

# Federated States of Micronesia



## NATIONAL ASSESSMENT REPORT

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**Support to the Formulation of National Sustainable Development Strategy  
in the Pacific Small Island Developing States**

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**Project INT/04/X70  
Division for Sustainable Development  
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## ABBREVIATIONS

ADB	-	Asian Development Bank
CIA	-	Central Intelligence Agency
CSD	-	Commission for Sustainable Development
CSO	-	Civil Society Organizations
EEZ	-	Exclusive Economic Zone
EMPAT	-	Economic and Management Policy Advisory Team
EPIC	-	Economic Policy and Implementation Council
FSM	-	Federated States of Micronesia
FSM DEA	-	FSM Department of Economic Affairs
FSM SDP	-	FSM Strategic Development Plan
GAO	-	General Accounting Office
GEF	-	Global Environment Facility
IMF	-	International Monetary Fund
JCN	-	Joint Compact Negotiation Committee
JEMCO	-	Joint Economic Management Committee
JPOI	-	Johannesburg Plan of Implementation
MDG	-	Millennium Development Goals
NAR	-	National Assessment Report
NBSAP	-	National Biodiversity Strategy and Action Plan
NEMS	-	National Environmental Management Strategy
NGO	-	Non Governmental Organizations
NORMA	-	National Oceanic Resource Management Agency
NSDS	-	National Sustainable Development Strategy
ODA	-	Outside Development Assistance
OECD	-	Organization for Economic Cooperation and Development
PIFS	-	Pacific Islands Forum Secretariat
PRSP	-	Poverty Reduction Strategy Program
SD Council	-	Sustainable Development Council
SGS	-	Sustainable Growth Strategy
SIDS	-	Small Island Developing States
SPREP	-	South Pacific Regional Environment Programme
TTPI	-	Trust Territory of the Pacific Islands
UN	-	United Nations
UNCED	-	UN Conference on Environment and Development
UNDESA	-	UN Department of Economic and Social Affairs
UNDP	-	UN Development Program
UNESCAP	-	UN Economic and Social Commission for Asia and Pacific
USA	-	United States of America
WSSD	-	World Summit on Sustainable Development

## **EXECUTIVE SUMMARY**

The main objective of this report is to analyze and assess the Federated States of Micronesia (FSM) status of development and implementation of its own National Sustainable Development Strategy (NSDS) with a focus on the following key characteristics:

- Integration of economic, social, and environmental objectives;
- Multi-stakeholder participation, effective partnerships, transparency and accountability;
- Country ownership, shared vision with a clear-timeframe on which stakeholders agree, commitment and continuous improvement;
- Capacity development and an enabling environment, building on existing knowledge and processes; and
- Focus on priorities, outcomes and coherent means of implementation.

The report presents a general background on the NSDS project along with its two phases, the first of which focuses on FSM specific assessment and is the subject of this report; the scope and methodology of the assessment; an overview of the socio-economic and environmental context of FSM; and the assessment with particular focus on FSM's priorities and targets, strategies, extent of public participation in the process, the enabling environment, and outcomes and means of implementation. Based on the assessment, recommendations for strengthening FSM's sustainable development strategy process are made.

The sources of information for the report included some available plans, reports, and books on FSM, a handful of sustainable development strategy reports and texts, articles, forums, and consultation with key actors within the country. These sources provided the following findings:

- The FSM does not have a National Sustainable Development Strategy.
- It had planned to have one developed by last year, 2005.
- It has components of sustainable development in place.
- It has formulated and put in place concurrently a number of sectoral and macro-level policies and strategies.
- The strategies and policies are mutually supportive and possess elements of sustainability, but are pursued in a disjointed manner.
- Multi-sectoral stakeholders are involved in strategy formulation.
- FSM has developed a shared vision of sustainable development with a clear-time frame of 20 years.
- FSM has a number of unique challenges that will hinder sustainable development.

Based on FSM's unique situation, it is recommended that the government and the key institutions involved in sustainable strategy development focus on improving the policy and legal environment for strategic sustainable development planning and strengthening the government capacity to better manage the process including development, implementation and improvement. To achieve these objectives, the government should focus on ten key strategies including: (i) establish a commitment to the principles of a

sustainable society in constitutional or other fundamental statements of national policy; (ii) revamp the SD Council and integrate NSDS into its core business as well as expanding its power and composition; (iii) establish a comprehensive system of environmental law and provide for its implementation and enforcement; (iv) review the adequacy of legal and administrative controls, and of implementation and enforcement mechanisms, recognizing the legitimacy of local approaches; (v) ensure that government policies, development plans, budgets and decisions on investments take full account of their effects on sustainable development; (vi) strengthen the knowledge base, and make information on social, economic, and environmental matters more accessible; (vii) improve exchange of information, skills, and technologies by creating local, state, national, regional and global alliance; (viii) strengthen policy formulation to make them more coherent and to create the right conditions to promote sustainable development; (ix) communicating and mobilizing citizens and business (civil society and the private sector play important roles in sustainable development. Initiatives need to be taken to encourage active involvement of these groups, and to improve the consultation processes and the mobilization of stakeholders); and (x) good governance that creates an environment that is conducive to sustainable development and to the elimination of poverty.

This is a starting point for a National Sustainable Development Plan that will be evolutionary, adaptable, and sustainable for all generations.



## **Section 1 Introduction**

### **1.1. Overview**

This report is prepared in response to the need to contribute to and facilitate implementation of national support to the formulation of National Sustainable Development Strategies (NSDS) in the Federated States of Micronesia (FSM). It is an initiative of the United Nations Department of Economic and Social Affairs (UNDESA) that serves as a prenatal to the NSDS. The policy implication of this approach is to determine if FSM is committed to put in place the institutional mechanisms needed to take a systematic and holistic approach to achieving sustainable development through integrated economic, social, and environmental policy planning. Much of the input material was synthesized from reports of previous conferences on the subject, literature on environmental management and sustainable development from international organizations, reports and books on FSM, and consultation with key actors from government as well as civil society representatives. The collected information has been analyzed and the resultant findings are presented in key areas of sustainable development strategy elaboration, such as priority and targets, strategies, indicators, and institutional framework.

The principal objective of this assignment is to assess FSM's status of development and implementation of NSDS with a focus on the following key characteristics:

- Integration of economic, social, and environmental objectives;
- Multi-stakeholder participation, effective partnerships, transparency and accountability;
- Country ownership, shared vision with a clear-timeframe on which stakeholders agree, commitment and continuous improvement;
- Capacity development and an enabling environment, building on existing knowledge and processes; and
- Focus on priorities, outcomes and coherent means of implementation.

The assignment was to be undertaken over two months, commencing on 25 April 2006 and ending on 30 June 2006. The actual official starting date for the National Consultant for this project however was 12 May 2006.

## **Section 2 Project Background**

### **2.1. General Background**

2.1.1. At the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992, it was agreed that each government should adopt a NSDS aimed at the implementation of the Agenda 21 goals.<sup>1</sup> Agenda 21 envisaged that the necessary harmonization and extension of existing policies and plans would occur through the adoption of an identifiable strategy for sustainable development. However, the overall objective was not to develop a new strategy document, but to improve or restructure the

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<sup>1</sup> United Nations, Report of the United Nations Conference on Environment and Development (Rio de Janeiro, 3-14 June 1992), New York, N.Y.: United Nations, 1992.

- decision-making process so that consideration of socio-economic and environmental issues is fully integrated and a broader range of public participation assured. UNCED also recognized the vital role that indicators can play in helping countries to make informed decisions concerning sustainable development and called upon countries and international governmental and non-governmental organizations to develop such indicators.
- 2.1.2. The 1997 Special Session of the UN General Assembly set a target date of 2002 for the formulation and elaboration of NSDS. It also reaffirmed that all sectors of society should be involved in their development and implementation.
- 2.1.3. The UN World Summit on Sustainable Development (WSSD) held in Johannesburg in 2002 reiterated the Rio Declaration of 1992 by urging states to take immediate steps to make progress in the formulation and elaboration of national strategies for sustainable development and begin their implementation by 2005.<sup>2</sup> Furthermore, the Johannesburg Plan of Implementation and the 11th session of the Commission for Sustainable Development (CSD) re-affirmed the importance of indicators of sustainable development and encouraged further work on those indicators by countries at the national level, in line with national conditions and priorities.
- 2.1.4. In November 2001 an International Forum on NSDS, was convened by the UNDESA in Accra, Ghana. The meeting identified a list of key characteristics constituting a sound national sustainable development strategy and provided a first international understanding of what constitutes such a strategy. A Guidance Document, outlining key characteristics of a NSDS, was prepared based on the recommendations of the meeting. The meeting also agreed that a NSDS is a tool for informed decision-making that provides a framework for systematic thought across sectors and territories. It should not be seen as a new plan, or as a separate planning process outside existing ones, but rather as the adaptation of existing processes, in compliance with sustainable development principles.
- 2.1.5. In 2005, four meetings were held to address the concerns of small island developing states (SIDS) in moving toward sustainable development and in effectively using resources for said purpose. The first meeting took place in Mauritius in January of 2005 whereby governments stressed that further action is required by SIDS, with the necessary support of the international community, to formulate and implement NSDS by 2005, as agreed to in the JPOI. The Mauritius Strategy also calls for the SIDS to: incorporate guiding principles of sustainable development into nationally-owned poverty reduction strategies as well as all sectoral policies and strategies; develop appropriate national targets and indicators for sustainable development; improve legislative, administrative and institutional structures in order, inter alia, to develop sustainable development strategies, policies, and plans, and to create and empower interdisciplinary and communally representative advisory bodies for sustainable development; and facilitate the participation of civil society in all sustainable development initiatives and to involve youth in envisioning sustainable island living.

In mid October, the Pacific island states representatives met in Samoa to follow up on the Mauritius Strategy. The importance of an enabling environment for national sustainable

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<sup>2</sup> United Nations, Report of the World Summit on Sustainable Development (Johannesburg, 26 August-4 September), New York, N.Y.: United Nations, 2002.

development was stressed with emphasis on implementation to be coordinated and driven at the national level.

Toward the end of the same month, the Pacific Island Forum Leaders met, and adopted the Pacific Plan, which focuses on stimulating and enhancing economic growth, sustainable development, good governance and security for Pacific countries through regional integration. The leaders also agreed to develop and implement NSDS in all member countries by the end of 2008, using appropriate cross-cutting and Pacific relevant indicators.

The fourth meeting took place in March 2005, and resulted in the Paris Declaration on Aid Effectiveness.<sup>3</sup> Twelve indicators of aid effectiveness were developed as a way of monitoring progress. The UNDESA Project (see below) attempts to operationalize the spirit of the Paris Declaration.

These activities are first and foremost the right and responsibility of each individual State. It is understood, however, that many countries, and among them, the Pacific Small Island Developing States, may require assistance. For this purpose, a Partnership has been formed initially among a number of organizations, including the UNDESA, the United Nations Economic Commission for Asia and the Pacific (UN ESCAP), the United Nations Development Programme (UNDP), and the Pacific Islands Forum Secretariat (PIFS). Other organizations are also expected to join the Partnership.

## **2.2. UNDESA Project<sup>4</sup>**

- 2.2.1. Fourteen small island developing States have been invited to participate in the UNDESA Project. These include: Cook Islands, Fiji, Kiribati, Marshall Islands, FSM, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Relevant regional and international organizations, including those involved in the overall Partnership, may also participate.
- 2.2.2. This Project is being executed in two phases. Phase 1 focuses on country specific assessments for interested countries preliminary to formulating, implementing or strengthening national sustainable development strategies. These assessments are to be prepared by national consultants nominated by the fourteen countries and contracted by UNDESA. The key issues identified in these assessments will be presented to a meeting of the official National Focal Points of the fourteen Pacific SIDS, and partners, which was scheduled to take place in New York, 4-5 May 2006.
- 2.2.3. Following this meeting, it is expected that the assessments will be further refined and finalized. The New York meeting will also help to clarify the next steps to be taken in Project implementation.
- 2.2.4. At the conclusion of Phase 1, it is anticipated that agreement will be reached on a selection of pilot countries, funds permitting, to participate in the next phase. In Phase 2, support will be provided to assist the pilot countries to develop, strengthen or implement their National Sustainable Development Strategies.

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<sup>3</sup> UNDESA, Workshop on National Sustainable Development Strategies in Pacific Island Developing States Report, New York, N.Y.: United Nations, May 2006.

<sup>4</sup> This UNDESA Project is fully funded by generous contribution from the Government of Italy.

### **2.3. National Assessment Report**

- 2.3.1. In the 4-5 May 2006 workshop on NSDS for SIDS held in New York, USA, the status of NSDS in SIDS was assessed including the mechanism for participation of stakeholders, best practices and challenges in planning, and the use of monitoring tools. SIDS representatives agreed to a common approach to the next steps in the implementation of NSDS; that is, honoring the principle of caring and sharing. It was agreed that National Assessment Reports (NARS) play an important role in identifying the current stage of NSDS development in each country. It was therefore decided that all NARS should be completed no later than 30 June 2006. A guidance document that outlines the key elements of the NAR was also provided by UNDESA.<sup>5</sup>

## **Section 3 Scope of Assessment and Methodology**

### **3.1. Scope of Assessment**

The framework for assessing FSM NSDS readiness presented here has a number of dimensions: (A) A review of the socio-economic and environmental context of FSM; (B) Identifying FSM's priorities, goals, and targets for sustainable development and the main challenges to achieve these; (C) Identifying existing strategies and reflect how they relate to the sustainable development priorities, goals and targets; (D) Assessing the extent of public participation in the planning and decision-making process; (E) Assessing the enabling environment for NSDS; and (F) Identifying the outcomes and means of implementing NSDS in FSM.

An evaluation tool has also been employed to assess the status and effectiveness of FSM sustainable development strategies or planning process, in pursuit of its own sustainable development goals and the international commitment it has made, and is presented under methodology. This provides the basis of a more systematic and an holistic approach in determining the progress of FSM in its strive toward sustainable development.

### **3.2. Methodology**

#### **3.2.1. Principles of Assessment**

A common feature of the various sets of NSDS principles that have been proposed is that they combine principles for sustainable development with principles for sound strategic planning and management.

##### **3.2.1.1. Principles of Sustainable Development**

The Rio Declaration, together with Agenda 21 can be taken as the starting point for defining those characteristics of the sustainable development process which distinguish it from other forms of development. This interpretation of sustainable development emphasizes two key principles:

- a) Integration of economic, social and environmental priorities; and

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<sup>5</sup> UNDESA, Workshop on National Sustainable Development Strategies in Pacific Island Developing States Report, New York, N.Y.: United Nations, May 2006.

- b) Wide participation of stakeholders in the development process.

The first of these principles (“integration”) means that sustainable development entails balancing the economic, social and environmental objectives of society in decision-making. This involves consideration of the positive and negative economic, social, and environmental consequences of policy changes, the identification of “trade-off” outcomes where benefits in one or more spheres are accompanied by losses in other (s), and the implementation of appropriate mitigation measures to minimize the negative impacts. In particular, the attention to the “social” pillar of sustainable development means that appropriate weight must be given to the needs of the poor and other disadvantaged or marginalized groups, in integrated policy and decision making.

The second principle (“participation and consensus”) is equally strongly emphasized in Agenda 21, which states that “one of the fundamental pre-requisites of sustainable development is broad public participation in decision-making.” The involvement of non-government stakeholders in strategic planning strengthens the planning process by building broad legitimacy for the process. Participation is also an objective in its own right, meeting the fundamental equity principle of sustainable development expounded by the Rio Declaration’s Principle 2: “the right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.”<sup>6</sup>

#### 3.2.1.2. Principles of Strategic Planning

The ideas and practice of strategic planning have evolved over time. It has become generally recognized that the planning process rarely follows the “rational” model of a sequential cycle of formulation, implementation, monitoring, and evaluation. Instead, planning occurs as a continuous and iterative process, where important decisions are frequently taken during the implementation stage, and monitoring and evaluation occur in advance of final outputs and outcomes. Thus, while current understanding of strategic planning retains the idea of planning as being about setting goals and identifying the means of achieving them, it has moved away from a fixed plan and solutions, to an adaptive process, involving the management of change as it affects conditions, constraints, and resources. Second, it involves a shift from the view that the state alone is responsible for development, to one where various stakeholders are involved in the planning processes of dialogue and accountability. Third, strategic planning involves a comprehensive and holistic approach which seeks to integrate the full range of available resources, and to build on existing policies and initiatives.

The importance of the implementation phase in the planning cycle has also been increasingly emphasized. Thus, the current understanding of effective strategic planning stresses its strong linkages with good strategic management.

The contemporary concepts of strategic planning can be summarized in three general principles:

- a) Country ownership and commitment;
- b) Comprehensive and coordinated policy process; and

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<sup>6</sup> United Nations, Report of the United Nations Conference on Environment and Development (Rio de Janeiro, 3-14 June 1992), New York, N.Y.: United Nations, 1992

c) Targeting, resourcing, and monitoring.

The principles of country ownership and commitment imply that the planning processes and targets should be based on a country's own perception of what constitutes its national strategy for sustainable development.<sup>7</sup> Even when the development of strategy is nationally led, it may not become embedded in actual planning processes if there is insufficient commitment to it at those levels of government which are the most influential in defining those processes.

The principle of comprehensive and coordinated policy process means, first of all, that an effective strategy must be based on reliable information and draw on valid analysis of the likely outcomes of chosen strategy options. This will address a common failure in current strategic planning to specify how identified activities are expected to result in the specified target outcomes.<sup>8</sup> Secondly, as noted above, NSDS should not be seen as separate planning processes, but rather represent the adaptation of existing processes, where this is necessary to comply with sustainable development principles. Thirdly, an effective strategic planning process should allocate specific means and responsibilities to the most appropriate bodies at the national, regional, or local levels.

The principle of targeting, resourcing, and monitoring is concerned with the measurement and monitoring of development outcomes.<sup>9</sup>

The five core principles discussed above are proposed for the NSDS assessment methodology, and are shown in the first column of Table 1. The Organization for Economic Co-operation and Development (OECD) and UN guidelines are shown in the second and third column respectively of the same table.

<b>Table 1</b>		
<b>Proposed Principles</b>	<b>OECD Principles of Strategic Planning for Sustainable Development<sup>10</sup></b>	<b>UN Guidelines for Effective NSDS<sup>11</sup></b>
A. Integration of economic, social, and environmental objectives.	Comprehensive and integrated. People-centered.	Integration and balanced across sectors and territories
B. Participation and consensus	Consensus on long-term vision. Effective participation.	Shared strategic and pragmatic vision. Link the short to the medium and long term vision. Ensure continuity of the strategy development process. Participatory and the "widest possible participation" ensured.
C. Country ownership and commitment	Country-led and nationally-led. High-level government commitment	Nationally owned and country relevant driven process. Strong political

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<sup>7</sup> McGee, R. and Norton, A., Participation in Poverty Reduction Strategies: A synthesis of experience with participatory approaches to policy design, implementation and monitoring, Brighton: Institute of Development Studies, 2000.

<sup>8</sup> Booth D and Lucas H, Initial Review of PRSP Documentation, London, England: ODI, 2001.

<sup>9</sup> Stern, N., A Strategy for Development, Washington, D.C.: World Bank, 2002. and White, H., Combining Quantitative and Qualitative Approaches in Poverty Analysis, Washington, D.C.: World Development, 2002.

<sup>10</sup> OECD, Strategies for Sustainable Development: Practical Guidance for Development Co-operation, Paris, France: OECD, 2001.

<sup>11</sup> United Nations, Guidance in Preparing National Sustainable Development Strategies: What are National Sustainable Development Strategies? New York, N.Y.: United Nations, 2001.

	and influential lead institutions.	commitment at the national and local levels. Spearheaded by a strong institution.
D. Comprehensive and coordinated policy process	Based on comprehensive and reliable analysis. Building on existing processes and strategies. Link national and local levels.	Anchor the strategy process in sound technical analysis. Build on existing processes and strategies. Link national and local priorities and actions.
E. Targeting, resourcing, and monitoring	Targeted with clear budgetary priorities. Incorporating monitoring, learning and improvements. Develop and build on existing capacity.	Set realistic but flexible targets. Coherence between budget and strategy priorities. Build mechanisms for monitoring follow up, evaluation, and feedback.

### 3.2.2. Assessment Methodology

#### 3.2.2.1. Assessment Criteria

The purpose of the assessment methodology is to measure the degree to which a national process of strategic planning for sustainable development adheres to the five core principles identified above. The proposed approach, therefore, consists of a set of assessment criteria for each of the five principles, which, taken together, provide for an assessment of the particular principle. For the criteria to serve this purpose, they should satisfy, as far as possible, the following requirements.<sup>12</sup>

- A limited number of criteria should be applied to each principle, to provide a process that is workable, timely, and cost-effective.
- Each criterion should be well-defined, and framed in a way that allows a qualitative assessment of implementation to be made.
- Each criterion should deal with a distinct aspect of the principle, different from the aspects assessed by other criteria.
- Each criterion should be considered sufficiently important to merit influencing the overall assessment of the relevant principle.
- Each criterion should be useable by assessors who may not possess specialist expertise in strategic planning, but who are familiar with the current issues and policy debate on strategic planning for sustainable development in the national context.

Four key assessment criteria have been selected for each of the five principles. The selection of these criteria has been based on a comprehensive analysis of a range of information sources relating to strategic planning and sustainable development. The four key criteria for each principle are given in Table 2.

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<sup>12</sup> Lee N, Colley R, Bonde J and Simpson J, Reviewing the Quality of Environmental Statements and Environmental Appraisals, United Kingdom: University of Manchester, 1999.

**Table 2****A. Integration of economic, social, and environmental objectives**

## Criterion a1 – integration

Strategic planning in FSM is based on a comprehensive and integrated analysis of economic, social, and environmental issues, which clarifies links between the three spheres, resolves conflicts between them where practicable, and negotiates appropriate trade-offs where conflicts remain.

## Criterion a2 – social and poverty issues

Strategic planning in FSM integrates poverty eradication, gender issues and the short- and long-term of disadvantaged and marginalized groups into economic policy.

## Criterion a3 – environmental and resource issues

Strategic planning in FSM integrates the maintenance of sustainable levels of resource use and the control of pollution to maintain a healthy environment into economic policy.

## Criterion a4 – international commitments

Measures are in place to ensure compliance with international agreements which the FSM has entered into, on environmental and social issues.

**B. Participation and consensus**

## Criterion b1 – involvement of stakeholders

FSM's processes of strategic planning, implementation, monitoring and review include the participation of stakeholders, including government, decentralized authorities, elected bodies, non-governmental and private sector institutions and marginalized groups.

## Criterion b2 – transparency and accountability

The management of FSM's strategic planning processes is transparent, with accountability for decisions made.

## Criterion b3 – communication and public awareness

Measures are taken to increase public awareness of sustainable development, to communicate relevant information, and to encourage the development of stakeholder involvement in the strategic planning process.

Criterion b4 – FSM's strategic planning processes are based on a long-term vision for its development, which is consistent with its capabilities, allows for short- and medium-term necessities, and has wide political and stakeholder support.

**C. Ownership and commitment**

## Criterion c1 – high level government commitment

The process of formulation and implementing the national strategy is led by government, with evidence of high level commitment.

## Criterion c2 – broad-based political support

FSM's strategic planning process has broad-based political support.

## Criterion c3 – responsibility for implementation

Responsibility for implementing strategies is clearly assigned, to bodies with the appropriate authority.

## Criterion c4 – co-ordination with donors

FSM's strategic planning process is co-ordinated with donor programs.

**D. Comprehensive and coordinated policy process**

## Criterion d1 – build on existing processes

The national strategy for sustainable development is based on existing strategic planning processes in FSM, with co-ordination between them, and mechanisms to identify and resolve potential conflicts.



Criterion d2 – analysis and information

Strategic planning in FSM is based on a comprehensive analysis of the present situation and of forecasted trends and risks, using reliable information on changing environmental, social, and economic conditions.

Criterion d3 – realistic goals

The national strategy is based on a realistic analysis of national resources and capacities in the economic, social, and environmental spheres, taking account of external pressures in the three spheres.

Criterion d4 – decentralization

FSM's strategic planning processes embrace both national and decentralized levels, with two-way iteration between these levels.

**E. Targeting, resourcing, and monitoring**

Criterion e1 – budgetary provision

The sustainable development strategy is integrated into the budget process, such that plans have the financial resources to achieve their objectives.

Criterion e2 – capacity for implementation

The sustainable development strategy includes realistic mechanisms to develop the capacity required to implement it.

Criterion e3 – targets and indicators

Targets have been defined for key strategic economic, social, and environmental objectives, with indicators through which they can be monitored.

Criterion e4 – monitoring and feedback

Systems are in place for monitoring the implementation of strategies and the achievement of their defined objectives, for recording the results, and for reviewing their effectiveness as strategies for sustainable development, with effective mechanisms for feedback and revision within the planning process.

**3.2.2.2. Applying the Assessment Criteria**

The purpose of the assessment criteria detailed in Table 2 is to provide the basis for making a qualitative assessment of the quality of the NSDS.<sup>13</sup> The outcome of the application of the criteria should provide a clear indication of the effectiveness of FSM planning process, allowing areas where improvement is needed to be identified.

With this objective in mind, a qualitative scoring scheme is proposed, with the following alternative scores used to indicate the extent to which each criterion has been met:

- A** = all of the requirements of the criterion are fully met.
- B** = all the requirements of the criterion are satisfactorily met, although some further improvements are desirable.
- C** = some requirements of the criterion have been satisfactorily or fully met, but others have not yet been satisfactorily met.
- D** = few of the requirements of the criterion have, as yet, been satisfactorily met.

The conclusion of the assessment should provide an overall, qualitative assessment for each principle, based on the scores assigned to each criterion. Importantly, these conclusions should draw attention to the main areas where existing processes might be strengthened to improve the effectiveness of the principle's implementation as a key

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<sup>13</sup> Kirkpatrick C. and Parker D., Development of Criteria to Assess the Effectiveness of National Strategies for Sustainable Development, United Kingdom: University of Manchester, 2001.

component of the strategic planning for sustainable development process. General conclusions can also be drawn as to the effectiveness of the FSM national strategy for sustainable development, and the main areas where improvements should be sought are identified.

### **3.3. Applying the Methodology in FSM's Case**

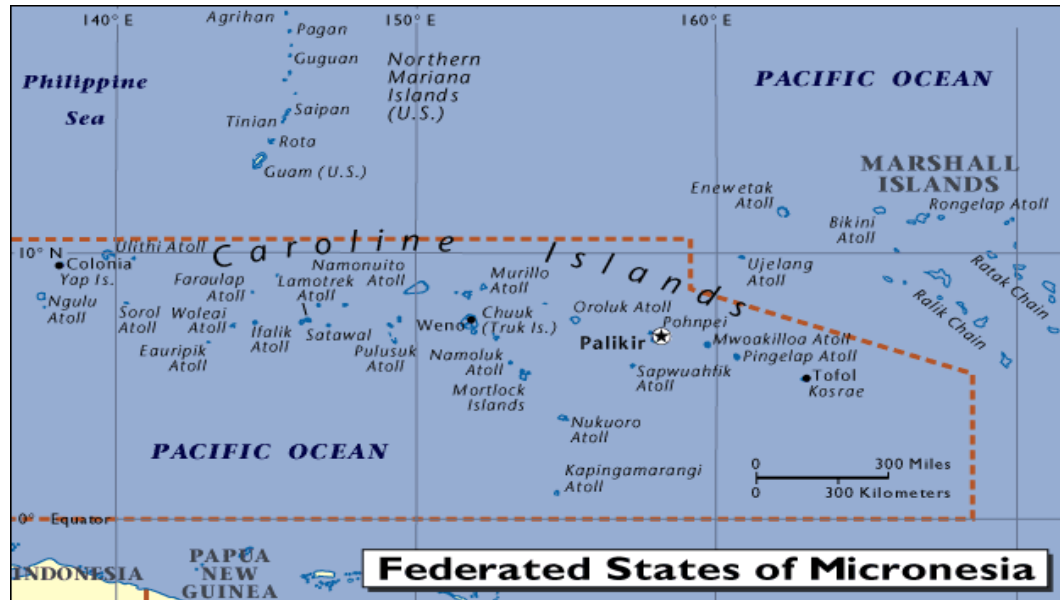
The assessment methodology described earlier provides the appropriate tool for evaluating the progress of the Federated States of Micronesia with respect to its commitment toward a sustainable future for all. The findings are outlined in Table 4 in the Conclusion section. The corresponding answers to the questions posed by UNDESA stipulated in Sections 5, 6, 7, 8, and 9, underlie the assessment. The socio-economic and environmental context of FSM is vital to the core analysis and is presented in the immediate section that follows.

## **Section 4 Socio-Economic and Environmental Context of the Federated States of Micronesia**

### **4.1. General Characteristics and Geography**

The FSM consists of four states: Pohnpei (formerly Ponape), Chuuk (formerly Truk), Yap, and Kosrae. Part of the Caroline Islands, it lies between the equator and 14 degrees north latitude, and between 135 and 166 degrees east longitude (see map on the next page). It has 607 islands sprinkled across more than a million square miles of the western and central Pacific Ocean, although its land area is only 270.8 square miles. Approximately 65 of the islands are inhabited. These islands vary geographically from large, high mountainous islands of volcanic origin to low-lying, coral atolls. Kosrae, the easternmost state, is usually considered to be one large volcanic island, but it also consists of several offshore islets, including Lelu, which is connected to the large island by a causeway. Pohnpei state contains the FSM's largest island, the volcanic island of Pohnpei. There are also small offshore islands and outlying coral atolls. Chuuk State contains more than 200 islands and islets, including remnants of volcanic peaks in the Chuuk lagoon and outlying coral islands. Yap, the westernmost state, consists of Yap proper (a small cluster of islands, three of which are connected by bridges) and more than 100 outlying coral islands.

Its maritime claims include 12 nautical miles of territorial sea and 200 nautical miles of exclusive economic zone (EEZ). Its coastline is about 3,300 nautical miles.



The FSM has a tropical climate, with relatively uniform hot and humid temperatures year-round; the average temperature is 80 degrees (Fahrenheit), annual rainfall ranges from 110 inches in Yap (in the west) to 330 inches in Pohnpei (in the east), though most have pronounced wet and dry seasons. The FSM lies within the typhoon belt and thus destructive storms are common. They most frequently occur in the westernmost islands.

#### 4.2. Demography

The FSM population is a heterogeneous mix of people with different customs and traditions, united by common bonds that are centuries old. Cultural diversity is reflected in the existence of thirteen indigenous languages (Yapese, Ulithian, Woleaian, Satawalese, Pohnpeian, Nukuoran, Kapingamarangi, Mokilese, Pingelapese, Ngatikese, Chuukese, Mortlockese, and Kosraen). English, however, is the official language of government and the medium of instruction in schools. As of 2006, the total estimated population is 108,000 with a growth rate of 0.2 percent. The birth rate is estimated at 24.68 per 1,000 population, whereas the death rate is only 4.75 deaths out of every 1,000 live births. Life expectancy at birth is 68.24 year for males and 71.95 for females. Total fertility rate is 3.16 children born per woman. Literacy rate is 89 percent, with 91 percent for male and 88 percent for female.<sup>14</sup> Population density, persons per square mile, is 399.<sup>15</sup> The population is unevenly distributed, however, with Chuuk state having one-half the population and Pohnpei, one-third. Some 29 percent of the population lives in the urban areas on the four main islands.

The people of FSM are predominately Christian, divided between Roman Catholic (50%) and Protestant (47%); other churches include Seventh Day Adventist, Assembly of God, Jehovah's Witnesses, and Baha'i Faith.

Extended family life remains strong in the outer islands, but it is being eroded in the urban centers. The movement of people from rural to urban areas has been accompanied

<sup>14</sup> Central Intelligence Agency, *World Factbook 2006*, Washington, D.C., June 2006.

<sup>15</sup> Asian Development Bank, *ADB's Asian Development Outlook 2005*, Manila, Philippines, 2005.

by an increased reliance on the money economy. Many basic traditional skills such as canoe making, fishing, and agriculture are being lost. Clothing and housing are increasingly more Western in style. Dependence on imported Western foods is also increasing. Even a basic necessity such as fish (canned) is imported. Many of the imported foods have a higher fat, sugar, and salt content than do the traditional foods they have replaced. As a result, there has been an increase in obesity, hypertension, diabetes, and heart disease.

### **4.3. Government and Political Structure**

What is termed the Federated States of Micronesia today is part of what was the Trust Territory of the Pacific Islands (TTPI) from the end of World War II until its dissolution in the late 1970s. FSM became an independent nation in 1986 under an agreement with the United States (US), known as the Compact of Free Association, that set out the economic and political ties between the two countries over a period 1986-2001. The economic provision of the agreement was amended and renewed in 2004 and provides more than \$2 billion in direct economic assistance to the FSM over the next 20 years (2004-2023) and set up a trust fund which, from 2024, will replace the direct economic assistance to sustain the island country's economy in the future.<sup>16</sup> From 2007, annual grants from the US to FSM government will decrease each year, while contributions to the trust fund will increase accordingly. As well as financial assistance, the amended Compact also grants FSM citizens access to US federal programs, and favorable provisions for traveling to (i.e., visa-free entry to US) and working in the US. While the FSM is sovereign, the US has the responsibility for defense. The two governments also declared that it is their policy to promote efforts to prevent or eliminate damage to the environment and biosphere and to enrich understanding of the natural resources of the FSM.

The FSM has a constitutional government with a blend of British and US models. It provides three branches of government, a bill of rights, and a provision for traditional rights. The three levels of government in operation include national, state, and municipal. These governments are divided into executive, legislative, and judicial.

The national government is headed by a president and a vice president who are elected for four-year terms from among the national congress. They cannot be from the same state. An appointed cabinet supports the president and vice president. The Congress is unicameral, with 14 senators. Four senators are elected at large and 10 are elected based on population apportionment. The nation's Supreme Court is headed by a chief justice and two associate justices. All are appointed by the president with the consent of the Congress. There is also an independent public auditor, who is also appointed by the president with consent of the Congress. There are public enterprises that are either wholly owned or controlled by the national government or semi-independent of the government. The national capital is in Palikir, located on the island of Pohnpei.

Each of the four states has an elected governor and a lieutenant governor, elected legislature, and a state court. Only Yap State has a fourth branch of government, which is the council of traditional chiefs. The states have considerable autonomy under the federation political system. Each state manages its own natural resources, budgetary

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<sup>16</sup> Joint Compact Negotiation Committee (JCN), The Compact of Free Association Between the Federated States of Micronesia and the United States of America, Washington, D.C.: Bookmaster, Inc., 2004.

policies, and economic development. The national policies recognize the policies of individual states and their established priorities.

Municipalities are governed by elected mayors and councils, and a local court. Only Yap State municipalities follow traditional forms of rule, where local customs play a major role in the structure and organization of local governments. Customs and traditions recognize village and clan chiefs as preeminent citizens and political leaders.

A long history of colonial occupation followed by the financial flows and political ties associated with the Compact of Free Association has had a pervasive influence over the structure and level of economic development of FSM.

#### **4.4. Economy**

By almost all accepted economic and financial barometers, the FSM is a developing island country. The FSM has a unique developing economy: in exchange for allowing the US exclusive access to its vast waterways, it receives guaranteed income (approximately \$100 million) annually until 2023, and are to be distributed to the following six sectors: education, health, infrastructure, public sector capacity building, private sector development, and the environment. There is also an established Trust Fund into which the US and the FSM make annual contributions, and the returns on which are expected to provide long-term economic sustainability for FSM, even after 2023. Small amounts of aid come from other donors as well. FSM also receives income from the sale of licenses to foreign fleets to fish in its EEZ. Since the US has delivered a steady flow of financial assistance to the FSM over the last four decades, distribution of the aid and its utilization have become the government's predominant business. As a result, there is no primary production economy in the FSM, although there is great potential in fisheries and tourism. In other words, economic development in FSM remains dominated by external assistance, especially from the US, which is then used to purchase goods and services, most of them from abroad (\$104 thousand value in 2002)<sup>17</sup>. This led to a substantial trade deficit. As such, the FSM economy can be characterized as aid-dependent and consumption based with a predominant public sector.

In a macroeconomic sense, the structure of the FSM economy is rather simple. US funds, which are the basis of a monetized economy, are recycled in the form of government wages and salaries and payments to contractors and other service providers. These payments, in turn, are used to purchase foreign goods and services, including almost all foodstuffs. Since the FSM is for all practical purposes a sovereign nation, although a dependent one, it can buy its needs in the world markets with its aid-income. US and Asian-made goods, particularly consumer goods, are the predominant choices. US goods alone constituted nearly 70% or \$25.5 million of FSM total imports in 2005.<sup>18</sup> Japan provided about 30% or \$11 million.<sup>19</sup>

With such an economic structure, the government is the largest employer and provides all basic services and supports large bureaucracies at both the national and state levels. The national, state, and municipal-level governments employ over one-half of FSM workers.

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<sup>17</sup> FSM Department of Economic Affairs, FSM Key Statistics, Pohnpei, FSM: DEA Statistics Unit, 2006.

<sup>18</sup> US Census Bureau, Foreign Trade Statistics: Trade in Goods with the FSM, Washington, D.C., May 2006.

<sup>19</sup> Pacific Island Centre, Japan Trade Statistics with FSM, Tokyo, Japan: PIC, April 2006.

Even in the remote areas and outer islands, local officials, teachers, and health-care workers are government employees. The Civil Service offers secure employment and more attractive jobs. Private sector employees leave their jobs as soon as government positions become available. Since the average government salary may be twice as high as the average private market salary (due to relatively greater availability of government funds), the private sector can neither attract nor maintain competent personnel. Furthermore, since the private economy is predominately involved with the service sector, especially wholesale and retail trade, it generally employs people with few skills. These are usually persons who do not qualify for mostly white-collar government jobs. With a few exceptions, local entrepreneurs are scarce and management skills are usually provided by expatriates.

Economic planning in the fashion of command economies is a major public enterprise at all levels of government. A major reason for planning is the availability of US and other foreign assistance for economic planning; planning is a necessary requirement for most aid. However, there is little evidence to show that economic planning objectives outline in government plans have been achieved. The first national five-year plan for 1985-89 was started in 1984 and completed in 1988. Upon distribution, it was declared obsolete because none of its significant goals had been achieved. The same was true with the second national five-year development plan. Facing a most uncertain future (as the last Compact was ending in 2001), the FSM decided to hold a series of economic summits, commencing with a national summit, in November 1995. The national summit concluded that the primary goal of the nation should be to strengthen the economy and make it more resilient to changes in the world economy. The second national economic summit was held in September 1999 to assess the economic and social progress of the nation since the first economic summit, and to consider future directions. The five-day summit organized participants into sector-specific working groups to develop sector development plans. The plans were intended to provide the nationwide policy framework for cohesive sector development. The FSM then submitted a 3-year (1999-2001) planning framework document to the US Government, and the US accepted it as the country's third economic development plan.<sup>20</sup> The recently amended Compact was enforced in 2004 with a more restrictive aid regime. The ultimate goal is to assist FSM in its efforts to promote the economic advancement, budgetary self-reliance, and economic self-sufficiency of its people. As a result, the FSM is required to prepare and maintain an official overall development plan, which shall be strategic in nature, and shall be continuously reviewed and updated annually.<sup>21</sup> To comply with such requirement, the FSM convened the third national economic summit and developed and endorsed a National Strategic Development Plan, details of which are set out in Sections 5.1. and 6.1.2.

Within the unique structure of the FSM economy and its underlying institutions, there are some rather clearly defined components that are worth examining. Understanding of these parts is necessary to predicting the future performance of the economy and its potential for growth as well as the success of a National Sustainable Development Plan for the FSM. Such knowledge will also be helpful in designing effective policies for transforming a largely consumption-driven economy, based heavily on transfer payments, into a production-based economy that will be sustainable to meet the needs of the present

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<sup>20</sup> US General Accounting Office, Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development. Washington, D.C., September 2000.

<sup>21</sup> JCN, The Compact of Free Association Between the Federated States of Micronesia and the United States of America, Washington, D.C.: Bookmaster, Inc., 2004.

generation without compromising the ability of future generations to meet their needs. As stated earlier, FSM's goal is to put its economy on a sustainable path. Indeed, US payments under the amended Compact, if well planned and utilized in accordance with sustainable principles, provide a logical and convenient bridge for the transformation.

Table 3 illustrates some of the key economic indicators of FSM over the past five years.

<b>Table 3. Gross Domestic Product by Major Sector of Economic Activity: FY 2001 to 2005<sup>22</sup></b>					
<b>Total FSM</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05 Est.</b>
<i>Productive Enterprises</i>	78.75	80.60	85.13	83.60	89.64
Private Sector	61.19	60.92	63.41	65.69	70.95
Compensation	27.98	28.28	29.44	32.72	33.68
Operating Surplus	33.21	32.64	33.97	32.96	37.27
Public Enterprises	17.56	19.68	21.72	17.92	18.69
Compensation	12.70	12.48	12.92	12.84	13.25
Operating Surplus	11.14	10.82	11.38	9.90	10.27
less Subsidies	-6.28	-3.62	-2.58	-4.82	-4.82
<i>Financial Enterprises</i>	3.63	3.67	3.30	2.95	2.96
<i>Government</i>	58.82	62.67	63.53	60.44	60.14
National	11.65	12.75	14.16	12.78	11.92
State	43.38	46.08	45.54	43.83	44.49
Other	3.79	3.85	3.83	3.83	3.73
<i>Non Profit Organizations</i>	9.51	11.00	11.63	12.43	13.58
<i>Households</i>	54.86	54.87	54.85	55.99	58.21
Subsistence	33.24	33.32	33.32	34.08	35.36
Home Ownership	21.61	21.55	21.53	21.92	22.85
<i>Indirect Taxes</i>	19.09	17.40	18.03	17.37	19.45
<i>less bank service charge</i>	-7.47	-6.95	-4.22	-4.48	-4.49
Nominal GDP (US\$ millions)	217.19	223.27	232.26	228.30	239.49
<i>Nominal GDP per capita</i>	\$ 2,025	\$ 2,077	\$ 2,155	\$ 2,114	\$ 2,212
Inflation Index	105.34	105.19	104.94	106.95	110.70
Inflation Rate	1.3%	-0.1%	-0.2%	1.9%	3.5%
Population	107	108	108	108	108
<i>Population Growth Rate</i>	0.2%	0.2%	0.2%	0.2%	0.2%
Real GDP (US\$ millions)	206.18	212.25	221.31	213.46	216.35
<i>Real GDP Growth Rate</i>	0.2%	2.9%	4.3%	-3.5%	1.4%

Like all island countries, the FSM faces many challenges in its quest for greater economic independence and stability. So exceptional are the problems faced by small island states that their special development needs were specifically mentioned in the UN Millennium Development Goals (MDG).

#### **4.5. Environment**

The biodiversity and natural heritage of the FSM are both globally significant and the foundation for the country's long-term economic self-sufficiency. The islands of FSM contain over 1,000 plant species, at least 200 that are found nowhere else on Earth. Its reefs, which provide coastal protection and the source of livelihood for a majority of FSM citizens, are home to nearly 1,000 species of fish and more than 350 species of hard coral.<sup>23</sup>

Maintaining the habitats and ecosystems that nurture this diversity is crucial for improving the people's quality of life and sustaining the country's rich traditions. FSM's long-term prospects for economic self-sufficiency rely on three sectors highly dependent

<sup>22</sup> Division of Statistics, *FSM Key Statistics*, Pohnpei, FSM: FSM DEA, 2005.

<sup>23</sup> NBSAP Panel, *National Biodiversity Strategy and Action Plan*, Pohnpei, FSM: FSM DEA, 2002.

on the continued vitality of the natural environment: fishing, agriculture, and tourism. Local cultures and values have strong ties to terrestrial and aquatic resources. Unfortunately, FSM's extraordinary natural resources face mounting threats to which urgent actions need to be undertaken to prevent the demise of the nation's unique biodiversity. In the face of these threats, there is a growing recognition among policy makers and the general public of the links between health of the nation's natural heritage and biodiversity, sustainable economic future and traditional values and culture.<sup>24</sup>

The management of environmental issues within the FSM is shared between the National and State governments. The National Government coordinates affairs of national significance such as foreign affairs and management of resources beyond the States territorial waters, which is 12 nautical miles from the shore line. In terms of implementing environmental programs, it only provides guidance and technical assistance to the states when needed on matters related to planning, economic development, natural resources, fisheries, and the environment. The State government's primary responsibilities include land management, natural resource management and development training.<sup>25</sup>

## **SECTION 5      Priorities and Targets**

### **5.1.    Priorities**

FSM's priorities, goals, and targets for sustainable development are reflected in its Strategic Development Plan over a 20-year (2004-2023) horizon. The Plan charts the direction of the country over the 20-year period and addresses two fundamental questions: (1) where does it want to be in twenty years? and (2) how is it going to do it? Its overarching goal is to have a sustained growth strategy with an integration of environmental and cultural protection measures.<sup>26</sup>

To give effect to the sustainable growth strategy, the FSM engaged support from major donor partners. It also sought, through its Head of State, technical assistance from the major international financial institutions, especially geared toward the following areas: aviation, airports, tourism, fisheries, environment, and economics, and further sought to create a team along the lines of EMPAT model with international economists and Micronesian counterparts in order to support the ongoing economic strategy and reform efforts of the nation.

The FSM supports other reforms required to achieve sustained growth based on its production capacity in tourism, fisheries, and agriculture, including:

- a) Increasing investment in infrastructure, especially airports, electricity, roads and health facilities;
- b) Raising revenue sufficiently to provide the funds: (i) the FSM will need to invest in infrastructure, and (ii) to compensate for declining Compact funds;

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<sup>24</sup> Smith, S., The Micronesia Conservation Trust – A Sustainable Finance Mechanism for Natural Resource Management in the Federated States of Micronesia, Pohnpei, FSM: The Nature Conservancy, 2001.

<sup>25</sup> Pacific Environment Consultants Ltd., FSM Capacity Assessment on Access and Benefits Sharing (ABS) and Protection of Traditional Knowledge (TK) relating to Biodiversity, Pohnpei, FSM: FSM Department of Economic Affairs, 2004.

<sup>26</sup> FSM, Strategic Development Plan (2004-2023), Pohnpei, FSM: Department of Economic Affairs, 2004.



- c) Revising rules and laws with respect to investment and other matters to make the FSM an attractive place for investors;
- d) Carrying out other measures needed to achieve sustained growth including (i) rules and regulations to facilitate the employment of foreign technicians and managers need for such growth strategy, (ii) to strengthen education to train people in skills needed for growing tourism, fisheries, and agriculture sectors, and (iv) other measures.

## **5.2. Challenges**

The FSM faces an unusually challenging task for up to the end of Fiscal Year (FY) 2023, when US economic assistance (40% of FSM GDP and 70% of annual budget) to FSM under the amended Compact ends. The immediate challenge for the FSM is to ensure strong growth in the private sector through production from its own natural resources, and to create an enabling environment that is conducive to private sector development to sustain the country beyond FY 2023. Foreign grants available for a public sector dominant economy are on a downward trend, and economic growth will be increasingly dependent on expansion of the small private sector. The small economy, slow infrastructure development, shortage of trained labor, weak fiscal discipline, the natural constraints of limited resources, great geographical distances within the FSM and to other areas (i.e., major markets), and the associated transportation difficulties and costs constraint development, new security threats, such as terrorism, natural crises (typhoons, earth quakes, and tsunamis) and health scares (e.g., SARS, Avian Flu) have led to a heightened sense of vulnerability. Moreover, there is a growing awareness of the need to take action against corruption, racism, and nepotism and for good governance because these are essential elements to bring about efficiency, effectiveness, and transparency throughout the country. The growing population and demographic changes are also putting enormous and increasing pressure on FSM's resources, whether in terms of urbanization and high population density, natural resources, biodiversity, culture, or the wealth gap. FSM must take action today in order to preserve for tomorrow the fragile economy, social, and environmental balances governing its society.

## **5.3. Key Questions**

- Does the country have a clearly-stated national vision with respect to sustainable development? If yes, please quote it.
- If the vision cannot be quoted, please broadly identify the goals, targets and means of achieving these?
- Where is this vision stated – in a strategy, policy document, or speech? Please identify.
- Does the vision include a set of clearly-defined “higher level” strategic outcomes to be achieved? If so, list them.
- How were these priorities, goals and targets formulated (e.g., as a result of negotiations, public consultation, analytical assessments, event driven or other)?

**5.4. Answers:**

The FSM does not have a single clearly-stated vision with respect to sustainable development. The closest visions it has are more stated targets for specific actions or objectives as opposed to a vision and are set out in two separate documents: (1) The FSM Strategic Development Plan of 2004, which is “*sustained growth strategy with an integration of environmental and cultural protection measures*” for the next 20 years and (2) National Biodiversity Strategy and Action Plan of 2002, which states in part, “*to have more extensive, diverse, and higher quality of marine, freshwater, and terrestrial ecosystems, which meet human needs and aspirations fairly, preserve and utilize traditional knowledge and practices, and fulfill the ecosystems functions necessary for all life on Earth.*” Though distinct, they are interrelated and could be consolidated to form a single vision. The NBSAP will be discussed in more detail here and the FSM Strategic Development Plan is already covered in Section 5.1. and 6.1.2.

The NBSAP vision, which is more sectoral in nature, includes a set of clearly-defined “higher level” strategic outcomes to be achieved and are as follows:

- a) more extensive, diverse, and higher quality of marine, fresh water, and terrestrial ecosystems;
- b) human needs and aspirations are fairly met;
- c) preserved traditional knowledge and practices are being utilized; and
- d) functional ecosystem for life sustenance.

These strategic priorities, goals, and targets were formulated based on wide consultation with multi-sectional stakeholders from local communities throughout the country, state and national governments, non-governmental organizations, academic institutions, private sector, and resource owners over a 14-month period. Support was also provided by the Global Environment Facility (GEF) through the United Nations Development Program, NBSAP Panel, and the FSM President’s SD Council. The FSM Department of Economic Affairs spearheaded the NBSAP project and was effectively supported by counterparts in each of the four states. The counterparts include the Development Review Committee in Kosrae, Department of Land and Natural Resources in Pohnpei; the Environmental Protection Agency in Chuuk; and the Department of Resources and Development in Yap.

During the NBSAP process, each of the four state governments undertook a series of community, municipal and state formal and informal consultations involving stakeholders such as government officials, traditional leaders, housewives, and students and youth groups.

The NBSAP is an updated version of the nation’s first documented environmental strategy of 1993. The major strategic goals that emerged from the Nationwide Environmental Management Strategies (NEMS) include:

- a) Integrate environmental consideration in economic development;
- b) Improve environmental awareness and education;
- c) Manage and protect natural resources; and
- d) Improve waste management and pollution control.

These strategic areas have been identified to help FSM focus its efforts and resources. The identification of a limited number of priorities allows FSM to focus its time and energies into those key strategic areas most critical to its sustainable development. These were further endorsed by the 2<sup>nd</sup> FSM Economic Summit in 1999, and have been integrated and expanded in the NBSAP.

They are in harmony with the nation's stated vision as well as its mission, which is laid out in the FSM Strategic Development Plan. The mission statement provides for "Recognizing the critical importance of the FSM's natural environment to the health and prosperity of this and future generations of Micronesians; the Environment Sector shall support the protection of the Nation's environment and achieve sustainable development of its natural resources. These efforts include: the development, adoption and enforcement of policies, laws, and regulations in pursuit of the above-stated goals; the reduction and prevention of environmental degradation and all forms of pollution; adaptation to climate change; the protection of biological diversity, including assurance of adequate legal and international treaty safeguards relating to the protection of botanical and other agro-ecological property (including traditional knowledge and practices) belonging to the Federated States of Micronesia; the establishment and management of conservation areas; environmental infrastructure planning, design construction, and operation; interaction and cooperation with private sectors; and promotion of increased involvement of citizens and traditional leaders of the Federated States of Micronesia in the process of conserving their country's natural resources."

The visions and priorities are consistent with the Mauritius Strategy in that it wielded national understanding, ownership and political will to embrace, support and secure commitment from other partners at all levels to support its implementation. They are also related to poverty eradication and building resilience to areas of most vulnerability.

## **SECTION 6 Strategies**

### **6.1. Existing Strategies and their Relationship to the Sustainable Development Priorities, Goals and Targets.**

This section specifies and analyzes which FSM plans and strategies are already in place. These plans and strategies are analyzed to suggest the extent to which they already substitute for or may be adjusted to become national sustainable development strategies. For this purpose, reference are made to the internationally-accepted guidelines for preparing an NSDS<sup>27</sup>.

#### **6.1.1. Key Questions:**

- Does the country have a current national development strategy document? What is it called: national development strategy, national sustainable development strategy, poverty reduction strategy, or something else? If there is more than one overall national strategy document, please identify all of them. Include both titles and time-frames.

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<sup>27</sup> UNDESA, Guidance in Preparing a National Sustainable Development Strategy: Managing Sustainable Development in a new Millennium. DESA/DSD/PC2/BP13, New York, N.Y.: UNDESA, 2002.

- What are the focus areas for these strategies or plans and how do they relate to the sustainable development priorities, goals and targets identified above?
- Do the strategies include a ranking of priorities? If so, please identify the ranking.
- Is the NSDS prepared by local staff?
- Is there a sense of national ownership of the NSDS?

**6.1.2. Answers:**

The FSM does not have a NSDS, but had initially planned to have one completed by 2005.<sup>28</sup> FSM however has the components of sustainable development in place, which is a good starting point. It has formulated and put in place a number of sectoral and macro level policies and strategies including those in the NEMS (1992), NBSAP (2002), two national development plans (1985-89 and 1990-1995), The FSM Planning Framework (1999-2002), and most recently the FSM Strategic Development Plan (2004-2023). These strategies and policies are mutually supportive and possess elements of sustainability, but are pursued in a disjointed manner. They need to be integrated into a more coherent framework.

Each of these strategies or plans will be discussed in turn to identify their respective areas and relationship to FSM NSDS priorities, goals, and targets.

- i. **The Federated States of Micronesia Nationwide Environmental Management Strategies** was developed and produced in 1992 through the joint efforts of more than 50 senior and other officials from all state and national governments, representatives from public enterprises, educational institutions, non-government organizations, foreign embassies, and the private sector. The document presents a set of 18 strategies and 39 programs to be implemented over a 5-year period (1992-1996). These strategies were to help FSM achieve four main environmental objectives:
  - a) Integrate environmental considerations in economic development;
  - b) Improve environmental awareness and education;
  - c) Manage and protect natural resources; and
  - d) Improve waste management and pollution control.

Realization of these objectives is believed to fully sustain development throughout the nation.

The NEMS was prepared by the South Pacific Regional Environment Programme (SPREP) with support provided by Asian Development Bank, Australian Government, the Presidential Task Force on Environment Management and Sustainable Development. It appears that there was a sense of ownership of the NEMS as it was endorsed by the FSM President at the recommendation of multi-sectional stakeholders from across the nation who have had participated in its development.

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<sup>28</sup> FSM DEA, FSM 3<sup>rd</sup> Economic Summit, Strategic Planning Matrix – Environment, Pohnpei, FSM: DEA, March 2004.

ii. **The Federated States of Micronesia National Biodiversity Strategy and Action Plan** was produced in 2002. Like the NEMS, the NBSAP was the synthesized consultation output of a broad-based representation and multi-sectoral stakeholders of communities, groups, and organizations throughout the country that lasted for fourteen months. Four principles were formulated and underpinned the strategic themes of the Plan. These principles include:

- Sovereign Rights – over biological diversity.
- Community-Based Approach – for sustainable management and development of biodiversity resources.
- Traditional Heritage – building upon rich traditional and ancestral skills for sustainable stewardship of natural resources.
- Ecological Integrity – to improve ecosystem capacity and adaptability.

The strategic themes that emerged from the consultation include:

- a) Ecosystem Management
- b) Species Management
- c) Genetic Resource Use
- d) Agrobiodiversity
- e) Ecological Sustainable Industry Development
- f) Biosecurity
- g) Waste Management
- h) Human Resources and Institutional Development
- i) Resource Owners
- j) Mainstreaming Biodiversity
- k) Financial Resources

These themes each have a strategic goal, which taken together provide the basis for steering the nation on a sustainable voyage closer to its biodiversity vision, which is to *“have more extensive, diverse, and higher quality of marine, freshwater, and terrestrial ecosystems, which meet human needs and aspirations fairly, preserve and utilize traditional knowledge and practices, and fulfill the ecosystem functions necessary for all life on Earth.”* The aim of the NBSAP is to fulfill FSM’s obligations under the Convention on Biological Diversity and to ensure its resources are utilized sustainably for current and future generations.

The NBSAP was prepared by a contracted international consultant. As is with the NEMS, the NBSAP was the outcome of a joint effort of multi-sectional stakeholders representing the four states, five governments, traditional leaders, housewives, youth and women. Because of that, it commanded much sense of ownership by the participants and the FSM audience, the NBSAP targets.

iii. **The FSM National Development Plans (1985-1989) and (1990-1995).** The two national plans were done by technical consultants and high-level government officials primarily because planning was a necessary requirement for most aid. The block grants from the US and other aid were to be allocated to certain economic development activities. However, there is little evidence to show that economic planning objectives outlined in these government plans were ever achieved. The first national five-year plan for 1985-89 was started in 1984 and completed in 1988. Upon distribution, it was declared obsolete because none of its significant goals had

been achieved. The same was true with the second national five-year development plan for 1990-1995.

It can be concluded that because of the lack of participation and consensus in the development of these two plans, they failed to secure support from all governments and people.

- iv. **The FSM Planning Framework (1999-2002).** This Plan was based on policies and strategies that emerged from the First FSM Economic Summit in 1995, and subsequent summits held that same year in each of the four states. The overall goal of those plans was to strengthen the economy and make it more resilient to changes in the world economy. The supporting objectives include: (a) reducing reliance on external aid funds; (b) diversifying sources of external funding and investment; and (c) increasing the size and competitiveness of the productive sectors.

In September of 1999, the same process continued with the holding of the Second FSM Economic Summit, which was attended by over 300 people from all four states. The resultant policies and strategies were endorsed by the political leaders of FSM, and represented the consensus view of where the nation wanted to proceed in the future. In sum, the 2<sup>nd</sup> FSM Economic Summit was about stock-taking of the results of the implementation of the strategies that emerged from the 1<sup>st</sup> FSM Economic Summit and to further awareness, understanding, and commitment on key areas of economic performances such as the macro-economic situation currently facing FSM, policy implementation, ways to improve public sector management and performance, and the development of a private sector-led growth strategy based on clear and compelling economic sector and supporting social sector policies.

The participants in the 2<sup>nd</sup> FSM Economic Summit held the view that while much progress had been made since the 1<sup>st</sup> FSM Economic Summit, there was a need for more active, coherent policy monitoring and implementation throughout the country. It was therefore unanimously agreed that the membership of the State-National Leadership Conferences should be formalized as an FSM Economic Policy Implementation Council (EPIC). Its purpose is to improve economic policy monitoring and implementation support, and would consist of executive and legislative leaders from the State and National governments. The FSM Department of Economic Affairs (DEA) was designated as Secretariat to EPIC, which would convene policy-focused meetings prior to Congressional regular sessions. It was also during this Summit that all five governments accepted in principle the establishment and operation of a performance-based budgeting and management system in public sector in an effort to use its limited resources more effectively, efficiently, and transparently.

The Plan was prepared by the Economic Management and Policy Advisory Team (EMPAT), which is a group of economists (non-FSM citizens) contracted by a Boston-based Consulting Firm. The EMPAT worked alongside some young Micronesians, whom they send off to further their education in economics in hopes they will return and continue the work EMPAT did. As is with the NBSAP and NEMS, the broad-based representation of stakeholders contributed to a strong sense of ownership of the Plan.

- v. **The FSM Strategic Development Plan** was developed and produced as a result of the 3<sup>rd</sup> FSM Economic Summit that was held in March 2004. It was attended by more than 400 participants representing the four FSM states, the five governments, private sector, the traditional leadership, churches, schools, financial institutions, non-government organizations, donor foreign governments and regional and international institutions, youth and women groups, and interested parties. The theme of the Summit was, “*The Next 20 Years: Achieving Economic Growth & Self-Reliance.*” The rationale and objective of the Summit was to: (a) build awareness of the economic structure of the amended Compact of Free Association between the United States and the Federated States of Micronesia provisions and the likely impact on the FSM economy; (b) achieve consensus on an overall strategy consistent with FSM’s theme of achieving economic growth and self-reliance; and (c) improve monitoring mechanisms to enhance implementation of economic strategy and its underlying strategic goals and policies.

A major outcome of the Summit was the achievement of the first two objectives; that is, recognition of the weak performance in attaining the goals of the original Compact, and a desire that the nation should do better during the coming 20-year period of the amended Compact. Based on the second objective, the core group of executive leaders endorsed a high-growth strategy that would accelerate growth above the poor rates attained during the original Compact period. This was later toned down and appropriately became known as the Sustained Growth Strategy (SGS). This was transformed into what is known as the Strategic Development Plan (SDP). The principal objective of the strategy is to attain a rate of economic growth that would generate sufficient jobs for the citizens of the FSM seeking gainful employment, and to avoid the large out migration that has occurred since the mid 1990s.

It was understood that the adoption of the Sustained Growth Strategy would not come without cost, and that it could require implementation of economic reforms and sacrifice. Without such commitment, it was realized that a low growth or even dismal outcome might result, where the majority of Micronesians would be forced to migrate and look for opportunities overseas. This was left to be addressed through government actions at the state and national levels.

Implementation of the SGS was to be the focus of technical assistance from donor countries, which were also consulted in relation to the SDP and SGS. A Six-Part Strategy that outlines critical components that will need to be included in the SGS is summarized below:

1. Macroeconomic Stability
  - 1.1. Maintaining fiscal stability and responsibility through the initial transition period of the amended Compact,
  - 1.2. Maintaining essential public services and protecting the public investment program, and
  - 1.3. Tax reform in support of the growth strategy.
  
2. Good Governance: Improving Effectiveness and Efficiency of Government
  - 2.1. Protecting essential services through the transition,
  - 2.2. Improving public sector management,
  - 2.3. Enhancing accountability, and

- 2.4. Ensuring the rule of law and safeguarding property rights.
3. Developing an Outward-Oriented, Private Sector-Led Economy
  - 3.1. Competition policy: improving the regulatory regime,
  - 3.2. Promoting domestic and foreign investment,
  - 3.3. Enhancing entrepreneurial skills and opportunities, and
  - 3.4. Reducing inefficiencies of the public enterprise sector.
4. Investing in Human Resource Development
  - 4.1. Protecting health expenditure levels and improving health outcomes,
  - 4.2. Health financing for the future,
  - 4.3. Protecting education expenditures and improving education outcomes, and
  - 4.4. Linking higher education and skills development to the needs of a growing economy.
5. Investing in Infrastructure
  - 5.1. Protecting investment levels through the transition,
  - 5.2. Learning from the past and targeting critical needs within the growth strategy, and
  - 5.3. Long-term financing of economic infrastructure
6. Long-term Sustainability
  - 6.1. Environmental concerns integrated into the growth strategy,
  - 6.2. Social and cultural factors protected during the growth strategy, and
  - 6.3. Inter-generational equity supported by the Compact Trust Fund.

SDP was prepared by EMPAT. None of the EMPAT-sponsored Micronesian students that came back from school has attempted to develop or update the SDP. (The amended Compact treaty requires the SDP to be updated through the annual budget process). It is critically important that FSM has citizens with the capacity to undertake strategic planning on a continual basis at all levels (national, state, local, and sectoral). This institutional effort should be initiated by the National Government as soon as practical to comply with the amended Compact requirement and to develop local capacity on a sustainable basis. Moreover, this is a way to eradicate poverty of opportunity.

Again, the sense of ownership can be observed to be present given the various representations from within the country and abroad. However, the commitment for implementation is rather weak.

The obvious loose coherence among the macro level policies and strategies offers an opportunity to revisit the SD Council functional roles and purposes, and seriously consider updating it to integrate an ever-evolving NSDS that will build upon the SDP into its core business. Having the NSDS and its processes placed close to strategic decision makers, its implementability and effectiveness is assured as will be discussed further below. The process will also coordinate and harmonize the various macro and sectoral strategies through identifying and building on complementarities. Moreover, the VISION and the MISSION of the NSDS must be clearly stated to guide the strategic direction of sustainable development in FSM. Lessons from the superfluous series of development plans showed that strategic planning alone are not



likely to be accomplished without effective control. Strategic control, then, consists of ensuring that the chosen strategy is being implemented properly and that it is producing the desired results. Plans without effective controls are like a ship without navigation; the captain may plan to sail from Point A to Point B, but the navigation process---controlling---is what actually gets him or her there. Controlling is the process of comparing actual conditions with planned conditions, analyzing the differences, and making necessary changes. It is that principle that will translate environmental and social concerns into viable and sustainable economic activities<sup>29</sup>. This controlling function could be an essential element and function of the SD Council.

## **6.2. Coherence among Strategies and Related Policies and Legislation.**

### **6.2.1. Horizontal Coherence**

This section provides an overview of the degree to which strategies and related policies and plans are consistent with each other and with the overall vision and goals of FSM. These strategies include not only those mentioned above, but also sectoral strategies.

#### **6.2.1.1. Key Questions:**

- Are there prioritized sector strategic plans? What process was used to achieve this prioritization?
- Do the sectoral department or ministry heads know what is the link between their own sector priorities and the NSDS or other national development strategy?
- Are sectoral strategies consistent with the overarching national development strategy?
- Are there any intersectoral strategies that address issues that are interdependent, such as water, agriculture, energy and education, or water, land degradation, fisheries tourism, and infrastructure? Does the NSDS clearly reflect these (or any other) interdependencies?

In addition to the question of whether or not these strategies, policies and laws are consistent with each other, it is also important to evaluate the extent to which they are consistent with sustainable development. Identify any that are inconsistent or that could impede progress toward sustainable development.

#### **6.2.1.2. ANSWERS**

In principle, education and health are the prioritized sectors under the amended Compact. In reality, the more prioritized sector strategic plans for the FSM are those relating to economic development. This is evident from the historical planning process and planning milestones, most of which have all to do with economic development. The word economic development is becoming a household term given its significance to the very lives of people in FSM. The word is synonymous with prosperity, advancement of livelihood, improved standards of living. On the other hand, some people think of economic development to mean more economic assistance from donor countries, which

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<sup>29</sup> Overton, J., and Scheyvens, R., Strategies for Sustainable Development, New York, N.Y.: Zed Books Ltd., 1999.

would mean more wages and salary for the public sector and more consumption. It is for these reasons economic development plans tend to be accorded with high priority because it connotes higher monetary value (more purchasing power), thus, commands the political will of the citizens and leadership of the nation that have come to be dependent on external assistance.

The process that has proven effective in getting the support for any given plan is through summit or gathering of a broad-based representation from all over the country. It not only harnesses support and involvement of participants in the development of the plan, but it ensures participants understand the process and requirement of implementation of the plan. It also gives the participant a sense of ownership in the process.

While most department heads know the link between their respective sectoral priorities to the National Strategic Development Plan, which is the guiding document for FSM's overall economic developmental efforts, there is still need to promote more awareness of such linkage at all levels of government all the way to the local authorities. For example, there is a lack of communication and dissemination of information by the national government on wide-ranging issues, including meaningful assessment of progress toward SDP goals and objectives, sectoral priorities and policies, departmental priorities and budgets, legislative decisions, and socio-economic statistics. This lack of information about government activities creates uncertainty for public, private, civil society, and community leaders, which can inhibit economic performance and improvement of social and economic conditions.

There should also be an inter-link among the sectoral priorities to the overarching goal of the country. For example, there is dire need for productivity growth in the private sector to sustainably generate more revenues and to lessen FSM heavy reliance on external assistance. A number of strategies supporting this objective must be employed and should be linked to the overarching goal of the country. Continuing dialogue between the public and private sectors needs to be cultivated and encouraged at all levels. Rationalization of public sector enterprises to remove unfair competition with private enterprises, proactive initiatives to contract out activities that can be more efficiently performed by private businesses, needs assessment to pinpoint and address industry short- and longer-term skills training to raise productivity, regulatory climate characterized by transparency and efficient customer-oriented responsiveness of public agency services, and legal framework supportive of business are some mechanisms and strategies that can be fostered and used by joint public-private working groups to accomplish specific objectives.

Yes, the sectoral priorities are consistent with the overarching national development strategy. The overall strategy is further broken down into sectoral priorities or strategic initiatives (goals), which chart the direction of the sectors toward the overall strategy. Objectives are also formulated and are the clear target for specific action. They mark quantifiable interim steps toward achieving the overall strategy and goals.

There are some intersectoral strategies that address issues that are interdependent. The Strategic Development Plan does reflect some of these. For example, the productivity growth of the private sector will largely depend on the availability of skilled workforce. The education sector therefore needs to focus on human resource development to support the private sector requirement. That means linking higher education and skills development to the needs of a growing economy. There is still room to integrate more of

these sectoral priorities and strategies together. The culmination of the elements of the Plan will ensure achievement of the overall strategy. Partial fulfillment of the sectoral strategies will not enable realization of the overarching goal.

### **6.3. Vertical Coherence**

Vertical coherence may be assessed in two “directions.” One refers to the consistency of national strategies and policies with local community policies and concerns. The other assesses the extent to which the national priorities and strategies are consistent with and fully address commitment at the regional and international levels.

#### **6.3.1. Key Questions:**

- What is the relationship between the key national strategies or plans and local/community level plans? Are they consistent? If not, in what ways are they inconsistent?
- Who are the main local actors responsible for actions and implementation identified in the national strategies or plans?
- What is the relationship between the key national strategies or plans and international commitments (i.e., conventions, global or regional strategies or agreements)?

#### **6.3.2. ANSWERS**

The relationship between the key national strategies or plans and local/community level plans is that the community level plans should add up to support the national strategies. The community plans should be more of the day-to-day specific action steps necessary to direct the community to contribute toward achievement of the national strategies. In many respect, they should be consistent. However, the reality of the situation in FSM is that they are often not consistent. The principal reason why they are inconsistent is because of the imbalance and wide gap in capacity to support strategy coherence and even implementation. The communities do not have the capacity to develop a plan to begin with, and so they look up to their national and state counterparts to provide technical assistance. The public sectoral strategies seem to be more coherent at all levels because of the top down approach in policy making. National and State leaders set overall goals and objectives, and their counterpart local leaders implement them or at least adopt into their local plans the same strategies at the higher levels.

The main local actors that are responsible for actions and implementation identified in the national strategies or plans are government workers and general populace. Sometimes, they get assistance from government workers at the state and national level. These State and National government workers do their part by making occasional short trips to these communities and render assistance in health, education, and public safety related programs. Recently, there is an increasing number of non-government organization workers that also provide assistance to local actors in the implementation of strategies, especially in areas that concern them such as environmental related matters. Youth groups throughout the FSM have been recognized to be the key actors behind social, economic, and environmental activities at the local level.

There is a strong relationship between the key national strategies or plans and international commitment (i.e., conventions, global or regional strategies or agreements). As stated earlier, capacity has a lot to do with the relationship. At the national and

international level, the gap is perceived narrowly given the high level of technical skills and knowledge for the actors as compared to the community/local level, at least from the stand point of the FSM. The prevalence of globalization is also effecting increased cooperation and interaction among national and regional actors. Integration of economies, increasing trade and finance, technology transfer, security, and communication are some of the areas where supportive and close relationship is evident. For example, FSM is a member of the Western and Central Pacific Fisheries Commission---which promotes sustainable management and conservation of highly migratory tuna stocks in the western and central Pacific---and the Pacific Information and Communication Technology Association, which promotes information and technology exchange for member countries.

FSM also actively participates in many international organizations including the United Nations, International Monetary Fund, Asian Development Bank, and the Pacific Islands Forum, which address socio-economic and environmental challenges faced by small island developing states.

## **SECTION 7      Public Participation**

This section provides the extent to which major groups as identified in Agenda 21<sup>30</sup> have been involved in decision-making at national and local levels. It also identifies specific mechanisms for this purpose or other modalities for their participation.

### **7.1.    Key Questions:**

- Is there a formal consulting mechanism with CSOs and the private sector? If so, specify its title, who participates and how often it meets. When was it established? What have been the results of this mechanism? (In identifying the participants, please use as reference the list of Major Groups identified in Agenda 21 and enumerated in footnote 12.)
- Are there any other consultative processes in place? Who participates and what have been the results?
- What is the perception among stakeholders and civil society representatives of the effectiveness of these consultations?
- Have any proposals for improvements been tabled? By whom and in what context?
- Have consultative processes been established as part of compliance requirements from donors? Are they effective?

### **7.2.    ANSWERS**

There is no formal consulting mechanism with CSO and the private sector. There are however existing mechanisms that ensure broad-based participation in the policies or decision-making process in the FSM. A case in point is the recent 3<sup>rd</sup> Economic Summit, whereby multi-sectoral representation from governments, business and industry, non-government organizations, children and youth, scientific and technological communities, traditional leaders, come together to discuss cross-cutting issues and consider alternative

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<sup>30</sup> These include women, non-governmental organizations, business and industry, children and youth, local authorities, scientific and technological communities, indigenous people, workers and trade unions, and farmers.

strategies that can advance consensual directions. There are other formal mechanisms by which CSO (women and youth groups, conservation societies, religious organizations, or special interest group) and the private sector (chamber of commerce, industry associations, financial institutions, business firms, or individuals) can interact and these include:

- Economic Policy Implementation Council, which now meets in January, May, and October of each year. The EPIC meeting usually precedes the regular sessions of the National Congress. Members include the legislative and executive leadership of all four state governments and the national governments. They address issues related to the economy of the FSM. Interested CSO and private sector parties can informally participate but do not have a voting right in such forum. Because of lack of empowerment, there is hardly any participation from these groups.
- SD Council has monthly scheduled meetings although it rarely meets. Its membership include the Vice President, department and agency heads, representatives from the four states, and invited participants from other sectors including CSO and private sector. They discuss and address cross-cutting issues in social, economic, and environmental areas and make recommendations to the FSM President. Again, the CSO and private sector parties can participate, but in a non-voting capacity. There is no known invitation ever extended to these groups to attend a SD Council meeting.

There are other occasional consultative processes that take place when there is a need. For examples, the FSM President can create special task forces to tackle specific sectoral issues such as public reform, fuel, privatization, and so forth.

The general feelings and perspective of stakeholders and representatives of civil society are that these are generally satisfactory. There is however sentiment toward having more formalized organization or forum wherein key players of various sectors can interact and dialogue on a regular basis.

As of this writing, there is no proposal for improvement that has been tabled. Yes, there is the Joint Economic Management Committee (JEMCO), which is composed of five members, three of which are from the US and two from the FSM. FSM members include the secretaries of the Department of Finance and Administration and Department of Foreign Affairs. The US counterparts include the Deputy Assistant Secretary for Insular Affairs, Special Assistant to the Assistant Secretary for International Affairs, Department of Health and Human Services, and the Deputy Assistant Secretary, Department of State. They are mandated to review development plans, consult with each other, review audits, review performance outcomes and other reported data in relation to previous years grant funding levels, terms, and conditions, review and approve sectoral grant requests, review quarterly trust fund investment reports, stipulate special conditions to attach to any or all annual grant awards to improve program performance and fiscal accountability, and ensure progress toward macroeconomic goals. They are required to meet at least once a year but no later than 30 days before the beginning of each Fiscal Year. However, JEMCO has been meeting twice a year in recognition of the additional complexities of the political, social, and economic situation in FSM. This is generally effective with respect to its mandate, but it has not discussed FSM progress toward budgetary self-reliance and long-term economic advancement or the role for compact grants in attaining

these development goals. It has been observed to focus more on approving sector grants and discussing grant administration issues.

JEMCO meetings are usually open to the public. At one time, it was restricted to members and technical support staff only. Observers and spectators come from public and private sectors and civil societies. The ratio of government to non-government or private sector observers is estimated at 5:1.

## **SECTION 8 Enabling Environment**

### **8.1. Institutional actors**

This section briefly describes the administrative structure and mechanisms of governance at the national level. The key institutions and how they may contribute to the NSDS process are being identified. Moreover, mandates, their institutional relationships with each other, and the degree to which they work together are also being specified.

In pursuing the Rio Declaration of 1992 and MDG, FSM felt the need to establish institutional mechanisms to address the environmental and sustainable development issues in its policies and programs. Taking this into account the FSM President's Council on Environmental Management and Sustainable Development also known as SD Council has been formed under the chairmanship of the Vice President of the FSM. The Environment and Sustainable Development Unit of the Department of Economic Affairs is the Secretariat to this council. Members of the Council include the Vice President, heads or designees from the Departments of Finance and Administration, Department of Justice, Department of Economic Affairs, Department of Foreign Affairs, Department of Health, Education, and Social Affairs, Department of Transportation, Communication, and Infrastructure, Office of Disaster Control, National Oceanic Resources and Management Authority (NORMA), a representative from each of the four states, and other interested parties from the states and national governments and non-government organizations that may be invited to participate in the SD Council activities. The SD Council was established to advise and make recommendations to the President on all activities related to the environment management and sustainable development of the FSM. The SD Council's activities are primarily based on the principle of encouraging the participation of all the stakeholders in the decision making process. At the same time the goal is to determine and provide for the rights and responsibilities of individual self development of all the participants in any of the development activities based on the principles of sustainable development.<sup>31</sup>

The formal establishment of the SD Council generally helps the FSM in that it brings the group responsible for the core areas (social, economic, and environment) near the center of government power and should move the process forward. What needs to be considered is updating and expanding the roles and functions of the SD Council to be more definitive with respect to NSDS development and implementation. While the essential elements of a NSDS is available, it is fragmented and disparate.

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<sup>31</sup> FSM President Office, Presidential Order No. 14 As Amended: Duties, Responsibilities, and Internal Organization of the President's Council on Environmental Management & Sustainable Development, Pohnpei, FSM, 2000.

**8.1.1. Key Questions:**

- Which are the key ministries and institutions involved in strategy development and implementation? Describe their major functions, mandates and constituency. Use graphic presentation such as an organigram, if helpful.
- Which entity has been mandated to coordinate implementation of the NSDS or equivalent national strategy?
- Which entity or person assigns responsibility for actions and implementation as determined by the national strategies and plans?
- What are the modalities for cooperation among government entities? Have any challenges been identified?

**8.1.2. ANSWERS**

Besides the SD Council, other key ministries and institutions that are actively involved in strategy development and implementation include the Executive Branch (President and his cabinet), National Congress, Judiciary, national agencies or public enterprises (FSM Development Bank, FSM Telecommunications Corporation, Coconut Development Authority, Bank of the FSM, National Fisheries Corporation, Micronesia Longline Fisheries Corporation, Social Security Administration, and NORMA), EPIC, the four state governments (executive, legislative, and judiciary), traditional leaders, religious organizations, non-government organizations (gender, youth, conservation societies), and financial institutions.

The entity that has been mandated to coordinate implementation of the National Strategic Development Plan is the Department of Economic Affairs and the Office of Compact Management. If a NSDS were to be developed and implemented, the Department of Economic Affairs will most likely be the one to coordinate its implementation.

The entity or person that assigns responsibility for actions and implementation as determined by NSDS or an equivalent national strategy is the President of the country. In his absence, the Vice President does it.

The modalities for cooperation among government entities are cabinet meetings, forums, summits, symposiums, or equivalent gatherings. These types of modalities facilitate mutual cooperation because a common goal is usually shared among the participants. Their opposing views further their advancement to narrow down alternative strategies and subsequently select the best one. The principal challenge has been the lack of resources (human and capital) to mobilize participants given the scattered geographic disposition of the islands throughout the country. Because of this, a smaller group meeting in the respective locales is believed to offer a solution. Once the group completes or accomplishes their assignments, an elected representative takes their views and presents to the national group. Another challenge has been inadequate skills to undertake assignments which seem to be the principal reason the local actors largely depend on state and national actors for help in program implementation. Because these state and national workers are limited in number, there is also administrative burden on the state and national governments to share their workers given their already heavy load to dispense.

## 8.2. Interagency Mechanisms

This section identifies inter-agency mechanisms for sustainable development, such as national councils or task forces, ad hoc expert groups, functional commissions, and so forth, which currently exist or have existed in the recent past. Their functions, scope and membership is also described and their effectiveness evaluated.

### 8.2.1. Key Questions:

- What mechanisms exist for official, inter-agency cooperation and how are they working?
- What agencies/ministries are members? Who chairs the meetings? Which agencies/ministries actively participate?
- What is the perception among participating entities of the effectiveness of these mechanism(s)? Are there suggestions for improvement and by whom?

### 8.2.2. ANSWERS

The mechanism that works well at the Executive Branch is the Cabinet meeting. Members include the President, Vice President, and heads of executive departments and agencies, including Department of Economic Affairs, Department of Finance and Administration, Department of Health, Education, and Social Affairs, Department of Foreign Affairs, Department of Transportation, Communication, and Infrastructure, Department of Justice, Office of Disaster and Control, NORMA, Social Security Administration, National Fisheries Corporation, and National Election Office. The President chairs the meeting. Multiple issues relating to sustainable development can be addressed and considered for resolution and direction.

The interlink between the executive and the legislative as well as the state and national governments is EPIC, which is chaired on a rotational basis by one of the governors, speakers of the legislature, or the President. At the national level, there is also the SD Council, which brings together the various heads of the departments and agencies and on certain occasions, invited guests. Members of the Council include the Vice President, heads or designated representatives from the executive departments and agencies, a representative from each of the four states, and other interested parties from the states and national governments. Non-government organizations (conservation societies, traditional and religious leaders, women and youth groups, scientific and technology groups) and private sector (chamber of commerce, industry associations, firms, and individuals) representatives may be invited to participate in the SD Council activities. The SD Council is chaired by the Vice President.

With respect to the Cabinet and EPIC, they are running fairly well. With respect to the SD Council, there is need for improvement. Because its role is limited to advisory capacity, the SD Council is perceived to be weak and of no effective force. As such, members are not motivated to attend as evident with lack of meetings and quorum. The Council has probably held only three meetings since its establishment. Participants are usually junior officers from the various departments who come in as replacement of their superiors, who are either off island or too preoccupied to attend. CSO and private sector representatives have not been invited nor participated in any of the SD Council meetings.



To get the most of the SD Council, it is suggested that its roles be reviewed, revamped and expanded. It must have sanction power like EPIC and must involve key leadership in government, private sector, and civil society in order to have more effect and force.

## **Section 9 Outcomes and Means of Implementation**

### **9.1. Indicators and Monitoring**

The FSM has developed some appropriate national targets and indicators for sustainable development consistent with the Mauritius Strategy and have been incorporated into existing national data-collection and reporting systems. These indicators are used primarily to monitor implementation of the SDP and progress toward socio-economic development and environmental protection.

#### **9.1.1. Key Questions:**

- Is the country currently using any set of indicators for decision-making. If so, for what purpose are these used: for example, for decision-making, for reporting (to whom?), or for tracking implementation?
- Which indicators are used? Do they include the indicators for sustainable development that have been adopted by the UN Commission on Sustainable Development? Or the Millennium Development Goal (MDG) indicators?
- What is the data coverage for these indicators?
- Does the NSDS or other national strategy include any measure targets of indicators?
- Have indicators been identified for monitoring of national progress towards the MDGs? If so, which are they, and what is the data coverage?

#### **9.1.2. ANSWERS**

Yes, the FSM is currently using sets of indicators for decision-making, especially for economic development, poverty alleviation and social development, and environmental protection. These sets of indicators are also used for reporting as part of the amended Compact requirement. The details are illustrated in Appendix A, specifically A1.2, A1.3, and A1.4.

The FSM uses most if not all the indicators for sustainable development that have been adopted by the UN Commission on Sustainable Development and the MDG. The data coverage for these indicators is fairly sufficient, but still generally lacking.

The National Strategic Development Plan includes measure targets of indicators for ten sectors including agriculture, education, environment, fisheries, gender, health, private sector, public sector, tourism, and infrastructure. They are illustrated in the NSDP matrices.

There have been indicators identified for monitoring of national progress towards the MDGs. These are illustrated in Appendix A1.1.

## **9.2. Budgeting and Aid Effectiveness**

The FSM Strategic Development Plan is linked to specific and guaranteed domestic resources through the budgeting process. Most funding for government activities come from external sources. Domestic sources are limited and primarily come from taxes and fishing licenses. In most instances, external funding responds to FSM priority settings or to concerns of donors at international, regional, and bilateral levels.

### **9.2.1. Key Questions:**

- What is the national budgeting process and timeframe?
- What is the relationship between the NSDS and the policy implementation process, including the setting of budgetary policies and priorities?
- How does the government decide on the budget priorities and on any proportion of budget to be allocated to the NSDS?
- What mechanisms exist for monitoring budget implementation?
- What are the percentages of ODA in relation to GDP?
- What is the relationship between aid (and aid coordination) and the budget process?
- Is there a PIP process and what criteria are used for project selection.

### **9.2.2. ANSWERS**

The national budgeting process involves all four state governments, the national government, and public enterprises submitting their respective budget to the FSM Department of Finance & Administration, who in turn send it over to the FSM Executive Budget Authorization Committee for review. After the Executive Budget Authorization Committee completes its review, the Budget is sent over to the FSM National Congress. The FSM National Congress has the authority to appropriate locally generated revenues and other external contribution, but does not have the authority to appropriate sectoral grants under the amended Compact. The authority to approve the use of amended Compact sectoral grants rests with the JEMCO. The amended Compact sectoral grants (70% of total budget) and the domestic revenue (30% of total budget) are the principal sources of funds for the Government Annual Budget. The Budgeting process normally takes place over a 7-month period (January to July) prior to the beginning of a new fiscal year. The fiscal year starts on October 1<sup>st</sup> and ends September 30<sup>th</sup>.

The relationship between the NSDS or in this case the SDP and the policy implementation process, including the setting of budgetary policies and priorities, is that funds for economic, social, and environmental activities are limited to what is allowable under the amended Compact on an annual basis. That means the set of priorities or activities that are laid out in the SDP are the basis for the budget. Any shortfall within these sectors will have to be funded from locally generated revenues. The setting of priorities in the budgetary process is really at the disposal of the President and Congress. When a compromise fails, the Congress often prevails given it has override authority.

The costs of the large government sector is becoming increasingly unsustainable. Total government expenditure, which accounts for about 60 percent of GDP, is funded largely by external assistance rather than domestic production. The budget is characterized by growing wage expenditures, exacerbating the substantial fiscal impacts they are likely face with the decline of compact grants through fiscal year 2023. Some of the states,

Chuuk and Kosrae, are already running huge deficits, and their fiscal situation will deteriorate further. Intermediate, short-, and medium term economic and fiscal policy needs to be formulated to promote fiscal sustainability and to build the needed political consensus for adjustment. Some painful sacrifices will have to be made to reduce the deficit including cuts in the high wage bill and other current expenditures. There is dire need for strengthening budgetary management to meet the Compact's accountability and oversight requirements as well as building a sustainable foundation for the country.

The prioritization of activities to be funded under the Budget is supposed to be at the discretion of JEMCO if funding were to come from the amended Compact sectoral grants, and the FSM President and Congress if funding comes from locally generated revenues.

The mechanism for monitoring budget implementation is ideally supposed to be based on a Performance-based Budgeting system, where objective outcomes and output expectations are monitored by supervisors and department heads and reported to the President or the Congress. The actual results and discrepancies can be used to justify adjustments or serve as basis for subsequent year's budget. This mechanism is less than desired.

The percentage of ODA to GDP is roughly 40%. This is primarily the sectoral grants under the amended Compact. Uses of other aid are pre-set by donor countries after consultation with FSM national authorities on priorities.

The relationship between aid (aid coordination) and the budget process is that aid should be accounted for to ensure there is no short-fall in the funding of planned socio-economic development projects. Moreover, if certain aid can directly address certain projects, then funds initially earmarked for those activities will be reprogrammed for other activities. Again, the target of other aid is pretty much fixed with little room for change.

There is currently no PIP process in place. Selection of projects is not based on a set of quantitative and qualitative criteria or in-depth cost-benefit or investment analysis to determine value and sustainability. They are in many instances arbitrarily made. For example, socio-economic development projects such as fiber-glass boats are funded without feasibility studies to determine the long-term sustainability or aggregate economic benefits from implementation. Certain funds secured under the amended Compact also did not undergo any cost-benefit analysis to determine funding merits. For instance, about last year, the US representatives (3 in number) on JEMCO were adamant about and decided to set aside \$2 million in education sectoral grants for the procurement of text books. The FSM JEMCO counterparts (2 in number) vehemently opposed it because of the mere fact conditions of classrooms and quality of teaching were perceived as of more urgent need, and at least must first be addressed before text books are purchased. Because the FSM counterparts were the minority, they were outvoted and hence \$2 million had been set aside for the procurement of text books. From a sustainable development perspective, it is of no use to get the best textbooks, when the teachers that will have to teach the text content to the students are not up to par to ensure sustainable learning and maximum benefits. (The greatest single impact on student learning and achievement is teacher quality). Moreover, the conditions of the classrooms are such that will result in the books not lasting for more than a year, meaning they will be damaged and put to waste from the leaks of roofs, etc. Again, the matter of sustainability was not considered nor calculated in the decision-making.

## SECTION 10 Conclusions and Recommendations

### 10.1. Conclusions

FSM has made significant progress to date in implementing strategies related to sustainable development. It has developed a number of planning documents, although outside the scope of a national sustainable development strategy process, but clearly are relevant to sustainable development. These documents included the NEMS, NBSAP, The FSM Planning Framework, and the FSM Strategic Development Plan. All documents were prepared with much public participation in their development. The latest planning document, the FSM Strategic Development Plan, embraces much of the key elements of sustainable strategies and has received much support from the governments. The “High Growth Strategy” that was adopted in the 3<sup>rd</sup> Economic Summit as the overarching goal of the nation, was later amended to be more appropriately called the Sustainable Development Strategy. The Plan considered sustainability and environmental concerns, but fell short in linking and integrating them with socio-economic priorities. Even during the Summit plenary, where an opportunity did exist to promulgate sustainable development principles, the subject was briskly mentioned and never discussed in greater depth. There was also insufficient attention to poverty. This indicates that the principles of sustainable development in FSM are largely accepted by environmentalists, certain high level government officials, and academics, and are yet to make their way into the mainstream economic planning. It further appears that in FSM there is a stronger consensus, including broader public and government support and commitment, around general issues and principles of development than to its specific details, especially one that embraces the integration of economic prosperity and higher levels of social welfare with preserved environment. Another finding is the FSM Strategic Development Plan is not sufficiently transparent and accessible; hence the broad-based participation could be viewed as a burden and liability rather than a resource.

Table 4 on the next page illustrates the results of the general assessment of FSM progress with respect to its NSDS taking into account the principles of sustainability. It shows some deficiencies, which are the result of the “expert-driven” process of preparing and developing the SDP, where individual experts from EMPAT draft relevant parts of the strategy. Such a process has few in-built mechanisms to establish priorities, reach consensus on trade-offs, and identify agents of sustainable development.

The analysis also indicates there is too much emphasis on sectoral planning with little attention to sectoral linkages. Direct conflicts and trade-offs between various proposed policies are rarely, if ever, identified. It is also difficult to establish priorities between different proposed measures often competing for the same scarce human and financial resources. For example, recent supplementary budget allocation failed to effectively link the varying sectoral priorities to the overall national strategic goals. Hence, the supplementary budget is simply divided to ensure fair and equitable distribution among competing agencies and sectors without due regard to national priorities and strategies, especially as they relate to sustainable development. Based on these reasons, it is generally deduced that the requirements under the criteria in Principle A are satisfactorily met, although some improvements are desirable. Therefore, a weighted score of B is more appropriate.

While broad-based stakeholder participation in strategic planning is relatively satisfactory, the dispersity of the islands population and limited resources (human and financial) hinder full participation of private sector (who are conservative spenders and in many cases required to foot their own bills) and local representatives. As a result, national summits are dominated by public sector representatives, and inputs and decisions are predominately theirs. Thus, planning and budgetary process is limited in scope, and does not sufficiently consider the longer-term implications of appropriation decisions on sustainable developmental efforts. The lack of participation of civil society (youth especially), local authorities, and private sector (who are at the heart of sustainable development in FSM), lack and ineffective communication of relevant information, and limited capacity cast doubt on the breadth of support and implementability for the plans at large. For example, in the Inshore Fisheries Policy Matrix of the SDP, the responsibility to ensure sustainable development of inshore marine resources and preservation of the inshore marine environment was assigned to the municipal governments, who did not participate in the 3<sup>rd</sup> Economic Summit planning process. Moreover, this group has never received copies of the SDP and was not informed of the assignment. This not only distorted the governance process, but hindered effective implementation of the Plan. Implementation is vitally important because a brilliant strategy poorly put into action may be no more effective than a well-implemented but otherwise less desirable strategy. Principles B, C, and D deserve a ranging score of C to B because some requirements of the set criteria have been satisfactorily met, but others have not yet been satisfactorily met. Principle E has Criterion 4 scored the lowest given there is no effective mechanism in existence to monitor and provide feedback on FSM general progress toward NSDS.

**Table 4**

Principles	Criteria and Scores				Remarks
	1	2	3	4	
A. Integration & Sustainability	B	B	B	C	Sectoralized planning with little integration. The environment is still treated as a stand alone sector within the department of economic affairs. The NBSAP was prepared primarily by environmentalists and hence failed to significantly influence economic planning in FSM.
B. Participation & Consensus	B	C	C	B	Broad-based stakeholder participation, but should involve more from the private sector and local authorities in outlying and outer islands. Most summits are dominated by public sector representatives.
C. Ownership & Commitment	B	B	C	B	There is significant government involvement and the SDP process has a high level of authority. However, it is still unclear who will implement the proposed policies and how these will be resourced. The role of the private sector and academia is barely mentioned, thus, casting doubt on the breadth of support for the SDP at large.
D. Comprehensive & Coordinated Policy Process	B	B	B	C	The SDP goals are realistic yet hardly challenging, the document suffers from vague and general formulations. Linkage with other strategic processes is very weak. Many of the formulated macro level strategies are analytically and technically sound and comprehensively address the main elements of sustainable development.
E. Targeting, Resourcing, & Monitoring	B	C	B	D	Budgetary provisions are generally adequate though not well established given the lack of descriptions and specific actions requirement of jobs. There is also a lack of dissemination of SDP, education thereof, and actual monitoring and evaluation of its progress.

The overall scoring and general assessment of the stage of FSM national sustainable development strategy indicate a need to have a NSDS put in place and build upon the FSM Strategic Development Plan.

## **10.2. Recommendations**

It is recommended that the government and the key institutions involved in sustainable strategy development focus on improving the policy and legal environment for strategic sustainable development planning and strengthening the government capacity to better manage the process including development, implementation and improvement. To achieve these objectives, the government should focus on ten key strategies including: (i) establish a commitment to the principles of a sustainable society in constitutional or other fundamental statements of national policy; (ii) revamp the SD Council and integrate NSDS into its core business as well as expanding its power and composition; (iii) establish a comprehensive system of environmental law and provide for its implementation and enforcement; (iv) review the adequacy of legal and administrative controls, and of implementation and enforcement mechanisms, recognizing the legitimacy of local approaches; (v) ensure that government policies, development plans, budgets and decisions on investments take full account of their effects on sustainable development; (vi) strengthen the knowledge base, and make information on social, economic, and environmental matters more accessible; (vii) improve exchange of information, skills, and technologies by creating local, state, national, regional and global alliance; (viii) strengthen policy formulation to make them more coherent and to create the right conditions to promote sustainable development; (ix) communicating and mobilizing citizens and business (civil society and the private sector play important roles in sustainable development. Initiatives need to be taken to encourage active involvement of these groups, and to improve the consultation processes and the mobilization of stakeholders); and (x) good governance that creates an environment that is conducive to sustainable development and to the elimination of poverty.

**APPENDICES**

## Appendix A

**Table A1.1: Progress Toward Millennium Development Goals and Targets**

Goals and Targets	1990	Year	1995	Year	Latest	Year
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>						
<i>Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015</i>						
1. Proportion of population below \$1 per day (PPP-values) (%)					5.2	(1998)
2. Poverty gap ratio					0.51	(1998)
3. Share of poorest quintile in national consumption (%)					5.2	(1998)
<i>Target 2: Reduce the proportion of people who suffer from hunger from 1990 to 2015</i>						
4. Prevalence of child malnutrition (% of children under 5)	13.3	(1987-88)			15	(1997)
5. Proportion of population below minimum level of dietary energy consumption (%)						
<b>Goal 2. Achieve Universal Primary Education</b>						
<i>Target 3: Attain 100% primary school enrollment by 2015</i>						
6. Net enrollment ratio in primary education (%)	85	(1984-94)	93.7	(1994)	92.2	(2000)
7. Proportion of pupils starting Grade 1 who reach Grade 5					66.9	(2000)
8. Literacy rate of 15-24 years olds (%)						
Total	92.4	(1980)	96.4	(1994)	95	(2000)
Male	92.5	(1980)	96.2	(1994)	94.2	(2000)
Female	92.3	(1980)	96.6	(1994)	96	(2000)
<b>Goal 3. Promote Gender Equality and Empower Women</b>						
<i>Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015.</i>						
9. Ratio of girls to boys in: (%)						
Primary education			92.1	(1994)	93.5	(2000)
Secondary education			97.6	(1994)	104	(2000)
Tertiary education			78.8	(1994)	107	(2000)
10. Ratio of young literate females to males (% of age group 15-24)	99.8	(1980)	100.4	(1994)	101.9	(2000)
11. Share of women in wage employment in the non-agriculture sector.			33.6	(1994)	33.6	(2000)
12. Proportion of seats held by women in national parliament	0		0		0	(2005)
<b>Goal 4: Reduce Child Mortality</b>						
<i>Target 5: Reduce infant and child mortality by two thirds from 1990 to 2015</i>						
13. Under 5 mortality rate (per '000 live births)	16		12	(1996)	23	(2003)
14. Infant mortality rate (per '000 live births)	46		40	(1996)	19	(2003)
15. Proportion of 1-year-old children immunized against measles	81		90		91	(2003)
<b>Goal 5: Improve Maternal Health</b>						
<i>Target 6: Reduce maternal mortality ratio by three quarters between 1990 and 2015.</i>						
16. Maternal mortality ratio (per 100,000 live births)	83	(1992)	274	(1999)	317	(2003)
17. Births attended by skilled health staff (% of live births)	-		82	(1995-97)	87	(2001)
<b>Goal 6: Combat HIV/AIDS, Malaria and Other Diseases</b>						
<i>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.</i>						
18. HIV prevalence rate among 15-24 year old pregnant women.	-		0		0	
19. Contraceptive prevalence rate (% of women aged (15-49)	-		25	(1997-98)	70	(2000)
20. Number of children orphaned by HIV/AIDS	-		0		0	



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Goals and Targets	1990	Year	1995	Year	Latest	Year
<b>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.</b>						
21. Malaria:						
Prevalence rate (per 100,000 people)	-		-		-	
Death rate (per 100,000 people)	-		-		10	(2000)
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures.						
23. Tuberculosis (TB):						
Prevalence rate (per 100,000 people)	392		73.4	(1996)	62	(2003)
Death rate (per 100,000 people)	30		4	(1994)	6	(2003)
24. TB cases, DOTS:						
Detection rate (%)	-		16		92	(2003)
Treatment success rate (%)	-		80		91	(2003)
<b>Goal 7: Ensure Environmental Sustainability</b>						
<b>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</b>						
25. Forest area (% of total land area)						
	34.8		51.4	(1994)	21.7	(2000)
26. Nationality protected areas (% of total land area)						
	-		10.3		7.3	(2003)
27. GDP per unit of energy use (PPP\$ per kg oil equivalent)						
	-		-		-	
28. Carbon dioxide emissions (per capita metric tons)						
	-		2.2	(1994)	1.3	(1996)
<b>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.</b>						
29. Access to an improved water source (% households)						
Total	87		79.1	(1994)	59	(2003)
<b>Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.</b>						
30. Access to improved sanitation (% households)						
Total	30		34.4	(1994)	48	(2003)
Urban	53		-		84	(2003)
Rural	21		-		12	(2003)
31. Access to secure tenure (slum population as % of urban population [secure tenure index])						
	2		-		2	(2001)

<sup>1</sup> - = not available; DOTS = directly observed treatment, short course; GDP = gross domestic product; kg = kilogram; HIES = household income and expenditure survey; HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome; PPP\$ = purchasing power parity in United States dollar. Sources: Abbot, D., *The Federated States of Micronesia (FSM) Hardship and Poverty Status Discussion Paper*, Manila, Philippines: Asian Development Bank, 2004; Statistics Office, *FSM 2000 Population and Housing Census Report*, Pohnpei, FSM: Department of Economic Affairs, 2002; Secretariat of the Pacific Community (SPC), *Statistical Annex to Pacific Islands Regional Millennium Development Goals Report* (Online), Available: <http://www.spc.int/mdgs>; SPC, Pacific Regional Information System (PRISM) (Online), Available: <http://www.spc.int/PRISM>, 2005; United Nations Development Programme (UNDP), *Pacific Human Development Report*, Suva, Fiji: UNDP, 1999; United Nations Children's Fund (UNICEF), *The Progress of Nations*, New York, N.Y.: UNICEF, Various years; United Nations Statistics Division (UNSD), Millennium Indicators Database (Online), Available: <http://unstats.un.org/unsd/mi>; World Health Organization (WHO), *Western Pacific Region Health Databank* (Online), Available: <http://wpro.who.int>; WHO, *The World Health Report*, Geneva, Switzerland: WHO Press, Various years.

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Table A1.2: Economic Indicators	Fiscal Year				
	2000	2001	2002	2003	2004
<b>A. Income and Growth</b>					
1. GDP per Capita (\$, current)	1,964.3	1,961.6	1,971.8	2,029.4	1,958.3
2. GDP Growth (% , in constant prices)	8.9	0.1	0.8	3.2	(3.3)
<b>B. Saving and Investment (current and market prices, % of GDP)</b>					
1. Gross Domestic Investment					
2. Gross National Saving					
<b>C. Money and Inflation (annual change)</b>					
1. Consumer Price Index	2.1	1.3	(0.1)	(0.3)	1.5
2. Total Liquidity (M2)					
<b>D. Government Finance (% of GDP)</b>					
1. Revenue and Grants	68.1	63.6	71.8	70.5	52.4
2. Expenditure and Onlending	74.7	72.4	66.0	65.6	59.1
3. Overall Fiscal Surplus (deficit)	(6.6)	(8.8)	5.9	5.0	(6.7)
<b>E. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	(37.9)	(39.6)	(34.5)	(43.9)	(50.6)
2. Current Account Balance (% of GDP)	0.3	(5.3)	7.2	0.8	(11.6)
3. Merchandise Export (\$) Growth (annual % change)	22.6	17.9	6.3	(9.2)	(9.3)
4. Merchandise Import (\$) Growth (annual % change)	10.4	8.7	(9.0)	21.6	9.1
<b>F. External Payments Indicators</b>					
1. External Debt Service (% of exports of goods and services)	20.7	18.9	5.1	5.2	5.6
2. Total External Debt (% of GDP)	23.3	20.3	17.9	17.0	17.3
<b>G. Memorandum Items</b>					
1. GDP (current prices, \$ million)	219.0	222.0	223.0	230.0	225.0
2. Population	107.0	107.3	107.5	107.8	108.0

<sup>2</sup> - = not available; GDP = gross domestic product;

Sources: IMF, International Financial Statistics; FSM Department of Economic Affairs.

## Appendix A

Table A1.3: Poverty and Social Indicators		Period		
Item	1990	1994	Latest Year	
<b>A. Population Indicators</b>				
1. Total Population ('000)	95.7 (1989)	105.5	108.0 (2005)	
2. Annual Population Growth Rate (% Change)	3 (1980-1989)	1.9 (1989-1994)	0.3 (91994-2000)	
<b>B. Social Indicators</b>				
1. Total Fertility Rate (births/woman)	7.4 (1980)	4.6	4.4 (2000)	
2. Maternal Mortality Ratio (per 100,000 live births)	83.0 (1992)	274.0 (1999)	317.0 (2003)	
3. Infant Mortality Ratio (below 1 year/1,000 live births)	46	40.0 (1996)	19.0 (2003)	
4. Life Expectancy at Birth (years)	65.2	67 (1996)	66.5 (2002)	
a. Female	66.8	67.6 (1996)	68.1 (2002)	
b. Male	64.6	66.5 (1996)	64.9 (2002)	
5. Adult Literacy (%)	88.9 (1980)	93.9	92.4 (2000)	
a. Female	87.6 (1980)	93	91.9 (2000)	
b. Male	90.3 (1980)	94.8	92.9 (2000)	
6. Primary School Gross Enrollment (%)		93.7	142.2 (2000/01)	
7. Secondary School Gross Enrollment (%)		81.4	132.2 (2000/01)	
8. Child Malnutrition (% below age 5)	13.3 (1987-88)		15.0 (1997)	
9. Population with Access to Safe Water (%)	87	79.1	59 (2003)	
10. Population with Access to Sanitation (%)	30	34.4	48 (2003)	
11. Public Health Expenditure (% of GDP)		6.1 (1997)	5.4 (2001/02)	
12. Public Education Expenditure (% of GDP)		5.5 (1998/99)	9.6 (2001/02)	
13. Human Development Index (Pacific)		0.604	0.569 (1999)	
Pacific Rank/number of PDMCs		7/12		
14. Gender-Related Development Index Rank				
<b>C. Poverty Indicators</b>				
1. Poverty Line (US\$ per household per year)			5693 (1998 HIES)	
2. Poverty incidence (Households below Poverty Line [%])			27.9 (1998 HIES)	
3. Poverty Gap			0.51 (1998 HIES)	
4. Poverty Severity Index				
5. Inequality (Gini Coefficient)				
By income			0.51 (1998 HIES)	
By expenditure			(0.47 (1998 HIES)	
6. Human Poverty Index (Pacific)			26.7 (1999)	
Pacific Rank / number of PDMCs			10/14	

<sup>3</sup> - = not available; GDP = gross domestic product; PDMCs = Pacific Developing Member Countries;

Sources: Abbot, D., *The Federated States of Micronesia (FSM) Hardship and Poverty Status Discussion Paper*, Manila, Philippines: Asian Development Bank, 2004; Abbot, D. and S. Pollard, *Hardship and Poverty in the Pacific*, Manila, Philippines: ADB, 2004; National Statistics Office, *FSM 2000 Population and Housing Census Report*, Pohnpei, FSM: Department of Economic Affairs, 2002; Secretariat of the Pacific Community (SPC), *Statistical Annex to Pacific Islands Regional Millennium Development Goals Report* (Online), Available: <http://www.spc.int/mdgs>; SPC, *Pacific Regional Information System (PRISM)* (Online), Available: <http://www.spc.int/PRISM>, 2005; United Nations Development Programme (UNDP), *Pacific Human Development Report*, Suva, Fiji: UNDP, 1999; United Nations Educational, Scientific and Cultural Organization (UNESCO), *Institute for Statistics*, (Online), Available: <http://www.uis.unesco.org>; United Nations Statistics Division (UNSD), *Millennium Indicators Database* (Online), Available: <http://unstats.un.org/unsd/mi>; World Health Organization (WHO), *Western Pacific Region Health Databank* (Online), Available: <http://wpro.who.int>; WHO, *The World Health Report*, Geneva, Switzerland: WHO Press, Various years.

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Table A1.4: Environmental Indicators	Periods			
	Item	1990	Latest	Year
A. Energy Efficiency of Emissions				
1. GDP/Unit of Energy Use (PPP\$/kgoe)				
2. Traditional Fuel Use (% of total energy use)				
3. Carbon Dioxide Emissions				
a. Metric Tons ('000)				
	236.0	(1994)	141.4	(1996)
b. Metric Tons per Capita				
	2.2	(1994)	1.3	(1996)
B. Water Pollution: Water and Sanitation				
1. % Urban Population with Access to Safe Water				
	93.0		87.0	(2003)
2. % Rural Population with Access to Safe Water				
	85.0		31.0	(2003)
3. % Urban Population with Access to Sanitation				
	53.0		84.0	(2003)
C. Land Use and Deforestation				
1. Forest Area (km <sup>2</sup> )				
2. Average Annual Deforestation				
a. Km <sup>2</sup>				
b. % Change (natural forests only)				
			(38.0)	(1990-2000)
3. Rural Population Density (people/km <sup>2</sup> of arable land)				
4. Arable Land (% of total land)				
			5.7	(2001)
5. Permanent Cropland (9% of total land)				
			45.7	(2001)
D. Biodiversity and Protected Areas				
1. Nationally Protected Area				
a. Km2				
	72.0	(1994)	72.0	(2004)
b. % of Total Land				
	10.3	(1994)	10.3	(2004)
2. Mammals (number of threatened species)				
	6.0	(1996)	6.0	(2004)
3. Birds (number of threatened species)				
	6.0	(1996)	8.0	(2004)
4. Higher Plants (number of threatened species)				
	4.0	(1997)	4.0	(2003)
5. Reptiles (number of threatened species)				
	2.0	(1996)	2.0	(2004)
6. Amphibians (number of threatened species)				
	0.0	(1996)	0.0	(2004)
E. Urban Areas				
1. Urban Population				
a. '000				
	26.9	(1994)	23.9	(2000)
b. % of Total Population				
	25.5	(1994)	22.3	(2000)
2. Per Capita Water Use (liters/day)				
3. Wastewater Treated (%)				
4. Solid Waste Generated per Capita (kg/day)				

<sup>4</sup> - = not available, GDP = gross domestic product, kg = kilogram, kgoe = kilogram oil equivalent, km<sup>2</sup> = square kilometer, PPP = purchasing power parity.

Sources: Central Intelligence Agency (CIA), The World Factbook 2006 (Online). Available: <http://cia.gov>; International Union for Conservation of Nature and Natural Resources (IUCN), The IUCN Red List of Threatened Species (Online), Available: <http://www.iucnredlist.org>; Secretariat of the Pacific Community (SPC), Pacific Island Populations 2004 poster (Online) Available: <http://www.spc.int/demog>; SPC, Pacific Regional Information System (PRISM) (Online), Available: <http://www.spc.int/PRISM>, 2005; United Nations Statistics Division (UNSD), Millennium Indicator Database, (Online), Available: <http://millenniumindicators.un.org>; World Bank, The Little Green Data Book, Washington, D.C.: World Bank, Various years; World Health Organization (WHO), Western Pacific Region Health Databank (Online), Available: <http://wpro.who.int>; World Resources Institute (WRI), Earth Trends 2003 (Online), Available: <http://earthtrends.wri.org>.

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