

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Grants and official development assistance inflows in the Federated States of Micronesia (FSM) amount to almost 35% of the annual gross domestic product. The United States is the main source of grant assistance, through its Compact of Free Association with FSM.<sup>1</sup> The Asian Development Bank (ADB) and the World Bank are two of the primary multilateral partners providing concessional finance and technical assistance. Other development partners that are also active in the FSM include Australia (technical assistance for tax reform, environmental legislation and aid management), the European Union (assistance for affordable and clean energy), Japan (infrastructure and technical assistance), People’s Republic of China (mainly for infrastructure), and smaller amounts from other bilateral development partners. There is a United Nations Development Assistance Framework for FSM.

2. Table 1 provides an overview of major partner activities in health and public sector management.

**Table 1: Development Partner Assistance**

<b>A. COVID-19 Assistance</b>	
Japan	<ul style="list-style-type: none"> <li>• ¥382.0 million (approximately \$3.5 million) for the procurement of medical equipment</li> <li>• \$2.0 million support to UNICEF’s efforts in the Pacific (Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu) strengthening community engagement, provision of critical medical and water, sanitation and hygiene supplies, health care, education—including early childhood—and child protection services on the impact of COVID-19 on women and children.</li> <li>• Contribution to the APDRF, managed by ADB, for emergency financial assistance in response to COVID-19, such as overtime pay for frontline workers. FSM received \$1.5 million through the APDRF.</li> </ul>
People’s Republic of China	<ul style="list-style-type: none"> <li>• 10,000 medical face masks, 200 sets of protective clothing, and 1,000 pairs of medical gloves, in addition to a \$100,000 cash donation.</li> </ul>
The Pacific Community	<ul style="list-style-type: none"> <li>• Convenor of the Pacific Heads of Health meeting to coordinate support on infection prevention control, clinical services and ICU, laboratory, easing border restrictions, repatriation, and quarantine, in collaboration of the Joint Incident Management Team,</li> </ul>
The United Nations (UNICEF / UNRC / UNFPA)	<ul style="list-style-type: none"> <li>• Collaboration with governments and funding support from development partners (including ADB) on the procurement of COVID-19 test kits, swabs, personal protective equipment, and other essential supplies and equipment to Pacific member countries.</li> <li>• Establishment of the Pacific Humanitarian Pathway in mobilizing limited transportation and logistics across the Pacific, expediting customs clearance of medical supplies, and facilitating diplomatic clearances for chartered flights and commercial shipping</li> <li>• UN agencies and WHO are preparing a socioeconomic impact assessment of COVID-19 in the Pacific, with a view to informing interventions by UN agencies, governments, and development partners.</li> </ul>
The World Bank	<ul style="list-style-type: none"> <li>• \$2.5 million under the CERC of the Maritime Investment Project for immediate support on health sector preparedness and procurement of medical supplies.<sup>a</sup></li> </ul>
United States	<p><b>Health Sector and Economic Funding Support:</b></p> <ul style="list-style-type: none"> <li>• \$7.0 million prior year unexpended Compact sector grant funds for COVID-19 health sector needs</li> <li>• \$36.0 million temporary Pandemic Unemployment Assistance (Department of Labor)</li> <li>• \$7.7 million financial assistance under the US CARES Act</li> </ul> <p><b>COVID-19 Preparedness, Testing and Research Assistance</b></p>

<sup>1</sup> Under the terms of the original Compact, the US provided \$1.3–\$2.0 billion in grants and aid from 1986 to 2001. The United States (US) and FSM negotiated a second (amended) Compact agreement in 2002–2003 that took effect in 2004. The second Compact runs for a 20-year period to 2023; during which the US will provide roughly \$2.1 billion to the FSM for major public services, such as education, health, infrastructure, and a contribution to the Compact Trust Fund.

<b>A. COVID-19 Assistance</b>	
	<ul style="list-style-type: none"> <li>• The US CDC is collaborating with WHO colleagues and others in the region to help the FSM adapt and apply their existing national response plans for the current COVID-19 threat. CDC is providing TA and developing additional funding options to support established regional mechanisms for infectious disease response.</li> <li>• CDC's Hawaii's state public health laboratory and the Guam Public Health Laboratory are now available to serve the COVID-19 testing needs of FSM.</li> <li>• \$0.4 million supplemental funding package for COVID-related research and assistance from the US Department of Health and Human Services.</li> </ul>
WHO	<ul style="list-style-type: none"> <li>• Community-based planning of public health interventions to COVID-19. The WHO, UNICEF, Micronesian Red Cross, and local NGOs are supporting FSM in implementing a comprehensive COVID-19 Community Outreach Package, which aims to empower the communities to protect themselves from COVID-19.</li> <li>• Leads Joint Incident Management Team providing regional support for COVID-19, including training of laboratory technicians for local testing, provisioning of PPEs and essential supplies, and developing infection prevention control and contact tracing/ surveillance protocols.</li> <li>• Ongoing implementation of Country Cooperation Strategy 2018–2022, with focus on combating non communicable diseases, antimicrobial resistance, health emergencies and natural disaster preparedness, and controlling communicable diseases.<sup>b</sup></li> </ul>
<b>B. Public Sector Management</b>	
Australia	<ul style="list-style-type: none"> <li>• Aid Investment Plan: Sets out the strategic framework for the provision of official development assistance administered by the DFAT provided to the Government of FSM. It focuses predominately on bilateral assistance and includes Australian contributions to key Pacific regional organizations and initiatives that benefit FSM.</li> </ul>
European Union	<ul style="list-style-type: none"> <li>• The TA support develops PEFA for each of the four governments.</li> </ul>
IMF	<ul style="list-style-type: none"> <li>• Regional: Pacific Financial Technical Assistance Centre, Phase V (funded by ADB, Australia, New Zealand, European Union, and Republic of Korea).</li> <li>• The PFTAC of the IMF is providing TA and training in selected areas like the PEFA assessment and related PFM Roadmap for reform, revenue forecasting, tax compliance, tax audit, GDP calculation and medium-term budgeting.</li> </ul>
UNDP	<ul style="list-style-type: none"> <li>• Conducting an economic and social impact study of COVID-19 on FSM.</li> </ul>
United States	<ul style="list-style-type: none"> <li>• Compact of Free Association. Compact sector funds cover education, health, private sector development, capacity building in the public sector, environment, and public infrastructure.</li> <li>• The US Graduate School under contract from the USA Department of Interior annually allocates around 5 weeks of technical support to the national and state governments. It convenes a conference of finance executives twice a year. The content is driven by current and emerging issues in accounting and financial reporting.</li> </ul>
The World Bank	<ul style="list-style-type: none"> <li>• Strengthening Public Financial Management.<sup>c</sup> Procurement and implementation of a new FMIS and a new RMS to interface with the FMIS. The initial phase of the RMS will be to establish a tax register of business and issue tax identification.</li> </ul>

ADB = Asian Development Bank, APDRF = Asia Pacific Disaster Response Fund, CARES = Coronavirus Aid, Relief, and Economic Security, CDC = Centers for Disease Control, CERC = Contingency Emergency Response Component, COVID-19 = coronavirus disease, DFAT = Department of Foreign Affairs and Trade, FSM = Federated States of Micronesia, FMIS = Financial Management Information System, GDP = gross domestic product, IMF = International Monetary Fund, PEFA = public expenditure and financial accountability, PFM = Public Financial Management, PFTAC = Pacific Financial Technical Assistance Centre, RMS = revenue-management system, TA = Technical assistance, UNICEF = United Nations Children's Fund, UNDP = United Nations Development Programme, US = United States, USA = Unites States of America, WHO = World Health Organization.

<sup>a</sup> World Bank. 2019. [Federated States of Micronesia Maritime Investment Project](#). Washington, DC; and World Bank. 2020. [FSM Maritime Investment Project Additional Financing](#). Washington, DC.

<sup>b</sup> The World Bank. 2017. [WHO Country Cooperation Strategy 2018-2022: Pacific Island Countries and Areas](#). Washington, DC.

<sup>c</sup> The World Bank. 2018. [Project for Strengthening Public Financial Management](#). Washington, DC.

Source: Asian Development Bank.

## **B. Institutional Arrangements and Processes for Development Coordination**

3. In 2013, the Government of FSM established the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management, through its Division

of Overseas Development Assistance to help improve coordination of all external assistance activities in FSM. However, the office was restructured in 2019 by the government and all corresponding functions and responsibilities were redistributed across various government agencies. In practice, key counterparts for development partners remain fragmented across the Office of the President, the Department of Foreign Affairs, the Department of Finance and Administration, along with various sector agencies. The FSM has yet to adopt a medium-term framework for budget management for defining the fiscal envelope.

### **C. Achievements and Issues**

4. Based on the operational framework and strategic priorities outlined in the Pacific Approach, ADB is continuously expanding its field presence to ensure that it has staff based in all of the 11 small Pacific island countries (PIC-11), including in the FSM.<sup>2</sup> The Government of FSM and ADB signed a Host Country Agreement in 2019 to establish the FSM Pacific Country Office in 2020. Construction of the office is currently under negotiation for completion in 2021 albeit delays are anticipated as a result of the coronavirus disease (COVID-19) pandemic. This represents a further strengthening of ADB's in-country presence, which started with the recruitment of a national development coordination officer consultant and the opening of a small development coordination office in 2013. The FSM Pacific Country Office expands ADB's in-country presence in the country, enabling more responsive support through more regular and closer dialogue with the government, civil society, project beneficiaries, and other stakeholders. However, a comprehensive system or forum for development coordination is missing and is currently substituted for by meetings and consultations with bilateral and multilateral partners on an as-needed basis. ADB has drawn lessons from other similar programs in the design of Health Expenditure and Livelihoods Support Program for FSM.

### **D. Summary and Recommendations**

5. FSM stands to benefit significantly from stronger coordination and harmonization of development partner assistance programs. This will help promote more efficient use of resources by avoiding duplication of efforts, maximizing synergies, and ensuring a consistent and coherent development approach across investment projects, policy reform programs and technical assistance. In the near-term, development coordination can be strengthened by better planning and sequencing of TA among development partners, as well as through regular joint consultation meetings involving all major partners chaired by the government. Building on these coordination systems over time will allow development partners to contribute to FSM's sustained socioeconomic development and transition to the post-compact era through strategic, complementary, and well-coordinated interventions. Moreover, the FSM will continue to benefit from regional TA supporting public sector management, water and urban, private sector development, and institutional and capacity development. Other TA needs will be met by sector facilities.

6. In 2020, ADB will process two regional knowledge TA to assess: (i) tourism investment opportunities in the North Pacific; and (ii) the capacity of the North Pacific countries in responding to the COVID-19 pandemic on healthcare and government services, the pandemic's effects on the flow of external resources, remittances and outmigration, and potential mitigating actions for future pandemics. ADB and the Department of Health and Social Affairs are also exploring areas of support under an upcoming regional TA on gender outcomes for COVID-19 response and recovery.

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<sup>2</sup> ADB. 2016. *Pacific Approach, 2016–2020*. Manila.