



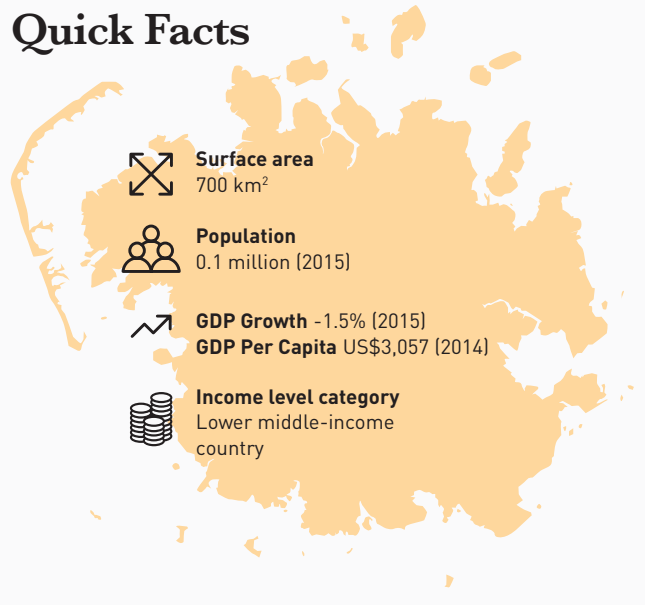
## 1. Country Context

With four member states, the Federated States of Micronesia is an island nation associated with the United States of America. The country is spread over more than 2.6 million km<sup>2</sup> of ocean. Its lower middle-income economy is primarily driven by fishery and the sale of fishing licenses. Following a three-year recession, Micronesia returned to growth in 2015, based on very strong growth in Pohnpei State.

The 104,460 Micronesian citizens (2015) enjoy a medium human development, as Micronesia is ranked 123rd in the 2015 Human Development Index. However, almost a third of the population is living in hardship.

Main development partners reported to the 2015 Monitoring Round include the United States (66%, as general budget support under the existing Compact), World Bank (10%), Japan (8%), China (8%), Asian Development Bank (5%) and the EU (3%).

### Quick Facts



### Domains Where Country Systems Have Been Strengthened

	2009	2014
Budget Support		
PEFA Assessment		
PFM Roadmap		
Aid/Dev. Co-op. Policy		
Dialogue with Partners		
Peer Reviews		
Medium-Term Plans		

### Key Development Challenges

Micronesia has made mixed progress toward achieving the Millennium Development Goals and is still facing many challenges in securing access to education, health, water, sanitation and other basic services. The economy is highly dependent on development finance and the islands are extremely vulnerable to natural disasters. In the future, sustainable development will depend on diversifying the economy with a strong focus on private sector development, while also ensuring the right mix of development finance, including climate finance and domestic resources, in order to invest in the necessary physical and human capacities.

### Key Development Indices:



National Poverty Index  
31.4% of pop.  
(2014)

ODA per Capita US\$1,116 (2014)



1 188 Human Development Index (2014)  
(Best rank: Position 1)

1 189 Doing Business Rank (2015)  
(Best rank: Position 1)

+2.5 -2.5 Anti-corruption Index: +0.8 (2014)  
(Highest anti-corruption: +2.5)

## 2. Efforts to Implement the Effectiveness Principles

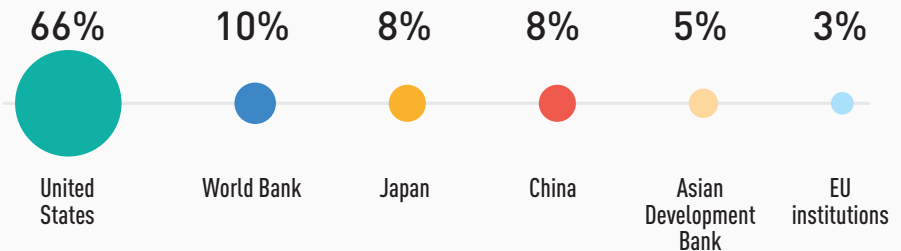
### A. Policies and Tools for Partners' Alignment

Development efforts in the Federated States of Micronesia are framed by the long-term Strategic Development Plan 2003-2023, which focuses on 'Achieving Economic Growth & Self-Reliance' and includes sector planning matrixes for eight priority areas. These have been

further operationalized in sector plans for health, education, infrastructure, agriculture, trade and investment as well as tourism. There is no shared monitoring and evaluation framework, as each of the states follows up on its own medium-term plans, which, in most cases, are

still pending. The localization of the Sustainable Development Goals (SDGs) is an emerging agenda for the Government of Micronesia and the respective states, but has not yet been translated into specific plans.

#### Major Development Partners of this Round (by Reported Disbursements)



**Participation in 2014 Monitoring**



**Existence of a National Co-operation Policy**

### B. Governance and Management of Development Finance and Co-operation

There are seven major partners operating in the Micronesia, with the largest being the United States through the Compact of Free Association, as amended, and federal grants. The governance of development co-operation for the bilateral programme of the Compact, as agreed with the United States, is implemented by a Joint Economic Management Committee (JEMCO). The Compact entails that most of official development finance is channelled through general and sector budget support, and progress is reviewed every six months. Preparing the framework for a broader partner portfolio, the government launched in July 2013 a Policy for Overseas Development Assistance (ODA), based on the principles of the Global Partnership for Effective Development Co-operation. The Micronesia contributed to the 2014

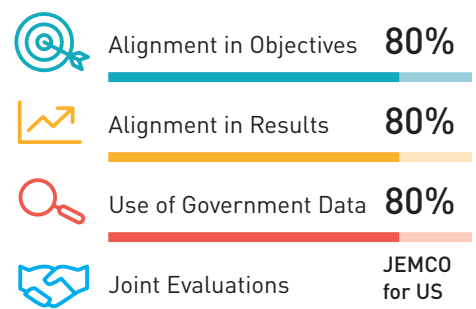
monitoring round and has been involved in the peer review and mutual learning mechanism under the umbrella of the Pacific Islands Forum Secretariat. Institutionally, development co-operation is housed at the Office of the President, under the Overseas Development Assistance (ODA) Division, which, apart from being the focal point for all development assistance, serves as the main macroeconomic and fiscal arm to the President of the Micronesia. The ODA Division captures all development finance flowing into the country and is also in charge of national development planning. So far, there is no detailed analysis of the development finance portfolio, but, given the very compact set-up, the Micronesia might be able to conduct strategic assessments in the future.

## 3. Country Ownership

### Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

All development co-operation under the Compact of Free Association with the United States is fully aligned to a country-led results framework, as it is provided as general budget support. In addition, the National Strategic Development Plan

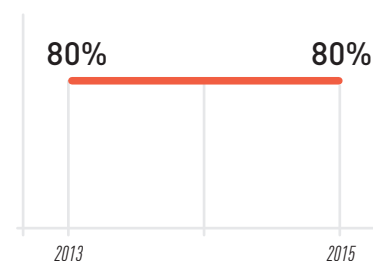
2003-2023 covers the full period of the current Compact and is being used as the main results framework for all sectors benefiting from Compact allocations outlined in the corresponding inter-governmental agreement.



## Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

As the Compact is general budget support, official development finance on budget is subject to 100% scrutiny by congress or the state legislature. All other grants require acceptance through congress resolution.

Percentage on Budget



## Indicators 9 and 10. Use of Country Systems

For all Compact and federal grants, country systems are used. For multilateral and other bilateral partners, a mixture of country systems and partner systems are used.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	80% ▲	80% ▲	80% ▲	80% ▲		
INDICATORS 9A & 10.					2.5 ▶	97% ▲

\* Country Policy and Institutional Assessment

## 4. Inclusive Partnerships for Development

### Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Inclusive partnerships are a priority for the government in line with the long-term Strategic Development Plan (2003-2023), which calls for a strong role for civil society organizations (CSOs), particularly in rural areas, and reiterates the potential of national business to drive sustainable development, particularly in the framework of the Compact of Association with the United States. CSOs are organized in the Federated States of Micronesia Association of NGOs (FANGO),

which also serves as the liaison to the Pacific Islands of Non-Government Organisations (PIANGO). Churches and faith-based organizations are vital partners in supporting local communities and occasionally in providing local services on behalf of the state, e.g., in agriculture, education and health. Mechanisms for consultations and coordination are led by the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact

Management and spread across all four states. In the future, inclusive partnerships might further flourish, as state-level development planning is being updated, potentially in line with the SDGs. Apart from ensuring implementation roles and responsibilities, the oversight function of CSOs might also become a significant contribution to Micronesia's sustainable development and effective co-operation, especially in light of a future diversification of the partner landscape.

### Indicator 8. Gender Empowerment

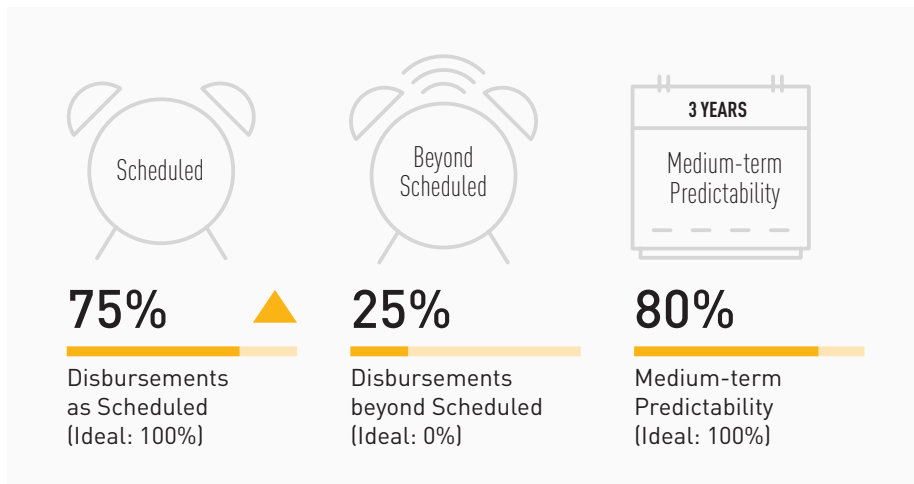
The government has not yet established a budgeting system to track allocations for gender equality and women's empowerment. Though gender-specific indicators and sex-disaggregated data are

available, they are not formally used to inform budget allocation decisions at the different sectoral and local levels.

## 5. Transparency and Accountability

### Indicator 5. Development Co-operation is More Predictable

Annual predictability is high, as 75% of development co-operation is disbursed as scheduled. There have been issues with infrastructure disbursements, while operational budget support is 100% disbursed on time. On medium-term predictability, multilateral partners work on three-year programmes. The United States Compact is mapped out to 2023, but bilateral resources are not always linked to a medium-term programme.



### Indicator 7. Mutual Accountability

At this stage, Micronesia only uses the JEMCO to agree, review and assess the Compact funding by the United States

and sector-level outcomes and results on the government end. The ODA policy launched in 2013 is currently being

operationalized, but might become a vital reference for new and ongoing partnerships in the future.

## National Priorities Going Forward

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In late 2015, national and state ODA offices began identifying priorities. This led to the identification of six nationwide priorities and two priorities specific to each state. By late January 2016, the state-specific priorities were endorsed by each state's legislature. The six nationwide priorities were delayed until the Micronesian Government cabinet endorsed them in May 2016. The nationwide priorities were then transmitted to the Micronesian Congress for ratification and were endorsed in July 2016. The process is currently stalled in the Micronesian Congress, but the Congress is expected to ratify and endorse the nationwide ODA priorities by November 2016.

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Government of Micronesia

Footnote: Any discrepancies between information in this profile vs. information that has been reported are due to adjustments that were made after conclusion of the monitoring round.

**Disclaimer** This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for the Country Context, other open source information available online. The views presented cannot be used or cited as an official UNDP source of information.

For ease of reference, the term 'country' is used to refer to developing countries and territories that reported to the Second Monitoring Round. Participation in this process and mention of any participant in this document is without prejudice to the status or international recognition of a given country or territory.