

Asian Development Bank & Federated States of Micronesia

FACT SHEET

Table 1. Federated States of Micronesia: Development Indicators

Non-MDG	
Population in millions	0.11 (2010)
Annual population growth rate (%)	-0.1 (2008–2010)
Adult literacy rate (%)	92.4 (2000)
Percent of population in urban areas	22.6 (2009)
MDG	
Percent of population living on less than \$1.25 a day	31.2 ^a (2000)
Percent of population living below the national poverty line	29.9 (2005)
Under-5 mortality rate per 1,000 live births	39.0 (2009)
Percent of population using an improved drinking water source	94.0 (2005)

^a = Urban only.

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2011. *Basic Statistics 2011*. Manila; SPC. 2011. Pacific Regional Information System; World Bank. 2011. World Development Indicators Online.

Table 2. Federated States of Micronesia: Economic Indicators, 2006–2010

Economic Indicator	2006	2007	2008	2009	2010
Per capita GNI, Atlas method (\$)	2,460	2,470	2,460	2,500	...
GDP growth (% change per year)	(0.4)	(2.0)	(2.3)	0.5	0.5
CPI (% change per year)	4.4	3.6	6.8	7.7	3.5
Unemployment rate (%)
Fiscal balance (% of GDP)	(6.4)	(3.3)	(2.0)	1.6	0.7
Export growth (% change per year)	2.7	39.0	5.0	(8.8)	...
Import growth (% change per year)	3.0	0.7	12.5	4.2	...
Current account balance (% of GDP)	(12.8)	(8.4)	(15.0)	(18.6)	(17.0)
External debt (% of GNI)	23.9	24.6	25.6	29.8	...

() = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2011. *Asian Development Outlook 2011*. Manila; ADB staff estimates; World Bank. 2011. World Development Indicators Online.

The Federated States of Micronesia (FSM) has received eight loans for \$75.14 million and \$24.43 million for 42 technical assistance activities, since joining the Asian Development Bank (ADB) in 1990.

The FSM is a loose federation of four states, each with its own government and identity. The physical isolation of the country, coupled with the remoteness of the four states, poses particular development challenges, as does coordination between the national government and the four state governments.

The FSM economy is dominated by the public sector, which is largely funded by sector grants under the United States (US) Compact of Free Association. Despite significant levels of development assistance, the FSM gross domestic product contracted by 0.1% over 2000–2007. It is estimated that the economy contracted by 0.5% in 2010, and it is expected to grow by another 1.0% in 2011.

The major long-term challenges to poverty reduction stem from a need to move toward self-sustainability, reduce the country's reliance on foreign assistance, and increase government revenue. The steady decline in grant aid and conditions placed on expenditure of US funds make it imperative for national and state governments to reduce expenditure and increase revenue. Improvements in basic social services continue to be crucial. Private sector-driven, sustainable economic growth and good public sector governance are key to long-term development.

Historically, ADB has assisted the FSM by supporting good governance, with a focus on economic management and accountability. ADB has also ensured inclusive social development and promoted sustained private sector-led economic growth. The approach of ADB has been to focus on a few key principles: careful analysis of the political economy; a preparedness to closely manage and support operations; a move away from complex federally-administered and state-delivered multistate and multisector projects; adoption of home grown solutions; and simple and realistic project outcomes.

Under ADB's country operations business plan, 2011–2013, ADB will give special attention to infrastructure development, especially power sector development and transport. Support to the energy sector will reduce heavy reliance on fossil fuels, through renewable energy in the form of hydropower, solar energy, and wind energy. Emphasis will be placed on the need for institutional and tariff reform supported by full cost recovery at the utility and state level.

The country operations business plan, 2009–2013 can be found at www.adb.org/Documents/CPSs/FSM/2007/COBP-FSM-2007.pdf

Impact of Assistance

Loans worth \$13 million for private sector development have helped the Government of the FSM create a better environment for the private sector by establishing a secured transactions system, building institutional capacity for land administration and management, and improving financial and business development services for small and medium-sized enterprises. More needs to be

done to create conditions conducive to attracting foreign investment. Ongoing effort is required to support small and emerging businesses to access the assistance they need to establish, maintain, and invest in their enterprises.

ADB has also supported government efforts to increase institutional capacity for public sector management and administration. ADB assistance has addressed human resource management and staff development issues through a capacity development road map, which is now being implemented by the government with the assistance of donor partners.

The Omnibus Infrastructure Development Project, a \$19 million infrastructure loan, is developing key utility infrastructure in Chuuk, Kosrae, Pohnpei, and Yap states to address key sanitation, water, and power needs. The project is refurbishing and replacing infrastructure that threatens human health and the environment and impedes economic development. The overall objective is to enhance public health and the environment by improving water supply, sanitation, and power infrastructure to support economic growth and reduce poverty in the FSM. This loan project is supported by a technical assistance provision that strengthens institutional public utility corporations in Chuuk, Kosrae, and Yap.

In the health and education sectors, the Basic Social Services Project aimed to improve human resource development in a sustainable manner. Capacity building and institutional strengthening at both the national and state levels have been ongoing, with a focus on information and management systems. Teacher qualifications and performance were strengthened through training and certification processes, and through enhancing community participation in education. In health, the government rolled out a quality assurance program, financed with ADB support, and developed in-service training in collaboration with the College of Micronesia. In both education and health, the government aims to use standardized budgets and expenditure reporting to improve resource management and utilization efficiency.

Economic management, planning, and financial management require further support if the FSM is to maximize the benefits of reform and the support of donors.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in the financing of ADB projects. The additional funds are provided in the form of grants, official or commercial loans, and syndications.

As of year-end 2010, cumulative direct value-added cofinancing for the FSM amounted to \$3.0 million for five technical assistance projects.

From 1 January 1968 to 31 December 2010, contractors and suppliers were involved in 186,186 contracts for ADB loan projects worth \$97.66 billion. During the same period, contractors and suppliers from the FSM were involved in 97 contracts for ADB loan projects worth \$9.91 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 11,643 contracts for ADB loan projects worth \$4.63 billion. During the same period, consultants from the FSM were involved in seven contracts for ADB loan projects worth \$2.10 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 22,350 contracts for ADB technical assistance projects worth \$3.15 billion. During the same period, consultants from the FSM were involved in three contracts for ADB technical assistance projects worth \$0.22 million.

Table 3. Federated States of Micronesia: 2010 Loan, Technical Assistance, and Grant Approvals (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
...
... = data not available.				
Cumulative Lending (as of 31 Dec 2010)			: \$75.1 million	
Cumulative Disbursements (as of 31 Dec 2010)			: \$48.2 million	

Table 4. Federated States of Micronesia: Cumulative ADB Lending as of 31 December 2010

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	1	6.50	8.65
Education	–	–	–
Energy	–	–	–
Finance	–	–	–
Health and Social Protection	–	–	–
Industry and Trade	–	–	–
Public Sector Management	3	31.02	41.28
Transport and ICT	–	–	–
Water Supply and Other Municipal Infrastructure and Services	1	10.60	14.11
Multisector	3	27.02	35.96
Total	8	75.14	100.00

– = nil, ICT = information and communication technology.

^a Total may not add up because of rounding.

Table 5. Federated States of Micronesia: Project Success Rates

Sector	% ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	–	1
Public Sector Management	100.00	2
Water Supply and Other Municipal Infrastructure and Services	100.00	1
Multisector	–	1
Total	60.00	5
Year of Approval		
1990s	66.67	3
2000s	50.00	2

– = nil.

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

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2010.

Table 6. Federated States of Micronesia: Portfolio Performance Quality Indicators for Sovereign Lending, 2009–2010

	Number of Ongoing Loans (as of 31 Dec 2010)	
	2009 (\$ million)	2010 (\$ million)
Contract Awards/Commitments	0.8	2.3
Disbursements	0.8	1.1
Loans at Risk (%)	–	–

– = nil.

Note: Totals may not add up because of rounding.

A summary of procurement contracts awarded to companies and consultants from the FSM for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Micronesia/procurement.asp

Partnership

ADB places strong emphasis on partnerships in its FSM operations. Stronger coordination among development partners is critical to helping the FSM achieve their development priorities. Improved coordination will maximize the benefits of the funds provided by the FSM's development partners. The US, including the US Department of the Interior, is a vital partner for ADB, given the scale of its assistance to the FSM. ADB works closely with the US Department of the Interior in infrastructure and performance monitoring activities. Japan is also an important development partner, sponsoring many of ADB's technical assistance.

ADB emphasizes the participation of civil society in development as a key theme in its strategy.

Operational Challenges

A lack of coordination between state and national governments is hampering growth in the FSM, and limits the effectiveness of reform efforts, development partner funding, and ADB's assistance. Further institutional strengthening is required to ensure effective planning capacity is developed at the national and state levels and that these plans are integrated across the FSM more effectively. Improvements in coordination and planning will raise productivity in the public sector and improve the government's ability to manage and implement ADB projects. Capacity development at the institutional and organizational levels is required before support to human resource development activities can have a sustainable effect.

National and state governments' commitment to policies is essential for the creation of a stable and predictable environment in which businesses can operate efficiently. These policies should be developed in an environment that is inclusive, ensuring the participation of the private sector and nongovernment organizations. Improving public awareness of public sector performance is a demand-side pressure that can help create change in the FSM.

Future Directions

The country operations business plan, 2011–2013 shifts the strategic focus from governance and social development to infrastructure to support private sector led economic growth and self reliance. The ADB will support infrastructure development in two key sectors of energy and transport. In energy, ADB investments will reduce the heavy reliance on fossil fuels by implementing projects in renewable energy in Yap and Pohnpei.

Table 7. Federated States of Micronesia: Share of Procurement Contracts

Item	2009		2010		Cumulative (as of 31 Dec 2010)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	0.75	0.01	–	–	9.91	0.01
Consulting Services	0.00	0.00	0.60	0.14	2.33	0.03

– = nil, 0.00 = less than 0.01%.

Table 8. Federated States of Micronesia: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2006–31 December 2010

Contractor/Supplier	Sector	Contract Amount (\$ million)
Pohnpei Island Architects & Construction	Public Sector Management	0.49
Pacific Landscaping, Eng'g & Construction	Multisector	0.44
Vincent & Brothers Construction Co.	Public Sector Management	0.43
MCM Construction Co.	Multisector	0.42
WAAB Transportation Co., Inc.	Public Sector Management	0.27
Yap Cooperative Association	Public Sector Management	0.24
APSCO Construction Co.	Public Sector Management	0.24
Truk Island Developers	Public Sector Management	0.19
College of Micronesia	Public Sector Management	0.15
Pohnpei Computer Consulting	Multisector	0.11

Table 9. Federated States of Micronesia: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2006–31 December 2010

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Deloitte & Touche	1	0.003
Individual consultant	1	0.020

Table 10. Federated States of Micronesia: Top Individual Consultants Involved in ADB Technical Assistance Projects, 1 January 2006–31 December 2010

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual consultants	2	0.22

Table 11. ADB Assistance to Developing Member Countries, 2009–2010^a

	2009 (\$ million)	2010 (\$ million)	Change (%)
Lending	13,215.89	11,462.27	(13.27)
ADF, Sovereign	2,210.31	2,212.57	0.10
OCR, Sovereign	10,567.71	8,196.96	(22.43)
OCR, Nonsovereign	437.87	1,052.73	140.42
Public Sector	134.30		
Private Sector	303.57	1,052.73	246.78
Equity Investments	220.00	243.00	10.45
Grants ^b	1,113.52	1,052.86	(5.44)
Technical Assistance	267.00	326.54	22.30

() = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

^b Excludes grant cofinancing not administered by ADB.

About the Federated States of Micronesia and ADB

ADB Membership

Joined 1990

Shareholding and Voting Power

The Federated States of Micronesia (FSM) is the 37th largest shareholder among regional members and the 45th largest shareholder overall. It shares both positions with Kiribati, the Maldives, Nauru, and Tonga.

Figures are as of 1 April 2009, before ADB's Board of Governors voted to adopt the fifth general capital increase. The process is ongoing, and the final figures are expected to be available by 30 June 2011. Current subscription levels are available from the Office of the Secretary.

Shares held 142 (0.004%) Votes 13,374 (0.300%)

Phil Bowen is the Executive Director and **Dereck Rooken-Smith** is the Alternate Executive Director representing the FSM on the ADB Board of Directors.

ADB's operations in the FSM are managed through ADB's Manila Headquarters. ADB's Pacific Department provides the primary operational link to 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.

Andrea Iffland is the Director for Urban, Social Development, and Public Management Division.

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 2010, lending volume was \$11.46 billion (106 projects), with TA at \$175 million (243 projects) and grant-financed projects at \$982 million (40 projects). In addition, \$3.67 billion in direct value-added loan, grants and TA cofinancing was generated. From 1 January 2006 to 31 December 2010, ADB's annual lending volume averaged \$10.3 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$692.6 million and \$175.4 million in TA over the same period. As of 31 December 2010, the cumulative totals excluding cofinancing were \$167.1 billion in loans for 2,328 projects in 42 countries, \$4.4 billion in 163 grants, and \$3.15 billion in TA grants, including regional TA grants.

Contacts

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
information@adb.org

Department of Finance and Administration

P.O. Box PS158, Palikir
Pohnpei FM 96941

Federated States of Micronesia

Tel +691 320 5852/320 2640
Fax +691 320 2380/320 5715/320 2597

Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/micronesia

Asian Development Outlook

www.adb.org/documents/books/ado/2011/ado2011-spc.pdf

Annual Report

www.adb.org/Documents/Reports/Annual_Report/2010/default.asp

Depository Libraries

www.adb.org/Publications/Depositories/fsm.asp