Country Assistance Policy for the Federated States of Micronesia

As of December, 2012

1. Relevance of Assistance

The FSM has some difficulties of development caused by the scattering of the islands over the wide ocean, the smallness of its national market and remoteness from international market.

While the FSM relies on the Compact funds, which consists of almost the half of the governmental revenue, it will be terminated in 2023. In such situation, the FSM is facing challenges of efficiency in government expenditure, tax reforming and industrial development for achieving an independent financial administration. On the other hand, there are no leading industries except small scale agriculture and fisheries as revenue sources. Most of the FSM's National income of the FSM is being sent out overseas due to the high level of importation. This ends up in a bottleneck of the national industry and job development.

Although Japan and the other donors have assisted to improve infrastructures such as seaport and power supply, basic infrastructures for economic activities and usual lives of residents have not yet been established enough. Counter-measures for Non-Communicable Diseases (NCDs) are needed because numbers of cases of NCDs such as diabetes have increased drastically in the recent years. The increasing amount of solid wastes caused by life style change and importing huge amounts of materials are not being treated adequately, therefore creating a bad effect for marginal environment and public sanitation. To overcome such vulnerabilities it is vital to realize the social and economic developments for the FSM.

Japan had administrated the FSM before World War II under the mandate of the League of Nations, so We have a deep historical relationship. Additionally, these two countries also have a deep relationship in the fisheries sector because Japanese fishing vessels are fishing in the FSM EEZ under the fishing agreement between both countries. We are maintaining a good relationship and the FSM supports position of Japan in the international community. However, it is pointed out that the presence of Japan weakened relatively when new donors strengthened their stance to the FSM in the recent years. Continuous assistance is important for Japan in encouraging the independence and continuous development of the FSM, and strengthening mutual relationship.

2. Basic Policy of Assistance: <u>Continuous economic development and</u> <u>improvement of living standards considering environmental impact</u> Japan will assist the FSM based on its Strategic Development Plan of the FSM and the ODA policy adopted by the Pacific Islands Leaders Meetings which is held every 3 years since 1997, to overcome vulnerabilities through strengthening economic infrastructures, and to improve of basic social services as well as environmental protection and reduction of the impact of climate change.

3. Priority Areas

(1) <u>Overcoming vulnerability</u>

Japan prioritizes to assist in infrastructures mainly in maritime affairs which is one of the most important sectors for encouraging economic growth. Japan will also assist in the fight against Non-Communicable Disease like lifestyle disease, extermination of Filariasis by 2020, improvement of basic academic skills in science and mathematics and vitalization of industries mainly in the agriculture and fisheries sector.

(2) Environment / Climate Change

Japan prioritizes to assist in environmental protection such as improvement of marginal environment and public sanitation through the appropriate treatment of wastes. Japan will also assist in the provision for Climate Change and response to natural disasters.

4. Points to be considered

- (1) Assistance will be executed along with the Prioritized Area of Okinawa 'Kizuna' Declaration - "Response to Natural Disasters" leveraged experience of Great East Japan Earthquake, "Environment and Climate Change", "Sustainable Development and Human Security", "People-to-People Exchanges", "Maritime Issues" - adopted by Pacific Islands Leaders Meeting which was held in July, 2012.
- (2) Japan will consider the assistance that is leveraged with the knowledge of Okinawa, a region that has many common challenges with Pacific Islands Nations such as waste management and water treatment.
- (3) Assistance considering the current situation of the FSM –(facing many problems regarding geographical conditions such as scattering, smallness and remoteness)- will be executed.
- (4) Japan will exchange opinions and information regarding ODA for preventing duplications and for making synergy effect with donors such as USA and Australia and make efforts for an effective and efficient assistance.

Annex: Rolling Plan for the Federated States of Micronesia

Annex of Country Assistance Policy

Rolling Plan for the Federated States of Micronesia

As of December, 2

Basic Policy of Assistance	Continuous economic development and ir	mprovement of living standards considering environment	impact
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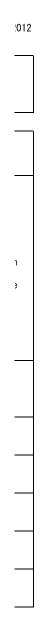
Priority Areas	Overcoming v	rulnerability										
	[Background] Basic Infrastructu electric power sys- infrastructure devinfrastructure. For breakdown of the p excluding the one The FSM, depending local industries development of in the promotion of strengthened to in services.	management skills of government officials, especially in the field of transportation, communications and construction. Japan also supports the FSM's industry development especially in fisheries and tourism sectors through aquacultural and/or breeding skills development for high value fishes, guidance for fishing skill and capacity development of Visitors Bureau along with infrastructure development targeting the economic independance of the FSM.										
	Program	Program Summary	Project	Scheme	Schedule					Assistance Amount	No. 1	
				Scheme	Before FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	(100 Million Yen)	Note
	Program for Economic Infrastructure Development and	Japan considers assistance to develop infrastructure through the Grant Aid. Along with the assistance, Japan provides training for technical staffs and capacity development support for infrastructure management and maintenance by dispatching volunteers to public works and so on.	The Project for Improvement of Pohnpei International Airport	GA		-					29. 13	
[Development Issue]			Volunteers for Economic Infrastructure Development and Improvement of Management and Maintenance (1 volunteer)	JOCV/SV								
Strengthening infrastructure for economic			Training Courses for Infrastructure Development, Management and Maintenance (2 courses)	TR								
growth			Weno Water Supply Well Remediation	ML	•						US\$980, 000	ADB-JFPR
			Workshop for Islands Nations	ML	•							Asia-Pacific Telecommunity

	Program for Industrial	technical support through dispatching volunteers and	GHGA for Industrial Promotion (3 projects)	GHGA								
		training programs. For the tourism industry, Japan supports strategic development of tourism through technical support such as volunteers and regional training programs for the Visitors Bureau.	Volunteers for Industrial Promotion (11 volunteers)	JOCV/SV								
	Promotion		Training Courses for Industrial Promotion (3 courses)	TR			-				0. 20	
			International Cooperation for Fisheries Promotion	MAFF-TA								Dispatching Specialists, Donating Mater and Training
	and economic situa the FSM, project b poses problems fou federal governemen Upon the Amended (ation at the macro level and the a pased social and economic developm the project operations because o nt. Compact with the U.S., the nationa	e state level based on the accurate grasp of social analysis of the data due to the limited statistics in ment has been implemented. Federal system sometimes of the limited communication among the states and the al and state governments need to develop consistent design and implementation and monitoring systems.	[Japan's Assis Japan assists management, pr through traini	capacit oject o	y develo peration						
							Sche	dule			Assistance	
[Development Issue]	Program	Program Summary	Project	Scheme	Before FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Amount (100 Million Yen)	Note
Enhancement of Governance	Enhancement of	assists both national and state governments to strategically formulate macro development plans	Volunteers for Enhancement of Governance (1 volunteer)	JOCV/SV								
	Governance	and thereby supports the establishment of development planning mechanism both at macro and micro levels.	Training Courses for Enhancement of Governance (3 courses)	TR								

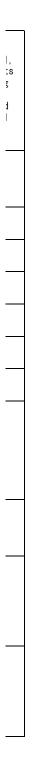
	There is lack of medical equipments and medicines, and also insufficient human resources that can maintain and manage the medical equipments and medicines. Secure medical equipments and medicines, and capacity building in these areas are urgently needed. In addition, since there is a rapid increase in the number of people who suffer from lifestyle-related diseases like diabetes and heart diseases, some measures to tackle these problems through improved eating habits and regular exercises are needed. as st					at the state levels and NGOs. Japan also provides medical equipments and conduc									
						-	Sch	-	Assistance Amount						
[Development Issue]	Program	Program Summary	Project	Scheme	Before FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	(100 Million Yen)	Note			
Improvement of Health and		Training program is implemented at the national level. Volunteers are dispatched to the state	GHGA for Promote Local Populations' Health	GHGA							0. 10				
Medical Services		governments and NGOs to coach for managing medical equipments and medicines and to provide training	System Improvement of Expanded Programme on Immunization in the Pacific Region (J-PIPSII)	TCP				-							
	Improvemnet program of Health and Medical	programs on the prevention of lifestyle-related diseases.	Project for Elimination of Lymphatic Filariasis (PacELF)	EQ											
	Program for Islands Area		Volunteers for Islands Area Health and Medical (1 volunteers)	JOCV/SV											
			Training Courses for Islands Area Health and Medical (2 courses)	TR											
			Conference for Health care and emargency communication for outer islands	ML		•						Asia-Pacific Telecommunity			
	is high. The poor dropout students. often lack in tead	results of mathematics are espec It is necessary to improve teach ching skills and specialized skil	c results are remarkable although the enrollment rate ially remarkable and therefore, there are a lot of ers' quality to improve education in the FSM. Teachers ls, and development of effective teaching materials aining system and teachers' quality difficult to be	[Japan's Assis Under the Japa assistance in FSM through te schemes along national educa	n's new the ele achers' with ed	educati mentary capacit ucationa	and sec y deve	condary lopment	educati by disp	on quali atching	ty improven volunteers	nent in the and other			
	Program	Program Summary	Project	Scheme			Sch	edule	1	1	Assistance Amount	Note			
[Development Issue]			110,000		Before FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	(100 Million Yen)				
Strengthening of Education		s Area Support	Volunteers for Remote and Islands Area Education Support (12 volunteers)	JOCV/SV											
			pport	Training Courses for Remote and Islands Area Education Support (3 courses)	TR										

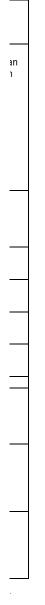
Priority Areas	Environment/	Climate Change										
	[Background] Although the diver management systems garbage generated completed under th (landfill) are pla	[Japan's Assistance Policy] Japan has provided assistance through dispatching volunteers and Grassroots Hu Security Grant Aids for nature protection, water resource management, populati and environment while it has also assisted advocacy programs for environmental education in schools. Japan provides continuous assistance on environmental education and enlightmen action through environment division of national, state, and environmental NGOs Japan also provides continuous assistance for waste management in line with regional strategy of SPREP through cooperation among Grassroots Human Security Grant Aids, dispatching volunteers and regional technical cooperation program schemes.										
[Development Issue]			Project Sch				Sche	edule			Assistance	Note
Environmental Protection	Program	Program Summary		Scheme	Before FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Amount (100 Million Yen)	
	Program for achieving recycle- based Society in the islands	volunteers and training programs.	GHGA for Waste Management(2 projects)	GHGA							0. 20	
			Project for Promotion of Regional Initiative on Solid Waste Management (J-PRISM)	TCP								
			Volunteers for Waste Management(5 volunteers)	JOCV/SV								
			Training Courses for Waste Management(2 courses)	TR								
	[Background]	[Japan's Assistance Policy]										
		Japan assists to prevail solar power generation system in the perspective of promoting the introduction of renewable energy, and strengthen the capacity to respond to natural disasters. rogram	Project		Schedu I e						Assistance Amount	
	Program			Scheme	Before FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	(100 Million	Note
[Development Issue] Countermeasure for Climate Change	Clean Energy Introduction Promotion Program		Project for Introduction of Clean Energy by Solar Electricity Generation System	GA								
			Training Courses for climate change(1 course)	TR								

Legend: [PS] = Preparatory Survey, [DD] = Detailed Design by TARTOL, [TCP] = Technical Cooperation Project, [TCDP] = Technical Cooperation for Development Planning (and Development Study), [EXP] = Expert, [EQ] = Equipment, [CTR] = Country-focused Training, [TR] = Issue-based Training / Training Program for Young Leaders, [JOCV] = Japan Overseas Cooperation Volunteers, [SV] = Senior Volunteers, [TEXP] = Third-country Expert, [TTR] = Third-country Training, [STC] = Science and Technology Cooperation on Global Issues, [JPP] = JICAPartnership Program, [xx-TA] = Technical Assistance implemented by organizations other than MOFA and JICA, <math>[GA] = Grant Aid (other than specific grant aid schemes listed below), [NPGA] = Non-Project Grant Aid, [GHGA] = Grassroots Human Security Grant Aid, [GGGA] = Grassroots Cultural Grant Aid, [LA] = Loan Aid (ODA Loan), [ML] = Multilateral Cooperation, [TARTOL] = Technical Assistance Related To ODA Loan, Solid Line [------] = Tentative Schedule









Aid