

# 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: Continuous economic development and improvement of living standards considering environmental impact

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) Overcoming vulnerability

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