

ASIAN DEVELOPMENT BANK MEMBER FACT SHEET

Federated States of Micronesia: 2020 Loans, Grants, Equity Investments, Technical Assistance, and Trade and Supply Chain Finance and Microfinance Program Commitments (\$ million)^a

Product Type	Sovereign	Nonsovereign	Total
Grants	34.26	–	34.26
Technical Assistance ^b	3.94	0.15	4.09
Total	38.20	0.15	38.35

– = nil, DMC = developing member country, TA = technical assistance.

Notes:

Commitment is the financing approved by ADB's Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.

Grants and TA include ADB-administered cofinancing.

^a Numbers may not sum precisely because of rounding.

^b Financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

Federated States of Micronesia: Cumulative Loans, Grants, Equity Investments, Technical Assistance, and Trade and Supply Chain Finance and Microfinance Program Commitments^{a, b, c, d}

Sector	No.	Total Amount (\$ million) ^a	% of Total Amount ^c	COVID-19 Response (\$ million) ^e
Agriculture, Natural Resources, and Rural Development	9	10.20	5.52	–
Education	4	9.05	4.89	–
Energy	6	25.36	13.72	–
Finance	3	0.97	0.53	–
Health	2	2.24	1.21	2.24
Industry and Trade	1	0.37	0.20	–
Information and Communication Technology	–	0.08	0.05	–
Multisector	3	9.60	5.20	–
Public Sector Management	30	75.33	40.76	20.48
Transport	2	1.53	0.83	–
Water and Other Urban Infrastructure and Services	9	50.10	27.11	0.35
Total	69	184.84	100.00	23.07

– = nil, COVID-19 = coronavirus disease, DMC = developing member country, TA = technical assistance.

^a Grants and TA include ADB-administered cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Using primary sector in reporting of commitments.

^d Financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

^e Numbers may not sum precisely because of rounding.

ADB will continue to support the government's priorities in energy, water supply and sanitation, and basic education, and provide technical assistance for public administration reforms, particularly at the state level.

FEDERATED STATES OF MICRONESIA

The Federated States of Micronesia (FSM) comprises four states—Chuuk, Kosrae, Pohnpei, and Yap—spread across 607 islands in the Northwest Pacific. As a small island developing state, the FSM experiences heightened barriers to growth due to its geographic isolation, small population and capacity constraints, and exposure to natural hazards. In 2020, the FSM's economy was significantly impacted by border closures imposed in response to the coronavirus disease (COVID-19) pandemic.

The FSM joined the Asian Development Bank (ADB) in 1990. ADB's programing in the country seeks to reduce costs by increasing the supply of renewable energy; manage risks by improving disaster risk financing and public financial management; and create value by delivering safe water and sanitation services, strengthening human capacity, and supporting private sector development.

Since 1990, ADB has committed loans of \$83.5 million, grants of \$66.8 million, technical assistance projects worth \$26.6 million, and ADB-administered cofinancing of \$8 million for the FSM. Cumulative loan and grant disbursements to the FSM amount to \$96.3 million. These were financed by regular and concessional ordinary capital resources, and the Asian Development Fund.

ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB's [Pacific Approach, 2016–2020](#) serves as the country partnership strategy for the FSM. The approach focuses on a three-pronged strategy to



help small island nations reduce costs, manage risks, and create economic value. Accordingly, ADB is helping the FSM respond to the immediate shocks brought on by COVID-19, while building the governance and infrastructure fundamentals needed to support lasting growth as the pandemic subsides.

In 2020, ADB committed \$21.5 million in grant assistance to support the FSM's response to COVID-19. This comprised \$14 million from ADB's [COVID-19 Pandemic Response Option](#), \$6 million from its Pacific Disaster Resilience Program, and \$1.5 million from the [COVID-19 Emergency Response](#). These resources will help the FSM mitigate the economic and fiscal downturn caused by the pandemic.

In addition to COVID-19 response efforts, ADB is helping the FSM improve core public services and governance functions, while creating new opportunities for inclusive economic growth. Recognizing the need for capacity support in tandem with physical infrastructure, ADB's assistance in the FSM targets improved utility and public sector performance alongside infrastructure works.

The [Chuuk Water Supply and Sanitation Project](#), committed in December 2020, will deliver \$12.8 million to enhance water and sanitation services in the state. It will improve physical sewerage and water supply assets, while helping the public utility strengthen management practices and improve its commercial

performance. The project's focus on water and sanitation will create parallel benefits in the health sector by improving community awareness of good sanitation and hygiene practices to prevent disease.

Similarly, the FSM [Renewable Energy Development Project](#) is helping install new renewable power generation assets on Kosrae and Yap, while supporting the Pohnpei Utility Corporation to implement reforms that will improve service quality and commercial performance. The combination of investment in physical assets and support for public sector management will strengthen the FSM's overall fuel security, reduce its energy costs, and enhance the resilience of its energy sector to climatic and economic shocks.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments in loans and equity investments from ADB's own funds in 2020 amounted to \$1.4 billion for 38 transactions in economic and social infrastructure, finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2020, ADB mobilized \$1.9 billion of long-term project cofinancing and \$3.3 billion of cofinancing through its [Trade and Supply Chain Finance Program](#) and [Microfinance Program](#).

Total outstanding balances and commitments of nonsovereign transactions funded by ADB's own resources stood at \$14.3 billion as of 31 December 2020.

PARTNERSHIPS

ADB coordinates assistance with all major development partners in the FSM, and cofinances both projects and technical assistance to deliver more transformative impacts. ADB's major bilateral partners in the FSM include the governments of Australia, Japan, the People's Republic of China, and the United States. Key multilateral partners include the European Union and the World Bank.

The Pacific Private Sector Development Initiative, cofinanced by the governments of Australia and New Zealand, is a key vehicle for helping strengthen the business enabling environment in the FSM. ADB also supports the FSM through the [Pacific Region Infrastructure Facility](#), which provides technical advice on infrastructure development and sustainable infrastructure management and works to enhance the coordination of development partner investments in the Pacific.

FINANCING PARTNERSHIPS

[Financing partnerships](#) enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing

Federated States of Micronesia: Evaluation Results for Sovereign and Nonsovereign Operations, 2011–2020

	Total Number of Validated and Evaluated Projects and Programs	Evaluation Ratings		
		Highly successful and successful	Less than successful	Unsuccessful
Sovereign Operations	2	–	2	–
Nonsovereign Operations	–	–	–	–

– = nil, IED = [Independent Evaluation Department](#).

Note: The figures indicate the number of sovereign and nonsovereign operations in the country that have been validated or evaluated by the IED and their overall performance ratings. The coverage consists of all validated or evaluated project completion reports and extended annual review reports circulated by ADB within the 10-year period from 1 July 2010 to 30 June 2020. See [evaluations](#) related to Federated States of Micronesia.

Source: IED success rate database (as of 31 December 2020).

Federated States of Micronesia: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2019–2020

	2019 (\$ million)		2020 (\$ million)	
	2019 (\$ million)	2020 (\$ million)	2019 (\$ million)	2020 (\$ million)
No. of Ongoing Loans ^a (as of 31 Dec 2020)			2	
Contract Awards ^{b,c}	0.02	0.07		
Disbursements ^b	0.28	–		
No. of Ongoing Grants ^{a,d} (as of 31 Dec 2020)			8	
Contract Awards ^{b,c,d}	0.61	3.26		
Disbursements ^{b,d}	0.20	21.99		
At Risk Projects (%) (as of 31 Dec 2020)			33	

– = nil.

^a Based on commitments.

^b Includes closed loans/grants that had contract awards or disbursements during the year.

^c Excludes policy-based, and financial intermediation/credit loans and grants.

^d Includes only Asian Development Fund and other ADB special funds.

Federated States of Micronesia: Projects Cofinanced, 1 January 2016–31 December 2020

Cofinancing	No. of Projects	Amount (\$ million)
Sovereign	1	1.80
Grant	1	1.80

Federated States of Micronesia: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2019		2020		Cumulative (as of 31 Dec 2020)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	0.02	0.00	20.00	0.09	49.35	0.02
Consulting Services	0.16	0.02	0.41	0.06	1.44	0.01
Total Procurement	0.19	0.00	20.42	0.09	50.79	0.02

- = nil.

Top 5 Contractors/Suppliers from the Federated States of Micronesia Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2016–31 December 2020

Contractor/Supplier	Sector	Contract Amount (\$ million)
College of Micronesia	EDU	0.95
Island Research & Education Initiative	EDU	0.02
Others		20.00
Total		20.98

EDU = education.

Top 5 Consultants from the Federated States of Micronesia Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2016–31 December 2020

Consultant	Sector	Contract Amount (\$ million)
Ramp & Mida Professional Corporation	WUS	0.04
Deloitte & Touche LLP	WUS	0.02
Individual Consultants		0.75
Total		0.81

WUS = water and other urban infrastructure and services.

ADB projects. The additional funds are provided in the form of loans and grants, technical assistance, and other nonsovereign cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade and Supply Chain Finance Program and Microfinance Program.

ADB began cofinancing operations in the FSM in 1992. Since then, sovereign cofinancing commitments for the FSM have amounted to \$2.78 million for two investment projects and \$4.31 million for seven technical assistance projects.

A summary of projects with cofinancing from 1 January 2016 to 31 December 2020 is available at www.adb.org/countries/micronesia/cofinancing.

PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from all ADB members.

Share of ADB's Procurement Contracts

Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant

operations totaled \$14.19 billion in 2019 and \$22.79 billion in 2020. Cumulative procurement since 1966 has been \$216.35 billion covering 222,415 contracts.

For contractors and suppliers from the FSM, 118 contracts worth \$49.35 million have been awarded since 1990.

Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$756.72 million in 2019 and \$732.11 million in 2020. Cumulative procurement since 1966 has been \$14.13 billion covering 67,086 contracts.

For consultants from the FSM, 39 contracts worth \$1.44 million have been awarded since 1990.

OPERATIONAL CHALLENGES

The FSM experiences both physical and governance constraints that affect the implementation of ADB development plans and projects.

As a federation, each state enjoys considerable autonomy, with responsibility for public services devolved from the central government. This structure can hamper coordination and the efficiency of development partner support. It also places fiscal pressure on state governments, which may be exacerbated as assistance is phased out under the Compact of Free Association with the United States (the Compact).

The FSM's small population can migrate and work freely in the United States, contributing to capacity constraints in the public and private sectors. ADB and the FSM are working to strengthen collaboration between partners, and between the state and national levels, to identify and address development priorities. Ongoing support is needed to address infrastructure gaps and strengthen governance, particularly amid the COVID-19 pandemic.

FUTURE DIRECTIONS

Following the FSM's Infrastructure Development Plan update in 2015, the United States Joint Economic Management Committee continues to closely monitor the use of the Compact infrastructure grant, which is essential to stimulate the country's growth as it emerges from the COVID-19 pandemic.

The Government of the FSM's Strategic Development Plan 2004–2023 provides a roadmap to address fiscal and economic challenges leading up to, and beyond, the expiration of Compact grants. To achieve fiscal consolidation, the plan stresses the need to mobilize revenue by reforming the country's taxation system and strengthening tax administration, while highlighting the need for continued control of public expenditure.

ADB will continue to support the government's priorities in energy, water supply and sanitation, and basic education, and provide technical assistance for public administration reforms, particularly at the state level.



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Useful ADB websites

Asian Development Bank
www.adb.org

Annual Report

www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook

www.adb.org/publications/series/asian-development-outlook

ADB Data Library

data.adb.org

ABOUT THE FEDERATED STATES OF MICRONESIA AND ADB

ADB Membership

Joined 1990

Shareholding and Voting Power

Number of shares held: 426 (0.004% of total shares)
Votes: 39,540 (0.297% of total membership,
0.457% of total regional membership)

*Overall capital subscription: \$6.14 million

*Paid-in capital subscription: \$0.3 million

*United States dollar figures are valued at rate as of 31 December 2020.

Eugene Amor is the Governor and **Lorin Robert** is the Alternate Governor for the Federated States of Micronesia in ADB.

Tony McDonald is the Director and **David Cavanaugh** is the Alternate Director representing the Federated States of Micronesia on the ADB Board of Directors.

Emma Veve, ADB's Deputy Director General for the Pacific Department, is the Country Director responsible for the Federated States of Micronesia. ADB's Pacific Department provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The Office of the Director General of the Pacific Department engages in policy dialogue, country partnership strategy development and programming, portfolio management, and knowledge-based solutions for the Federated States of Micronesia.

ADB recently approved the establishment of a country office in the Federated States of Micronesia. When established, the office will strengthen the bank's presence in the country, working to enhance the relationship between ADB and the government, improve development partner coordination, and help build local capacity in the design and implementation of ADB-supported projects.

The Federated States of Micronesia government agency handling ADB affairs is the Department of Finance and Administration.

ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 68 members, 49 from Asia and the Pacific and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2020, lending volume was \$26.9 billion (149 projects), with technical assistance at \$293.56 million (275 projects) and grant-financed projects at \$1.08 billion (62 projects). In addition, \$16.41 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade and Supply Chain Finance Program and Microfinance Program. From 1 January 2016 to 31 December 2020, ADB's annual lending volume averaged \$19.69 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$805.5 million and \$230.81 million respectively over the same period. As of 31 December 2020, the cumulative commitments excluding cofinancing were \$323.17 billion in loans for 3,369 projects in 44 countries, \$11.3 billion in 495 grants, and \$5.01 billion in technical assistance grants, including regional technical assistance grants.

Notes:

ADB recognizes "Micronesia" as the Federated States of Micronesia.
Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars.
Data are updated as of 31 December 2020 unless otherwise indicated.