

Country Development Cooperation Policy for the Federated States of Micronesia

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1 Objectives of Development Cooperation for the Federated States of Micronesia

- (1) The Federated States of Micronesia (FSM) is a Pacific island country located in a strategically important area of the Pacific in terms of national security. It faces development challenges arising from its territory being scattered over a vast area, having a small domestic market, and being geographically remote from international markets. The FSM has no major industries other than small-scale agriculture and fisheries and relies heavily on financial and administrative support from the Compact of Free Association (COFA) with the United States. Regarding its relationship with Japan, the two countries have a history of exchanges spanning more than 150 years, including during the period under the Japanese Mandate, and given that one in five of FSM citizens are of Japanese descent. Since the FSM gained independence in 1986 and established diplomatic relations with Japan in 1988, Japan has fostered strong bilateral relations with the FSM. The two countries have a mutually complementary relationship: over many years, Japanese fishing vessels have operated in the FSM's exclusive economic zone (EEZ), and the FSM has supported Japan's position in international fora.
- (2) Although infrastructure such as ports, airports, electricity, roads, and information and communication technology have been provided through Japan's development cooperation, many remote islands still lack the basic infrastructure essential for economic activity and residents' daily needs, such as water and electricity. Although telecommunication infrastructure, such as submarine cables, is expected to overcome the geographical barriers unique to island nations and play an important role in various fields, including the economy, disaster preparedness, education, and medical treatment, there is not yet enough development. Furthermore, the FSM's national policy emphasizes balanced development and the promotion of unity among the four states, and enhancing transportation and movement of people across the four states to strengthen connectivity and interdependence is of importance. Additionally, the outflow of population, primarily young individuals, has resulted in a shortage of government officials and engineers, leading to inadequate structures for government operations and infrastructure maintenance, making improvement an urgent task. Other major challenges include addressing the

increase in non-communicable diseases (NCDs) due to dietary changes and improving medical infrastructure, improving educational functions in the long term, and promoting sustainable fisheries. Overcoming these vulnerabilities is essential for the FSM's social and economic development. For a country formed by approximately 600 islands and atolls, responding to climate change, such as sea level rise, droughts, and storm surges, is an urgent issue. Additionally, solid waste management to cope with an increase in solid waste resulting from lifestyle changes and large-scale imports of goods is crucial for maintaining and improving the surrounding environment and public health.

- (3) Under these circumstances, the FSM Government has adopted the “Strategic Development Plan (2024–2043),” which sets out nine priority areas for development including education and human capital, health and welfare, and environmental sustainability and climate change, and is working on infrastructure development and the implementation of renewable energy.
- (4) As the activities of other countries and international organizations become more active, Japan's cooperation in addressing the country's development challenges will help to ensure stability, strengthen bilateral relations, and contribute to the realization of a “Free and Open Indo-Pacific (FOIP).” Ongoing support through frameworks such as Japan's Pacific Islands Leaders Meeting (PALM) to boost self-sufficient and sustainable development, and continued assistance to strengthen bilateral relations between Japan and the FSM is important.

2 Overall Direction of Japanese ODA for the Federated States of Micronesia (Major Goals):

Achieving self-sufficient and sustainable economic growth in consideration of the environment to improve citizens' living standards

In line with Japan's policy as set out in the Development Cooperation Framework and through PALM, Japan will support FSM Government initiatives based on the National Strategic Development Plan while also supporting efforts to overcome vulnerabilities, such as improving economic infrastructure and basic social services, as well as environmental conservation and climate change mitigation and adaptation, in order to promote self-sufficient and sustainable development.

3 Priority Areas (Medium-Term Goals)

(1) Overcoming vulnerabilities

To strengthen the foundation for economic growth, the focus will be on developing infrastructure that enhances connectivity in terms of information and communications technology, ports, and shipping to support efforts aimed at economic growth, thereby strengthening a self-reliant financial base. Additionally, assistance will focus on strengthening governance to improve administrative capabilities, provide medical support including measures against lifestyle-related diseases, support education and human resource development from elementary and secondary level education to vocational education, and support industries centered around primary industries. Furthermore, recognizing the importance of the ocean for island nations in social, economic, and cultural terms, and noting SDG 14: “Conserve and sustainably utilize the oceans and marine resources for sustainable development,” Japan will support the concept of free, open, and sustainable oceans, including the strengthening of maritime security capabilities.

(2) Environment and Climate Change

Leveraging Japan's strengths, Japan will focus on supporting environmental conservation by properly handling waste, which also contributes to measures against marine plastic pollution and improving the surrounding environment and public health. Japan will also support the effective implementation of renewable energy, drought mitigation, climate change mitigation and adaptation, and disaster countermeasures.

4 Points to be considered

- (1) Japan actively exchanges views with other donor countries and organizations, such as with the United States and Australia, as well as with international organizations, to avoid aid fragmentation and strive to implement effective and efficient aid that creates synergies.
- (2) When providing development cooperation to the FSM, it is necessary to balance development opportunities amongst states while considering the unique challenges each state faces and enhancing connectivity among states.

Annex: Rolling Plan