

# ASIAN DEVELOPMENT BANK MEMBER FACT SHEET



## Federated States of Micronesia: Cumulative Lending, Grant, and Technical Assistance Commitments<sup>a, b, c</sup>

Sector	No.	Total Amount (\$ million) <sup>d</sup>	% <sup>d</sup>
Agriculture, Natural Resources, and Rural Development	9	10.20	8.46
Education	4	9.05	7.51
Energy	5	10.27	8.52
Finance	3	0.69	0.57
Industry and Trade	1	0.23	0.19
Multisector	3	9.21	7.64
Public Sector Management	27	48.03	39.87
Transport	2	1.25	1.04
Water and Other Urban Infrastructure and Services	7	31.57	26.21
<b>Total</b>	<b>61</b>	<b>120.49</b>	<b>100.00</b>

<sup>a</sup> Grants and technical assistance include ADB-administered cofinancing.

<sup>b</sup> Includes sovereign and nonsovereign loans and technical assistance.

<sup>c</sup> Using primary sector in reporting of commitments.

<sup>d</sup> Numbers may not sum precisely because of rounding.

ADB supports the Federated States of Micronesia's Action Plan 2023 by prioritizing investments in energy, water supply and sanitation, and basic education; and providing technical assistance that supports public administration reforms.

## FEDERATED STATES OF MICRONESIA

The economy of the Federated States of Micronesia (FSM) continued to grow in 2018, driven largely by the fishing industry, which has attracted substantial increases in domestic revenues from fishing licenses sold to foreign fleets.

The FSM's economy has otherwise been stagnant, and significant development challenges remain. Development partner support has focused on achieving medium-term fiscal sustainability to ensure that sufficient resources are available when grants from the Compact of Free Association with the United States (the Compact) expire in 2023. Investments are also being made to stimulate the FSM's private sector.

The Asian Development Bank (ADB) has been supporting the FSM since 1990 and has committed loans of \$83.5 million, grants of \$9.3 million,

and technical assistance projects worth \$27.7 million. In response to a request from the Government of the FSM, ADB officially reclassified the country to Group A (grant-only) status as of 2017, to maximize financial resources available for the country's long-term development.

Cumulative loan and grant disbursements to the FSM amount to \$73.8 million. These were financed by regular and concessional ordinary capital resources, and the Asian Development Fund.



## ADB-SUPPORTED PROJECTS AND PROGRAMS

### ADB's Pacific Approach, 2016–2020

serves as the country partnership strategy for the FSM. The approach focuses on a three-pronged strategy to help small island nations reduce costs, manage risks, and create economic value. The bank's development program in the FSM seeks to reduce costs by increasing the supply of renewable energy, manage risks by improving disaster risk financing and public financial management, and create value by delivering safe water and sanitation services and supporting private sector development.

With the FSM reclassified as a Group A country, ADB has identified several new pipeline projects for the country operations business plan, 2017–2019.

In March 2018, the bank approved a regional project to improve internet connectivity for the Micronesia subregion, covering the FSM, Kiribati, and Nauru. Cofinanced by the World Bank, this regional grant project will establish and operate a submarine cable system connecting the islands of Kosrae in the FSM, Tarawa in Kiribati, and Nauru to international internet links.

To help address the FSM's limitations in human resources management and staff development, ADB is supporting

government efforts to increase public sector management capacities. At the same time, loans to develop the private sector have supported the establishment of a secured transactions system, and the strengthening of institutional capacity for land administration and management. ADB has also helped expand access to financial and business development services for small and medium-sized enterprises in the FSM.

The Yap Renewable Energy Development Project, with two loans totaling \$9.04 million, has underpinned the development of the energy network on the island state of Yap. Completed on 31 December 2018, the project has reduced Yap's dependency on imported diesel fuel and improved energy efficiency on the supply side of the electricity grid. Project resources were also used to support capacity development of the Yap power utility and educate local communities.

The Improving Quality of Basic Education in the North Pacific Project, with \$13 million in grants from ADB and \$1.8 million from the Government of Australia, is raising the standard of primary education in the FSM by improving teacher training, broadening access to teaching and learning resources, and engaging parents and communities in education.

ADB is also devoting resources to public administration reforms at both the national and state levels within the FSM.

## NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments from ADB's own funds (in equity and direct loans) in 2018 amounted to \$3.14 billion for 32 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2018, ADB mobilized \$3.17 billion of long-term cofinancing and \$3.99 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB's own resources stood at \$12.7 billion as of 31 December 2018.

## COFINANCING

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

### Federated States of Micronesia: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2011	–	1
<b>Total</b>	–	<b>1</b>

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2018.

### Federated States of Micronesia: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2017–2018

No. of Ongoing Loans <sup>a</sup> (as of 31 Dec 2018)	4	
	2017 (\$ million)	2018 (\$ million)
Contract Awards <sup>b,c</sup>	–	–
Disbursements <sup>b</sup>	2.75	0.34
No. of Ongoing Grants <sup>a</sup> (as of 31 Dec 2018)	1	
	2017 (\$ million)	2018 (\$ million)
Contract Awards <sup>b,c</sup>	–	0.82
Disbursements <sup>b,d</sup>	–	0.14
Actual Problem Projects (%) (as of 31 Dec 2018)	–	

– = nil.

<sup>a</sup> Based on commitments.

<sup>b</sup> Includes closed loans/grants that had contract awards or disbursements during the year.

<sup>c</sup> Excludes policy-based lending/grants.

<sup>d</sup> Includes only Asian Development Fund and other ADB special funds.

### Federated States of Micronesia: Projects Cofinanced, 1 January 2014–31 December 2018

Cofinancing	No. of Projects	Amount (\$ million)
Project	1	1.80
Grant	1	1.80

### Federated States of Micronesia: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2017		2018		Cumulative (as of 31 Dec 2018)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	0.95	0.01	–	–	29.34	0.02
Consulting Services	–	–	0.16	0.02	1.02	0.01
<b>Total Procurement</b>	<b>0.95</b>	<b>0.01</b>	<b>0.16</b>	<b>0.00</b>	<b>30.36</b>	<b>0.02</b>

– = nil.

### Top 5 Contractors/Suppliers from the Federated States of Micronesia Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2014–31 December 2018

Contractor/Supplier	Sector	Contract Amount (\$ million)
College of Micronesia	EDU	0.950
Deloitte & Touche LLP	WUS	0.003
Others		0.088
<b>Total</b>		<b>1.041</b>

EDU = education, WUS = water and other urban infrastructure and services.

### Top 5 Consultants from the Federated States of Micronesia Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2014–31 December 2018

Consultant	Contract Amount (\$ million)
Individual Consultants	0.39
<b>Total</b>	<b>0.39</b>

and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's [Trade Finance Program](#) and [Supply Chain Finance Program](#).

ADB began cofinancing operations in the FSM in 1993. Since then, cumulative direct value-added official cofinancing commitments for the FSM have amounted to \$2.78 million for two investment projects and \$4.31 million for seven technical assistance projects.

A summary of projects with cofinancing from 1 January 2014 to 31 December 2018 is available at [www.adb.org/countries/micronesia/cofinancing](http://www.adb.org/countries/micronesia/cofinancing).

## PARTNERSHIPS

The FSM continues to build knowledge partnerships with its Pacific island neighbors. At the 2018 meeting of the Pacific Islands Forum Leaders, held in Nauru, an update on the declaration of regional security was signed, expanding the concept of security to include human security, humanitarian assistance, environmental security, and regional cooperation on disaster and climate change resilience.

## PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and

individuals from any ADB member, regional or nonregional.

## Share of ADB's Procurement Contracts

### Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$10.2 billion in 2017 and \$12.55 billion in 2018. Cumulative procurement since 1966 has been \$180.86 billion covering 215,461 contracts.

In the FSM, 114 contracts worth \$29.34 million have been awarded to contractors and suppliers since 1990.

### Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$746.79 million in 2017 and \$696.18 million in 2018. Cumulative procurement since 1966 has been \$12.7 billion covering 59,248 contracts.

In the FSM, 22 contracts worth \$1.02 million have been awarded to consultants since 1990.

## OPERATIONAL CHALLENGES

Challenges of geography are exacerbated by the FSM's governance structure as a federation of four island states, each with its own government, policies, and identity. These physical and administrative characteristics, combined with limitations in air and sea transport, can hamper coordination between the national government and the states, constraining reform efforts and impeding the effective use of development funding.

Meanwhile, the FSM's state governments are being increasingly constrained in the delivery of vital services because of the scheduled decrease in the Compact assistance.

The Government of the FSM has embarked on a process to foster greater collaboration in identifying and pursuing development priorities at both the national and state levels. This country-led initiative should be complemented by long-term support to strengthen public service delivery and core public sector management functions.

## FUTURE DIRECTIONS

Following the update of the FSM's Infrastructure Development Plan in 2015, the United States Joint Economic Management Committee continues to closely monitor the use of the Compact infrastructure grant. Effective use of this grant is essential to stimulate the country's growth in the short term.

The government's Action Plan 2023 provides a strategy to address the fiscal and economic challenges leading up to, and beyond, the expiration of the Compact grants. To achieve fiscal consolidation, the plan stresses the need to mobilize revenue by reforming the country's taxation system and strengthening tax administration. It also highlights the need for continued control of public expenditure.

ADB will continue to support the priorities in the action plan, investing in energy, water supply and sanitation, and basic education, and providing technical assistance that supports public administration reforms, particularly at the state level.





## CONTACTS

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Annual Report  
[www.adb.org/documents/series/adb-annual-reports](http://www.adb.org/documents/series/adb-annual-reports)

Asian Development Outlook  
[www.adb.org/publications/series/asian-development-outlook](http://www.adb.org/publications/series/asian-development-outlook)

ADB Data Library  
[data.adb.org](http://data.adb.org)

## ABOUT THE FEDERATED STATES OF MICRONESIA AND ADB

### ADB Membership

Joined 1990

### Shareholding and Voting Power

Number of shares held: 426 (0.004% of total shares)  
Votes: 40,123 (0.302% of total membership,  
0.464% of total regional membership)  
Overall capital subscription: \$5.92 million  
Paid-in capital subscription: \$0.29 million

**Tony McDonald** is the Director and **Scott Dawson** is the Alternate Director representing the Federated States of Micronesia on the ADB Board of Directors.

**James Lynch** is the ADB Country Director responsible for the Federated States of Micronesia, as well as Deputy Director General for the Pacific Department. The ADB Pacific Department provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The Pacific Department engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in the Federated States of Micronesia.

In 2018, ADB approved the establishment of a country office in the Federated States of Micronesia. The office strengthens the bank's presence in the country, working to enhance the relationship between ADB and the government, improve development partner coordination, and help build local capacity in the design and implementation of ADB-supported projects.

The Federated States of Micronesia government agency handling ADB affairs is the Department of Finance and Administration.

## ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 68 members, 49 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2018, lending volume was \$19.88 billion (126 projects), with technical assistance at \$241.20 million (280 projects) and grant-financed projects at \$1.42 billion (44 projects). In addition, \$14 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2014 to 31 December 2018, ADB's annual lending volume averaged \$15.99 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$583.95 million and \$184 million over the same period. As of 31 December 2018, the cumulative totals excluding cofinancing were \$275.82 billion in loans for 3,090 projects in 44 countries, \$9.38 billion in 374 grants, and \$4.52 billion in technical assistance grants, including regional technical assistance grants.

### Notes:

ADB welcomed Niue as its 68th member in March 2019.

ADB recognizes "Micronesia" as the Federated States of Micronesia.

Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars.

Data are updated as of 31 December 2018 unless otherwise indicated. Fact sheets are published annually in April.