

Asian Development Bank & Federated States of Micronesia

FACT SHEET

Table 1. Federated States of Micronesia: 2013 Loan, Technical Assistance, and Grant Approvals (\$ million)^a

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
9.04	–	0.23	–	9.27

– = nil.

^a Excludes cofinancing.

Table 2. Federated States of Micronesia: Cumulative Lending, and Grants Financed by ADB Special Funds, By Sector (1966–2013)^a

Sector	No.	Total Amount (\$ million)	% ^b
Agriculture and Natural Resources	1	6.50	7.72
Energy	2	9.04	10.74
Multisector	3	27.02	32.10
Public Sector Management	3	31.02	36.85
Water Supply and Other Municipal Infrastructure and Services	1	10.60	12.59
Total	10	84.18	100.00

Total Disbursements \$60.1 million

^a Excludes dropped or canceled loans prior to signing. Covers both sovereign and nonsovereign loans, and grants financed by Asian Development Fund and Other Special Funds. Other Special Funds include Asian Tsunami Fund, Asia Pacific Disaster Response Fund, Climate Change Fund, and Pakistan Earthquake Fund.

^b Total may not add up because of rounding.

Since joining the Asian Development Bank (ADB) in 1990, the Federated States of Micronesia (FSM) has received 10 loans totaling \$84.18 million, and 49 technical assistance projects worth \$26.68 million. Historically, ADB has supported the Government of the FSM with initiatives aimed at achieving good governance, with a focus on economic management and accountability, while promoting inclusive social development and private sector development.

The government formulated its current development framework in 2012. The framework highlights the importance of country and local ownership of the development process, accompanied by well-coordinated, sector-based support from development partners. ADB continues to support this initiative in close coordination with other partners.

However, despite robust growth of the fishery sector, the overall economic outlook for the FSM remains challenging, as private sector activities are yet to offset declining public investments resulting from reductions of financing from Compact grants. The government and ADB are together placing particular importance on private sector development to put the economy on a higher growth path. The FSM also needs to prepare a medium-term fiscal reform plan to ensure sufficient fiscal resources upon the planned expiration of the Compact grants in fiscal year 2023.

ADB-Supported Projects and Programs

ADB has supported the government's efforts to increase institutional capacity for public sector management by addressing human resource and employee management and development. At the same time, loans for private sector development have supported the establishment of a secured transactions system, institutional capacity for land administration and management, and financial and business development services for small and medium-sized enterprises.

The Yap Renewable Energy Development Project—a \$9.04 million loan—is supporting the development of the power system in Yap state to reduce dependency on imported diesel through the development of renewable energy and stronger supply-side energy efficiency of the current electricity grid. The project also supports capacity development of the Yap power utility and local communities.

The Omnibus Infrastructure Development Project is developing key infrastructure in all four states—Chuuk, Kosrae, Pohnpei, and Yap—to address sanitation, water, and power needs. Key achievements under the project include the introduction of a 24-hour power supply, substantial improvements in terms of access to safe water on Weno Island (Chuuk), and the rehabilitation of the sewerage network in Kolonia (Pohnpei). This project was complemented through the provision of technical assistance to strengthen public utility corporations in Chuuk, Kosrae, and Yap.

Table 3. Federated States of Micronesia: Project Success Rates

Sector	% ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	-	1
Multisector	-	1
Public Sector Management	50.0	2
Water Supply and Other Municipal Infrastructure and Services	100.0	1
Total	40.0	5
Year of Approval		
1990s	66.7	3
2000s	-	2

- = nil, ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PVRs), and project/program performance evaluation reports (PPERs) using PVR and PPER ratings in all cases where PCR and PVR/PPER ratings are available.

Sources: PCRs, PVRs, and PPERs containing a rating circulated as of 31 December 2013.

Table 4. Federated States of Micronesia: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2012–2013

	Number of Ongoing Loans (as of 31 Dec 2013)	
	2012 (\$ million)	2013 (\$ million)
Contract Awards/Commitments ^{a,b}	0.8	3.3
Disbursements ^a	2.5	3.0
Number of Ongoing Grants (as of 31 Dec 2013)^c	-	
	2012 (\$ million)	2013 (\$ million)
Contract Awards/Commitments ^{a,b}	-	-
Disbursements ^a	-	-
Actual Problem Projects (%)	-	

- = nil.

Note: Totals may not add up because of rounding.

^a Includes closed loans/grants that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only Asian Development Fund and other ADB special funds.

Meanwhile, the ADB-supported Basic Social Services Project supported human resource development. Capacity building and institutional strengthening was undertaken at both national and state levels, with a focus on upgrading information and management systems. Training, certification, and enhanced community participation in education have strengthened teacher qualifications and performance. In the health sector, the government has rolled out an ADB-supported quality assurance program, while developing in-service training in collaboration with the College of Micronesia.

Cofinancing

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, and commercial financing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's Trade Finance Program.

By the end of 2013, cumulative direct value-added official cofinancing for the FSM amounted to \$1 million for one investment project and \$4.3 million for seven technical assistance projects.

Table 5. Federated States of Micronesia: Projects Cofinanced, 1 January 2009–31 December 2013

Cofinancing	No. of Projects	Amount (\$ million)
Technical Assistance Grants	2	1.30

A summary of projects with cofinancing from 1 January 2009 to 31 December 2013 is available at www.adb.org/countries/micronesia/cofinancing

Partnerships

ADB aligns its operations with the priorities identified in the Government of FSM's development framework, and in close coordination with other development partners.

ADB maintains close coordination with key development partners to maximize the effectiveness of its operations. ADB has a coordination office in Pohnpei, where a development coordination officer supports communications between the government and ADB operations.

Procurement

From 1 January 1966 to 31 December 2013, contractors and suppliers were involved in 188,780 contracts for ADB loan projects worth \$122.11 billion. During the same period, contractors and suppliers from the FSM were involved in 100 contracts for ADB loan projects worth \$11.96 million.

From 1 January 1966 to 31 December 2013, consultants were involved in 12,432 contracts for ADB loan projects worth \$5.28 billion. During the same period, consultants from the FSM were involved in seven contracts for ADB loan projects worth \$2.10 million.

Table 6. Federated States of Micronesia: Share of Procurement Contracts

Item	2012		2013		Cumulative (as of 31 Dec 2013)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	-	0.00	1.68	0.03	12.02	0.01
Consulting Services	0.10	0.02	0.12	0.02	2.65	0.03

-- nil, 0.00 = less than 0.01%.

Table 7. Federated States of Micronesia: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2009–31 December 2013

Contractor/Supplier	Sector	Contract Amount (\$ million)
Orion Construction Corporation Guam	Multisector	1.68
MCM Construction Co.	Public Sector Management	0.21
Truk Island Developers	Public Sector Management	0.19
Ace Office Supplies	Public Sector Management	0.06
Pohnpei Computer Consulting	Public Sector Management	0.04

Table 8. Federated States of Micronesia: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2009–31 December 2013

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Lyon Associates, Inc.	1	0.40
Deloitte & Touche	1	0.00

0.00 = less than \$10,000.

From 1 January 1966 to 31 December 2013, contractors and suppliers were involved in 8,894 contracts for ADB grant projects worth \$4.54 billion. During the same period, contractors and suppliers from the FSM were involved in two contracts for ADB grant projects worth \$0.07 million.

From 1 January 1966 to 31 December 2013, consultants were involved in 2,433 contracts for ADB grant projects worth \$826.5 million. During the same period, consultants from the FSM were involved in three contracts for ADB grant projects worth \$0.19 million.

From 1 January 1966 to 31 December 2013, consultants were involved in 28,709 contracts for ADB technical assistance projects worth \$3.3 billion. During the same period, consultants from the FSM were involved in seven contracts for ADB technical assistance projects worth \$0.36 million.

Table 9. Federated States of Micronesia: Contractors/Suppliers Involved in ADB Grant Projects, 1 January 2009–31 December 2013

Contractor/Supplier	Sector	Contract Amount (\$ million)
Pohnpei Dot It Best Hardwarde	Water Supply and Other Municipal Infrastructure and Services	0.06
Chuuk Public Utilities Corporation	Water Supply and Other Municipal Infrastructure and Services	0.00

0.00 = less than \$10,000.

Table 10. Federated States of Micronesia: Top Consultants Involved in ADB Grant Projects, 1 January 2009–31 December 2013

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Chuuk Women's Council	1	0.09
Individual consultants	3	0.19

Table 11. Federated States of Micronesia: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2009–31 December 2013

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Chuuk Women's Council	1	0.20
Individual consultants	4	0.13

Operational Challenges

The FSM is a loose federation of four states, each with its own government and identity. The physical isolation of the country and the distance between the states pose particular development challenges. These characteristics also add to the challenges involved in bringing about coordination between the states and the national government, both in terms of reform efforts, and the effective use of development partner funding. Weak intergovernmental coordination resulting in slow decision making is a challenge to ADB operations. With the preparation of the development framework and hosting the 2012 FSM Development Partners Forum, the government has embarked on a process that will allow for the collaborative identification and pursuance of national and state-specific development priorities.

This country-led initiative should be complemented by long-term institutional development support for the strengthening of delivery of public services and core public sector management functions. ADB puts high priority in capacity development with technical assistance in these areas and supports the government's initiatives of mobilizing revenue (tax and tax administration reforms) and rationalizing expenditure (public administration reforms to increase the efficiency and effectiveness of public spending).

Future Directions

The country operations business plan (COBP), 2014–2016 is formulated to reflect the three key strategic messages in the government’s development framework: to uphold core government functions and acceptable standards of public service delivery, while safeguarding fiscal sustainability; to pursue a growth strategy that is based on the sustainable

management of natural and human resources; and to improve development effectiveness. The COBP combines investments in renewable energy, transport, and sustainable tourism, with technical assistance that is focused on safeguarding the sustainability of those investments, including support to human resource development. The COBP is consistent with the Pacific Approach, 2010–2014 and ADB’s [Strategy 2020](#).

About the Federated States of Micronesia and ADB

ADB Membership

Joined 1990

Shareholding and Voting Power

Number of shares held:	426 (0.004% of total shares)
Votes:	39,873 (0.302% of total membership, 0.463% of total regional membership)
Overall capital subscription:	\$6.56 million
Paid-in capital subscription:	\$0.32 million

Anthony Baker is the Director and **Richard Sisson** is the Alternate Director representing the Federated States of Micronesia (FSM) on the ADB Board of Directors.

Ikuko Matsumoto is the Director responsible for the FSM, as well as for the Urban, Social Development, and Public Management Division, Pacific Department.

ADB’s Pacific Department provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. The Pacific Department engages in policy dialogue, and acts as a knowledge base on development issues in the FSM.

The FSM government agency handling ADB affairs is the Department of Finance and Administration.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB’s main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2013, lending volume was \$13.19 billion (101 projects), with TA at \$155.61 million (248 projects) and grant-financed projects at \$849.02 million (23 projects). In addition, \$6.65 billion was generated in direct value-added cofinancing in the form of official loans and grants and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB’s Trade Finance Program. From 1 January 2009 to 31 December 2013, ADB’s annual lending volume averaged \$12.19 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$801.70 million and \$165.66 million in TA over the same period. As of 31 December 2013, the cumulative totals excluding cofinancing were \$203.41 billion in loans for 2,629 projects in 44 countries, \$6.46 billion in 239 grants, and \$4.25 billion in TA grants, including regional TA grants.

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Useful ADB websites

Asian Development Bank
www.adb.org

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

Annual Report
www.adb.org/documents/series/adb-annual-reports

Depository Libraries
www.adb.org/publications/depositories/fsm

To access a complete list of development and economic indicators, visit:

Statistics and Databases
www.adb.org/data/statistics