facilities for cruise boats, and direct flights into the nation.
- Lack of political commitment, and poor funding for visitors bureaus, tourism and promotion.
- Inadequate manpower/education, and weak industry oriented curriculum in the community college.
- Poor hospitality and service, underdeveloped attractions and sites, and inadequate health and safety.

The conclusions and recommendations of the Federated States of Micronesia Environment Country Profile are as follows.

**Conclusion 1:** It should be highlighted that this Federated States of Micronesia environmental profile has been compiled as a desk study. Nonetheless, it has benefited from access to reporting on environmental issues by Federated States of Micronesia produced over the past decade, since 1992 at UNCED in Rio (Agenda 21), and in 1994 at the Barbados International Meeting on Sustainable Development for Small Island Developing States (BPoA). Most recently, Federated States of Micronesia has had the opportunity to produce national assessment reports for the 10-year review of both Agenda 21 (the World Summit on Sustainable Development in 2002), and the BPoA (the International Meeting on SIDS in 2005). Furthermore, the first 5-year national report of progress on achieving the MDGs was done in 2005.

**Conclusion 2:** The EU has supported Federated States of Micronesia along with all Pacific ACP countries during recent global environmental processes, and in particular in regard to environmental issues such as climate change, water and sanitation, renewable energy, food security, and how to improve livelihoods of island people by addressing the “special case for SIDS” in regard to vulnerability and addressing poverty through establishing poverty reduction strategy papers and national sustainable development strategies, or the like. Federated States of Micronesia needs support for implementation from the EDF 10.

**Conclusion 3:** Notwithstanding the current Country Support Strategy (refer Section 4.1) for EDF 9, together with assistance being provided through the Regional Indicative Programme, it should be noted that along with other Pacific ACP countries, Federated States of Micronesia has agreed to the new Strategy for Strengthened Partnership between the EU and the Pacific Islands which has a “*blue-green*” theme within the context of sustainable management of natural resources and environmental challenges. Within this broad theme specificity is needed to ensure the activities to be supported by the NIP deliver tangible and concrete benefits at national level that demonstrably contribute to strengthening the environmental pillar of national sustainable development and poverty reduction. In this context also, improved and strengthened links need to demonstrate with the activities to be carried out at national level by the regional organisations supported by the Regional Indicative Programme.

**Conclusion 4:** Federated States of Micronesia’s environment is no exception to the reality that it provides the basic goods and services, such as water, energy and food security, upon which people live. Improvements and sustainability in these areas are essential to underpin generation of economic wealth. Federated States of Micronesia acknowledges that environmental considerations are inextricably linked across their national development planning efforts, but there is a need to strengthen these interlinkages to ensure improved decision-making supports efforts to achieve sustainability.

**Conclusion 5:** The state of the Federated States of Micronesia environment over the past decade has deteriorated and remains extremely vulnerable. Over the past decade much has changed with internal shocks from natural disasters such as cyclones and droughts, increasing population, concentration of that population through urbanisation and urban drift, and external shocks such as globalisation, HIV/AIDS, climate change and most recently increasing fuel prices. All are putting increased stress on the environment. Key examples of improvements needed are; secure safe water supply and sanitation; developing access to affordable renewable energy resources;

food security from fishing and agriculture, to support sustainable development, improve lifestyles and reduce poverty. The urban and rural population, urban centres and outer islands must be targeted. Improvements in these “sectoral” areas will also have a positive impact on reducing Federated States of Micronesia’s vulnerability to climate change and natural disasters (many of which are weather-related).

**Conclusion 6:** Over the past decade some progress in many areas has been made in improving environmental sustainability through institutional strengthening. Although not as significant as Federated States of Micronesia would have liked. Much of the progress has been at the initiative of the Federated States of Micronesia and with its own financial resources. But much remains to be done to improve the efficiency and effectiveness of the national environmental machinery including strengthening the role of the NGOs. Development partners, including regional organisations, need to harmonise and coordinate their assistance more closely with Federated States of Micronesia needs and efforts, and amongst themselves. This will make both existing and new resources more efficient and effective.

**Conclusion 7:** In order to provide a platform to facilitate closely cooperation with its development partners, and improve governance, Federated States of Micronesia has/is developing overarching planning policy/regulatory and institutional arrangements such as NSDS (or to embed the principles of sustainable development in revisions of existing national development plans, including issues of environment concern). There is much room for supporting capacity building and technical assistance in this context.

**Conclusion 8:** Federated States of Micronesia’s capacity needs to be strengthened to manage its large marine environment compared with the generally small island land areas. In reality, as the marine “blue environment” and land “green environment” are an environmental continuum across the coastal zone. Federated States of Micronesia needs a spatially integrated management approach, similar to “island system management” promoted by the EU through one of the EDF8/9 regional projects.

**Conclusion 9:** Federated States of Micronesia, like many other of its neighbours, recognises the opportunities of improved information and communication technologies, in particular in regard to getting more up to date data and making it readily available to support the decision-making process.

**Conclusion 10:** Federated States of Micronesia needs to develop and strengthen its own national setting of indicators and targets, and monitoring arrangements to track progress, and link these to international development goals agreed at for example the WSSD, the Mauritius International Meeting on SIDS, and contained in all relevant MDGs and targets, not just MDG7 on environmental sustainability.

**Recommendation 1:** Concerning the selection of the focal sectors and response strategies for Federated States of Micronesia, within the overarching “blue-green” theme of sustainable management of natural resources and environmental challenges, key areas to consider are: securing safe water supply and sanitation; developing access to affordable renewable energy resources; and improving food security from fishing and agriculture.

**Recommendation 2:** As a governance issue in regard to national institutional capacity to improve the management of natural resources and the environment, consideration needs to be

given to supporting Federated States of Micronesia address institutional capacity assessment and needs for all its line ministries. Specifically:

- there is an immediate need to promote the participation and involvement of NGOs at the national and community level and be supported through capacity building;
- additional financial assistance is required to implement priority human capacity building needs of the country; and,
- the recognition of integrating environmental consideration into national economic planning is a critical issue that requires priority attention. The development of a national policy on economic growth and sustainable development must include the integration of environmental issues into economic planning.

**Recommendation 3:** Improve Federated States of Micronesia's national environmental information systems, and ensure environmentally-relevant indicators to be used in the implementation of the EDF 10 National Indicative Programme, are integrated into these systems.

**Recommendation 4:** Federated States of Micronesia's access to the use of EC horizontal budget lines (such as Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF), and the EU/ACP Natural Disaster Fund are limited by national capacity constraints. Each of these opportunities of additional financial resources are important and should these funds/facilities be ongoing, consideration needs to be given to assisting Federated States of Micronesia prepare the bulky and complex applications.

**Recommendation 5:** In order to ensure effective and efficient support to Federated States of Micronesia, it is important for the EU to develop new and strengthen existing opportunities for co-ordination on environmental issues with other donors (including regional organisations) seeking to achieve complementarities and synergies.



#### *ANNEX 4 : Migration profile*

Not pertinent for FSM

#### *ANNEX 5 – Involvement of NSAs*

##### *1.6 Programming dialogue*

Does the government involve Parliament, non-state actors and local authorities in the programming dialogue?	<b>Yes. A National Authorising Committee, consisting of national government, state and NSAs is actively involved in both programming and implementation.</b>
Was the programming exercise effectively a joint and open process? Did the Government actively promote co-ordination and harmonisation with other donors?	<b>Effectively yes, although ostensibly the Delegation wrote the CSP document. The relatively small size of the EU support to FSM in comparison with other sources of ODA (about 1%) meant that intensive coordination with other donors was not appropriate or necessary.</b>
<i>Other relevant information, overall appreciation and summary of the main problems identified in this area</i>	<i>FSM is a new member of the ACP group; negotiations and dialogue within the EU are ongoing for comprehensive agreements at the national/regional level to be effective. The EU is involved in political dialogue in other areas as such the Non State Actors Support Program specifically for the energy sector.</i>

##### *1.7 Non State Actors*

Participatory approaches to development: does the government involve non-state actors and local authorities in the PRS process (preparation, follow-up)?	<b>Yes. Because of the four State system in operation FSM authorities are very particular of the need for genuine participatory approaches. Through the National Authorising Committee NSAs are guaranteed involvement.</b>
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#### *ANNEX 6 : Harmonisation road map*

Not applicable

#### *ANNEX 8 : Debt sustainability*

Not applicable

### Federated States of Micronesia Summary Poverty Profile

<b>Poverty Measures (1998 HIES)</b> • National Basic Needs Poverty Line (annual per capita expenditure) Head Count Index – national % Yap Chuuk Pohnpei Kosrae Food Poverty Line (annual per capita exp) <b>Head Count Index - national %</b> • US\$1/US\$2 day Head Count Index % • Poverty Gap Ratio	US\$767.58 27.9 14.4 32.9 29.5 12.3 US\$437.00 5.2/19.7 51%	<b>Vulnerability Indicators</b> CVI PDMC Rank Foreign Cash Grants % of GDP – FY 2002 Exports as % of GDP – FY 2002 Imports as % of GDP – FY 2002 Import:Export ratio (2002) Out-migration Significant Remittances Significant	Na Na 41.8 6.9 40.2 5.8:1 Yes No
<b>Development Progress Indicators</b> HDI (1999) PDMC Rank HPI (1999) PDMC Rank	0.569 7 26.7 9	<b>Basic Education</b> Adult Literacy Rate % (2000) CGER % (2000) Budget Expenditure on Education % of GDP (2001/02) per pupil	92.4 Primary 92.3 Second 72.3 9.6 US\$693
<b>Inequality Measures (1998 HIES)</b> GINI Coefficient Household Income – FSM Yap Chuuk Pohnpei Kosrae Average household income per annum H20 L20 Income Ratio (H20/L20) Expenditure Ratio (H20/L20)	0.41 0.34 0.36 0.42 0.41 US\$25,996 US\$2,923 8.9 4.4	<b>Primary Health and Nutrition</b> Life Expectancy at Birth (2000 census) Male/Female Infant Mortality Rate (2000) Pop'n access to safe water % (2000) Population per Doctor (2000) TB cases per 100,000 pop (2000) Immunization Coverage (DPT) (2000) Health Expenditure (2001/02) % of GDP Per capita (2001/02)	67 66.5/67.6 40 50 2277 na 83 5.4 US\$116
<b>Population and Household</b> Population (2003 estimate) Population Net Growth Rate % pa 1994 - 2003 Dependency Ratio (2000) Average Household Size (2000 census) FSM Yap Chuuk Pohnpei Kosrae HH size Poor/Non-Poor	108,000 0.25% 0.85 6.8 5.5 7.7 6.1 7.1 8.4/6.2	<b>Gender Issues</b> Total Fertility Rate (2000) Contraceptive Prevalence Rate % (1998) Maternal Mortality Rate (1999) Life Expectancy Gender Gap (F-M) Female Literacy Rate % Female CGER % Women in paid employment % (2000) Women in Government (# of seats)	4.4 45 274 1 year 91.9 Primary 92.9 Second 76.7 33.1 Nil
		<b>Governance</b> % Employment (2000) Public Service Govt. Current Expenditure % (2001/02) Education Health Private Sector % of GDP (2001/02) Participation in State/Local Govt. Budget Published Economic Strategy/Plan Democratically Elected National Govt. Democratically Elected State/Local Govt. Ombudsman	49.8 17.6 9.8 65.3 No No Yes Yes No

**Annex 7 : Multilateral Treaties for which FSM is party to.**

Declaration of acceptance of the obligations contained in the Charter of the United Nations (Admission of States to membership in the United Nations in accordance with Article 4 of the Charter)  
Admission: 17 September 1991

Agreement Establishing the South Pacific Applied Geoscience Commission (SOPAC)

Founding Member, entry into force: 18 November 1990

Constitution of the United Nations Educational, Scientific and Cultural Organization (UNESCO)

Acceptance: 19 October 1999

Constitution of the World Health Organization (WHO)

Acceptance: 14 August 1991

Amendments to articles 24 and 25 of the Constitution of the World Health Organization (WHO) (a)

Acceptance: 14 August 1991

Amendments to articles 24 and 25 of the Constitution of the World Health Organization (WHO) (c)

Acceptance: 14 August 1991

Amendments to articles 34 and 55 of the Constitution of the World Health Organization (WHO) (d)

Acceptance: 14 August 1991

Amendments to articles 24 and 25 of the Constitution of the World Health Organization (WHO) (e)

Acceptance: 14 August 1991

Amendments to articles 24 and 25 of the Constitution of the World Health Organization (WHO) (g)

Acceptance: 13 March 1992

Amendments to articles 24 and 25 of the Constitution of the World Health Organization (WHO) (h)

Acceptance: 9 September 1998

Geneva Convention for the amelioration of the condition of the wounded and sick in armed forces in the field

Accession: 19 September 1995

Geneva Convention for the amelioration of the condition of the wounded, sick and shipwrecked members of the armed forces

Accession: 19 September 1995

Geneva Convention relative to the treatment of prisoners of War

Accession: 19 September 1995

Geneva Convention relative to the Protection of Civilian Persons in Time of War

Accession: 19 September 1995

Vienna Convention on Diplomatic Relations

Accession: 29 April 1991

Single Convention on Narcotic Drugs

Accession: 29 April 1992

Convention on the settlement of investment disputes between States and nationals of other States

Ratification: 24 June 1993

Vienna Convention on Consular Relations

Accession: 29 April 1991

Treaty on the Non-Proliferation of Nuclear Weapons

Accession: 14 April 1995

Single Convention on Narcotic Drugs, as amended by the Protocol amending the Single Convention on Narcotic Drugs Participation in the Convention by virtue of ratification, accession or succession to the Protocol of 25 March 1972 or to the 1961 Convention after the entry into force of the Protocol

Convention on psychotropic substances

Accession: 29 April 1991

Protocol Additional to the Geneva Conventions of 12 August 1949, and relating to the protection of victims of international armed conflicts (Protocol I)

Accession: 19 September 1995

Protocol Additional to the Geneva Conventions of 12 August 1949, and relating to the protection of victims of non international armed conflict (Protocol II)

Accession: 19 September 1995

Constitution of the Asia Pacific Telecommunity

Accession: 28 December 1993  
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Agreement establishing the Asia Pacific Institute for Broadcasting Development

Accession: 28 December 1993

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Amendments to the Agreement establishing the Asia Pacific Institute for Broadcasting Development  
Acceptance: 22 June 2001

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South Pacific Regional Trade and Economic Co-operation Agreement  
Ratification

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International Convention on standards of training, certification and watchkeeping for seafarers  
Accession: 14 July 1998, effective 14 October 1998  
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Convention establishing the Multilateral Investment Guarantee Agency  
Ratification

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Vienna Convention for the Protection of the Ozone Layer  
Accession: 3 August 1994

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Montreal Protocol on Substances that Deplete the Ozone Layer  
Accession: 6 September 1995

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Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer (a)  
Accession: 27 November 2001

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Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer (b)  
Accession: 27 November 2001

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Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer adopted by the Ninth Meeting of the Parties  
Accession: 27 November 2001

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Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer (c)  
Accession: 27 November 2001

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Convention on the Rights of the Child  
Accession: 5 May 1993

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Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography  
Signature: 8 May 2002

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Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict  
Signature: 8 May 2002

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Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal  
Accession: 6 September 1995

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Agreement establishing the South Pacific Forum Secretariat  
Ratification

Convention on biological diversity

Signature: 12 June 1992 - Ratification: 20 June 1994

United Nations Framework Convention on Climate Change  
Signature: 12 June 1992 - Ratification: 18 November 1993

United Nations Convention on the Law of the Sea  
Accession: 29 April 1991

Agreement relating to the implementation of Part XI of the United Nations Convention on the Law of the Sea

Signature: 10 August 1994 - Ratification: 6 September 1995

Agreement to establish the South Centre  
Signature: 30 September 1994

Convention for the prohibition of fishing with long driftnets in the South Pacific  
Ratification

United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa

Signature: 12 December 1994 - Ratification: 25 March 1996

Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction

Signature: 13 January 1993 - Ratification: 21 June 1999

Agreement establishing the South Pacific Regional Environment Programme (SPREP)  
Ratification

Convention to ban the importation into Forum island countries of hazardous and radioactive wastes and to control the transboundary movement and management of hazardous wastes within the South Pacific Region (Waigani Convention)  
Ratification - 26 January 1996

Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks  
Signature: 4 December 1995 - Ratification - 23 May 1997

Treaty on fisheries between the Governments of certain Pacific Island States and the Government of the United States of

America  
Ratification

Agreement among the Governments of certain Pacific Island States concerning the implementation and administration of the Treaty of 2 April 1987 on fisheries between the Governments of certain Pacific Islands States and the Government of the United States of America  
Ratification

International Convention for the Suppression of the Financing of Terrorism  
Accession: 23 September 2002

Convention on International Civil Aviation  
Adherence

Comprehensive Nuclear Test Ban Treaty  
Signature: 24 September 1996 - Ratification: 25 July 1997

Stockholm Convention on Persistent Organic Pollutants  
Signature: 31 July 2001

Kyoto Protocol to the United Nations Framework Convention on Climate Change  
Signature: 17 March 1998 - Ratification: 21 June 1999

Amendments to articles 24 and 25 of the Constitution of the World Health Organization  
Acceptance

Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others  
Signature: 23 September 2003

Convention for the Suppression of Unlawful Acts against Safety of Civilian Aviation  
Accession

Protocol on the Suppression of Unlawful Acts of Violence at Airports Serving International Civilian Aviation  
Accession

Convention for the Suppression of Unlawful Acts against Safety of Maritime Navigation  
Accession

International Convention for the Suppression of Terrorist Bombing  
Accession: 23 September 2002

United Nations Convention Against Transnational Organized Crime

Accession with Reservations: 23 June 2004

Asia and Pacific Coconut Community

Accession: 24 May 2004

World Health Organization Framework Convention on Tobacco Control

Signature: 28 June 2004

Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents

Accession: 5 August 2004

International Convention against the Taking of Hostages

Accession: 5 August 2004

Convention on the Elimination of All Forms of Discrimination Against Women

Accession with Reservations: 1 October 2004

United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances

Accession: 4 October 2004

Stockholm Convention on Persistent Organic Pollutants

Ratification: 15 July 2005



FSM: Annex 3B : GOVERNMENT COMMITMENTS

	Governance area	Prospective commitments
<b>1.</b>	<b>Political democratic governance</b>	
	- Human rights	
	- Fundamental freedoms	
	- Electoral process	
	- Principles of constitutional democracy	
<b>2.</b>	<b>Political governance - rule of law</b>	
	- Judicial and law enforcement system	
<b>3.</b>	<b>Control of corruption</b>	
<b>4.</b>	<b>Government effectiveness</b>	
	- Institutional capacity	Improved effectiveness to administer and implement development assistance initiatives, especially the EDF. <i>Government will be assisted in this task by technical assistance funded through the 10<sup>th</sup> EDF TCF.</i>
	- Public finance management	
<b>5.</b>	<b>Economic governance</b>	
	- Private sector/market friendly policies	
	- Management of natural resources	National Energy policy adopted and implementation commenced by at least mid 2010. <i>Government will be assisted in this task through PIEPSAP (Pacific Islands Energy Policy and Strategic Action Plan) a Danish funded programme managed by SOPAC under the European Energy Type II Initiative).</i>
<b>6.</b>	<b>Internal and external security</b>	
	- Internal stability / conflict	
	- External threats and global security	Ratification/accession to Ottawa convention on anti-personnel landmines by mid 2010
<b>7.</b>	<b>Social governance</b>	
<b>8.</b>	<b>International and regional context</b>	
	- Regional integration	
	- Involvement in regional peer review mechanisms (e.g. APRM)	
	- Migration	
<b>9</b>	<b>Quality of partnership</b>	
	-Political dialogue	
	-Programming dialogue	
	-Non state actors	