

SUMMARY STATEMENT OF STRATEGY

Item	Good Governance	Social Development	Pro-Poor Economic Growth
Strategic Focus	<ul style="list-style-type: none"> • Enhance capabilities of economic policy and planning • Introduce performance-based budgeting • Introduce efficient and improved utilization of funding in the education and health sectors • Implement new financial management information system (FMIS) • Improve audit function • Improve corporate governance of Chuuk Utilities 	<ul style="list-style-type: none"> • Support human development • Improve education and health service delivery as well as efficiency • Support textbooks/primary education • Improve health through sewerage/ sanitation • Improve solid waste management • Improve pollution control • Improve health education/nutrition 	<ul style="list-style-type: none"> • Improve private investment climate and provide entrepreneurship • Use land as collateral • Support secured transaction system • Support small business development of entrepreneurship • Introduce land registration/administration • Improve environment for foreign direct investment • Improve power in Chuuk to improve private investment growth
Ongoing/Proposed Loans	Basic Social Services Loan (2000) Omnibus Infrastructure Development Loan (2003)	Basic Social Services Loan (2000) Omnibus Infrastructure Development Loan (2003)	Private Sector Development Program Loan (2001) Omnibus Infrastructure Development Loan (2003) Business and IT Skills Development (2005)
Ongoing/Proposed TAs	<ul style="list-style-type: none"> • Strengthening and Capacity Building of the Public Sector Financial Management (2002) • Economic Policy Reform and Capacity Building (2001 and 2003) • Public Enterprise Privatization and Corporate Governance II (2004) • Streamlining and Strengthening the Public Sector Audit Function (2005) 		<ul style="list-style-type: none"> • Improving Economic Management and Policy Formulation (2003) • Public Enterprise Privatization and Corporate Governance II (2004)
Other Assistance	Pacific Financial Technical Assistance Centre (PFTAC)/US	US Compact Japan Grassroots Program WHO/UNEP	Japan/PRC/US Compact
Target Outcomes	<ul style="list-style-type: none"> • In-country capacity to undertake economic planning and analysis 	<ul style="list-style-type: none"> • Improve access to safe water 	<ul style="list-style-type: none"> • Increase establishment of small private business • Increase foreign investment

Item	Good Governance	Social Development	Pro-Poor Economic Growth
	<ul style="list-style-type: none"> • Established linkage between inputs/outputs • Improved accountability and transparency • Uniform accounting/reporting in all 5 governments 	<ul style="list-style-type: none"> • Improve health and education service delivery • Cost-effective service delivery • Improved health statistics • Improved human development index 	<ul style="list-style-type: none"> • Ensure availability of financing using land as collateral • Increase employability and human capital • Reduce Government investment and subsidies to public sector enterprise

**COUNTRY AND PORTFOLIO INDICATORS
AND ASSISTANCE PIPELINE**

Table A2.1: Progress Toward the Millennium Development Goals and Targets

Goals and Targets	1990	1995	Latest Year
Goal 1. Eradicate Extreme Poverty and Hunger			
<u>Target 1:</u> Reduce incidence of extreme poverty by half from 1990 to 2015.			
People living on below \$1 a day, 1985 PPP (%)	—	—	...
Population in poverty (% of population falling below the poverty line)	—	—	39.5 (1998)
<u>Target 2:</u> Reduce the proportion of people who suffer from hunger by half from 1990 to 2015.			
Prevalence of child malnutrition (% of children under age 5)	—	—	15.0 (1997)
Goal 2. Achieve Universal Primary Education			
<u>Target 3:</u> Attain 100% primary school enrolment by 2015.			
Net primary enrolment ratio (% of relevant age group)	—	100.0 (1994)	—
Goal 3. Promote Gender Equality and Empower Women			
<u>Target 4:</u> Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015.			
Ratio of girls to boys in primary and secondary education (%)	—	—	—
Goal 4. Reduce Child Mortality			
<u>Target 5:</u> Reduce infant and child mortality by two-thirds from 1990 to 2015.			
Infant mortality rate (per '000 live births)	39.0	46.0 (1995-97) ^a	19.5 (2000)
Under-5 mortality rate (per '000 live births)	72.0 (1990-95) ^a	37.8 (1997) 33.0 (1999)	24.0 (2000)
Goal 5. Improve Maternal Health			
<u>Target 6:</u> Reduce maternal mortality rate by three-quarters between 1990 and 2015			
Maternal Mortality Ratio (per 100,000 live births)	—	561.0 (1997-98) ^a	274.0 (1999)

MDGs and Targets	1990	1995	Latest Year
Births Attended by Skilled Health Staff (% of live births)	—	82.0 (1995-97) ^a	92.8 (1999)
Goal 6. Combat HIV/AIDS, Malaria and Other Diseases			
<u>Target 7:</u> Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.			
HIV Prevalence Rate (% age 15-49 years old)	—	—	—
Contraceptive Prevalence Rate (% of women aged 15-49)	—	25.0 (1997-98) ^a	45.0 (1998)
<u>Target 8:</u> Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.			
Prevalence of Malaria (per 100,000 people)	—	—	—
Prevalence of Tuberculosis (per 100,000 people)	—	—	95.5 (1999)
Goal 7. Ensure Environmental Sustainability			
<u>Target 9:</u> Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.			
Status of National Environmental Action Plans	—	—	—
Forest Area (% of total land area)	—	—	—
Nationally Protected Areas (% of total land area)	—	—	—
GDP per Unit of Energy Use (PPP \$ per kg oil equivalent)	—	—	—
Carbon Dioxide Emissions (per capita metric tons)	—	—	—
<u>Target 10:</u> Halve, by 2015, the proportion of people without sustainable access to safe drinking water.			
Access to Safe Water (% of population)	—	44.0 (1995-97) ^a	41.0 (2000)
<u>Target 11:</u> By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.			
Access to Sanitation (% of population)	—	51.0 (1995-97) ^a	45.0 (2000)

— = no data available, GDP = gross domestic product, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, PPP = purchasing power parity.

^a Refers to most recent available data within the stated period.

Sources: ADB. 2002. *Basic Statistics of Developing Member Countries Including Millennium Development Goals*. Manila; ADB. 2001. *Medium-Term Strategy (2001-2005)*. Manila; ADB. 2001. *Key Indicators 2001*. Manila; UNDP. 1994, 1999. *Pacific Human Development Report*. Suva; WHO. 2001. *Western Pacific Region Health Data Bank*. Geneva.

Table A2.3: Poverty and Social Indicators

Item	1985	1994	Latest Year
1. Basic Human Development Indicators			
Total Population ('000)	85.2	105.5	107.0 (2000)
Annual Population Growth Rate (% change)	–	1.9	0.2
Life Expectancy at Birth (years)	65.0	64.1	67.2 (2000)
Male	60.0 ^a	62.0 ^a	66.6 (2000)
Female	64.0 ^a	66.0 ^a	67.7 (2000)
Adult Literacy Rate (%)	89.0	81.0	89.0 (2000)
Male	90.0 ^a	83.0	77.0 (1998)
Female	88.0 ^a	79.0	66.0 (1998)
Combined Gross School Enrollment Ratio	–	–	71.4 (1998)
Male	–	–	71.0 (1998)
Female	–	–	71.0 (1998)
2. Health			
Total Fertility Rate (births per woman)	7.4	5.6	4.4 (2000)
Population with Access to Health Services (%)	–	75.0-80.0	85.0 (2000)
Population per Doctor	3080.0 ^a	2277.0 (1995-97) ^b	1672.0 (2000)
Government Expenditure on Health			
As % of Total Government Spending	–	–	15.0 (1998)
As % of GNP	–	7.6	–
3. Education			
Gross Primary Enrollment (% of aged 5-14 years)	–	–	83.0 (1998)
Male	–	–	82.0 (1998)
Female	–	–	83.0 (1998)
Gross Secondary Enrollment (% of aged 15-19 years)	–	57.0	61.0 (1999)
Male	–	–	45.0 (1998)
Female	–	–	43.0 (1998)
*Government Expenditure on Education			
As % of Total Government Spending	–	–	–
As % of Gross Domestic Product	–	15.3 ^c	13.4 (1998)
4. Development Progress Indices			
Human Development Index	–	0.604	0.569 (1998)
Pacific Developing Member Country Rank	–	5	7
Human Poverty Index	–	–	26.7 (1998)
PDMC Rank	–	–	9
5. Other Poverty Indicators			
Composite Vulnerability Index	–	–	–
Pacific developing member country Rank	–	–	–
Gini Coefficient	–	–	0.408 (1998)
Average per Capita Household Income			
Highest Quintile	–	–	\$3,882 (1998)
Lowest Quintile	–	–	\$746 (1998)
Income Ratio (Highest Quintile/Lowest Quintile)	–	–	9.2 (1998)

– = not available.

^a Refers to available data nearest the year indicated in the column heading.

^b Refers to most recent available data within the stated period.

^c As % of GNP.

Sources: ADB. 2001. *RETA 5907 Discussion Papers*. Manila; ADB. 2001. *Key Indicators 2001*. Manila; UNDP. 1994, 1999. *Pacific Human Development Report*. Suva; WHO. 2001. *Western Pacific Region Health Data Bank*. Geneva.

Table A2.4: Environment Indicators

Item	1990	Latest Year
1. Energy Efficiency of Emissions		
Traditional Fuel Use (% of total energy use)	–	–
2. Water Pollution		
Water Bodies Exceeding Contact Recreation Standards		
Biological Oxygen Demand	–	–
Chemical Oxygen Demand	–	–
3. Air Pollution		
Carbon Dioxide Emissions		
Total (millions of metric tons)	–	–
Sulphur Dioxide Emissions		
Per capita (kilograms)	–	–
4. Land Use and Deforestation		
Total Land Area (km ²)	702.0	702.0 (1999)
Average Annual Deforestation		
Area	–	–
% change	–	–
Arable Land (% of total land)	–	–
Cropland, Permanent (% of total land)	–	–
Pastures, Permanent (% of total land)	–	–
5. Biodiversity and Protected Areas		
Nationally Protected Area(s)		
Area (km ²)	–	106.3 (1998)
Number	–	16 (1998)
World Heritage Sites (number)	–	–
Wetlands of International Importance		
Area	–	–
Number	–	–
6. Urban Areas		
Urban Population		
% of total population	27.0 (1994)	29.7 (2000)

– = no data available, km² = square kilometer.

Source: SOPAC. 1999. *FSM Country Profile*. Suva; SPC. 1997. *Pacific Island Populations Data Sheet*. Suva; SPREP 1999. *Action Strategy for Nature Conservation in the Pacific Islands Region*. Apia; World Bank. 2002. *World Development Indicators Database*. Washington D.C.

Table A2.5: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Economic and Public Sector Reform	<p>Ongoing</p> <ul style="list-style-type: none"> • TA 3783-FSM: Economic Policy Reform and Capacity Building II • TA 3765-FSM: Implementation al, and Economy Advisory Services <p>Programmed</p> <ul style="list-style-type: none"> • Strengthening/Capacity Building in Public Sector Financial Management (2002) • Economic Policy Reform and Capacity Building Phase II (2003) • Improving Economic Management and Policy Formulation (2003) 	<ul style="list-style-type: none"> • Economists/Statisticians (AusAID)
B. Private Sector Development	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1873/1874: Private Sector Development Program <p>Programmed</p> <ul style="list-style-type: none"> • Business and IT Skills Development Project (2005) • Public Enterprise Privatization and Corporate Governance II (2004) 	<ul style="list-style-type: none"> • Micronesian Entrepreneurship Development Center (UNDP)
C. Education	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1816: Basic Social Services Project <p>Programmed</p> <ul style="list-style-type: none"> • Business and IT Skills Development Project (2005) 	<ul style="list-style-type: none"> • Short-Term Technical Training (AusAID) • Schoolbuilding/Library, Training Programs in Japan, Technical Training for College of Micronesia (Japan) • Education Grants under the Compact (US)
D. Health	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1816: Basic Social Services Project 	<ul style="list-style-type: none"> • Pharmacy/Medical Specialist (AusAID) • Medical Equipment Supply (Japan) • Hospital Management (US) • Training, Fellowships, Medical Equipment and Supplies (WHO)
E. Gender/Youth	None	<ul style="list-style-type: none"> • FSM-China Friendship Sports Center in Pohnpei, Gymnasium in Chuuk (PRC)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
<p>F. Infrastructure</p> <p>1. Transport and Communication</p> <p>2. Energy</p> <p>3. Water Supply and Sanitation</p> <p>4. Urban Infrastructure</p>	<p>Ongoing</p> <ul style="list-style-type: none"> • TA 5990-REG: Information and Communication Technology Assessment in the Pacific <p>Programmed</p> <ul style="list-style-type: none"> • Omnibus Infrastructure Development Project 2003) <p>Ongoing</p> <ul style="list-style-type: none"> • Loan 1459: Water Supply and Sanitation <p>Programmed</p> <ul style="list-style-type: none"> • Omnibus Infrastructure Development Project 2003) 	<ul style="list-style-type: none"> • Road Improvement Project, Harbors/Wharfs (Japan) • Cargo, Passenger Boats (PRC) • Pohnpei Power Plant (Japan)
<p>G. Environment</p>	<p>None</p>	<ul style="list-style-type: none"> • Environment Specialist for Environment Awareness Program-Teacher Training (AusAID) • Environment and Quality of Life Projects (Japan) • Global Environment Facility Funding for Biodiversity, Climate Change, International Waters, Etc. (UNEP)
<p>H. Agriculture, Forestry, and Fisheries</p>	<p>None</p>	<ul style="list-style-type: none"> • Fishing Ports (Japan) • Agricultural Farm for Vegetables (PRC)
<p>I. Others</p>	<p>Programmed</p> <ul style="list-style-type: none"> • Streamlining and Strengthening Public Sector Audit Function (2005) 	<ul style="list-style-type: none"> • Voter Registration and Training for FSM Election Commission, Immigration Computerized System, GIS Specialist (AusAID) • Grassroots Cooperation, Heritage Program (Japan) • Historic Preservation (Spain) • Volunteer Assistance (UK) • Peace Corps Volunteer Program (US)

AusAID = Australian Aid for International Development, FSM = Federated States of Micronesia, IT = information technology, PRC = People's Republic of China, REG = regional, UK = United Kingdom, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, US = United States.

Table A2.6: Portfolio Indicators – Amounts and Ratings, Disbursements, and Net Transfers of Resources
(as of 31 December 2001)

A. Loan Portfolio	Net Loan Amount		Total		Common Rating for IP and DO ^a											
	\$ million	%	No.	%	HS		S		PS		U		PP		At Risk	
					No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	5.5	15.4	1	20.0	-	-	-	-	-	-	1	100.0	-	-	1	100.0
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance	12.8	36.1	2	40.0	-	-	2	100.0	-	-	-	-	-	-	-	-
Industry and Nonfuel Minerals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	17.2	48.5	2	40.0	-	-	1	50.0	-	-	1	50.0	1	50.0	2	100.0
Transport and Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others/Multisector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	35.4	100.0	5	100.0	-	-	3	60.0	-	-	2	40.0	1	20.0	3	60.0

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ million, active loans only) ^b	0.0	14.9	14.9
(2) Disbursed amount (\$ million, cumulative, active loans only) ^b	0.0	12.2	12.2
(3) Percentage disbursed [(2)/(1)] (%) ^b	0.0	81.8	81.8
(4) Disbursements (\$ million, active loans only, latest year) ^b	0.0	2.5	2.5
(5) Disbursement ratio (%) ^c	0.0	46.6	46.6

C. Net Transfer of Resources (\$ million)	OCR	ADF	Total
Net transfer in 1997	0.0	11.3	11.3
Net transfer in 1998	0.0	6.1	6.1
Net transfer in 1999	0.0	4.8	4.8
Net transfer in 2000	0.0	4.1	4.1
Net transfer in 2001	0.0	2.2	2.2

– = zero, ADF = Asian Development Fund, DO = development objective, HS = highly satisfactory, IP = implementation progress, OCR = ordinary capital resources, P = partly satisfactory, S = satisfactory, U = unsatisfactory.

^a The lower rating is counted.

^b Includes loans closed during the year with disbursements (including negative disbursements).

^c Ratio of disbursement during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Asian Development Bank staff estimates.

Table A2.7: Portfolio Status – Implementation Status
(as of 31 December 2001)^a

No.	Sector ^b	Loan No.	Seg	Loan Title	Net Loan Amount (\$ million)		Approval Date	Effectivity Date	Closing Date		Project Progress (% compltd)	Cum. Contract Awards/ Commitment	Cum. Dsbrsmnt	Performance Ratings		Potential Problem ^b	At Risk ^c
					ADF	OCR			Orig.	Rev.				Impl. Prog.	Devt Obj.		
1	AGR	1257		Fisheries Development Project	5.5	0.0	19 Oct 1993	16 Sep 1994	31 Dec 1998	31 Dec 2001	78%	4.7	4.6	U	S	Yes	Yes
2	FIN	1873		Private Sector Development Program	4.9	0.0	12 Dec 2001	–	31 Aug 2005	–	0%	–	–	S	S	No	No
3	FIN	1874		Private Sector Development Project	7.9	0.0	12 Dec 2001	–	31 Aug 2005	–	0%	–	–	S	S	No	No
4	SOC	1459		Water Supply and Sanitation Project	9.4	0.0	19 Sep 1996	10 Oct 1997	31 Oct 2000	30 Jun 2002	84%	8.0	7.6	S	S	Yes	Yes
5	SOC	1816		Basic Social Services Project	7.8	0.0	20 Dec 2000	–	30 Jun 2007	–	0%	–	–	U	S	No	Yes

AGR = agriculture and natural resources, FIN = finance, HS = highly satisfactory, OTH = others, PS = partly satisfactory, S = satisfactory, SOC = social infrastructure, T&C = transport and communications, U = unsatisfactory.

^a Includes ongoing loans only.

^b "Yes" for those with 4 or more potential problem flags.

^c At risk (1 loan-100%) = 1 PS (100%) + 0 U + 0 PP. If overall rating for implementation progress or development objectives is PS or U, the loan is automatically at risk, and flags are not counted in determining PP, but will be flagged to indicate the problems areas.

Source: Asian Development Bank staff estimates.

Table A2.8: Lending Scenarios and Performance Triggers

Low Case	Base Case	High Case
Macroeconomic		
<ul style="list-style-type: none"> Fiscal balance is maintained in only 3 of 5 FSM governments. External debt as a share of GDP increased. Trust fund contribution required by Compact II provisions is not fully met. 	<ul style="list-style-type: none"> Fiscal balance is maintained. External debt as a share of GDP is maintained at the level in FY2002. Trust Fund contribution required Compact II provisions is met by end of FY2004 and Trust Fund management regime is established. 	<ul style="list-style-type: none"> Fiscal surplus is achieved in FY2003 and balance is maintained in FY2004 and FY2005. External debt as a share of GDP is reduced. Trust fund contribution required Compact II provisions is met by end of FY2003 and Trust fund management regime is established with by-laws promulgated and reports issued on a timely basis.
Reforms		
<ul style="list-style-type: none"> Tax administration and tax policy regime remains unchanged. No significant changes in the financial management information system utilized by the 5 governments. No progress on privatization/transformation PSEs. Public sector wage policy leads to a widening in the public-private wage differential; and the proportion of government personnel costs as a share of total operating costs increases. 	<ul style="list-style-type: none"> Revenue reform strategy if adopted, including tax reform phases, and tax administration, is improved. Uniform/integrated financial management information system adopted by all 5 governments. At least three PSEs are privatized/transformed. Public sector wage policy does not exacerbate the public-private wage differential; and the proportion of government personnel costs as a share of total operating costs does not increase. 	<ul style="list-style-type: none"> Revenue reform strategy is adopted, tax administration is improved, and consumption tax is introduced. Uniform/integrated financial management information system adopted in all 5 governments and frequency and timeliness of financial reporting is improved. At least one PSE is privatized/transformed by each of the five governments. Public sector wage policy enables the public-private wage differential to be narrowed; and the proportion of government personnel costs as a share of total operating costs decreases.
Sector		
<ul style="list-style-type: none"> FSM-ADB Poverty Agreement is not yet approved and no HIES is undertaken. The IDP is not adopted and public investment appropriations continue in ad hoc pattern. 	<ul style="list-style-type: none"> FSM-ADB Poverty Agreement is approved but no full HIES analysis is completed. The IDP is adopted without fully specified maintenance program; partial allocation of public investment appropriations to priority projects. 	<ul style="list-style-type: none"> FSM-ADB Poverty Agreement is approved and full HIES analysis completed. The IDP is adopted with fully specified maintenance program; all public investment appropriations and external assistance is directed toward priority projects.

Low Case	Base Case	High Case
Portfolio		
<ul style="list-style-type: none"> • Major issues remain with the portfolio with more than or less than the ADB-wide average ratio for at-risk projects. • Problems exist in program loan implementation and tranche releases are behind schedule. 	<ul style="list-style-type: none"> • No major issues remain with the portfolio with more than or less than the ADB-wide average ratio for at-risk projects. • Smooth program loan implementation and tranche release on schedule. 	<ul style="list-style-type: none"> • No major issues remain with the portfolio and no loans are at risk. • Smooth program loan implementation and tranche release ahead of schedule.

ADB = Asian Development Bank, FSM = Federated States of Micronesia, FY = fiscal year, GDP = gross domestic product, HIES = household income and expenditure survey, IDP = infrastructure development plan, PSE = public sector enterprise.

Table A2.9: Assistance Pipeline for Lending Products, 2003–2005

Sector Project/Program Name	Poverty Classification	Thematic Priority	Division	Year of PPTA	Total	Cost (\$million)				
						ADB			Govt	Cofinancing
						OCR	ADF	Total		
2003 Firm Loan										
Others										
Omnibus Infrastructure Development	PI	HD	PAHQ	2002	12.0	0.0	8.0	8.0	3.0	0.0
Total					12.0	0.0	8.0	8.0	3.0	0.0
2004 Firm Loan										
None										
2005 Firm Loan										
Others										
Business and IT Skills Development	PI	HD, PSD	PAHQ	2004	9.5	0.0	7.0	7.0	2.5	0.0
Total					9.5	0.0	7.0	7.0	2.5	0.0

ADB = Asian Development Bank, ADF = Asian Development Fund, HD = human development, IT = information technology, OCR = ordinary capital resources, PI = poverty intervention, PPTA = project preparatory technical assistance, PSD = private sector development.

Source: Asian Development Bank staff estimates.

Appendix A2.10: Assistance Pipeline for Nonlending Products and Services, 2003–2005

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2003							
Others							
1. Economic Policy Reform and Capacity Building, Phase II	PAHQ	AD	TASF	500.0		0.0	500.0
2. Improving Economic Management and Policy Formulation (PIER)	PAHQ	AD	JSF	250.0		0.0	350.0
Subtotal				750.0		0.0	750.0
2004							
Others							
1. Public Enterprise Privatization and Corporate Governance II	PAHQ	AD	TASF	300.0		0.0	400.0
Education							
2. Business and Information Technology Skills	PAHQ	PP	JSF	400.0		0.0	300.0
Subtotal				700.0		0.0	700.0
2005							
Others							
1. Streamlining and Strengthening Public Sector Audit Function	PAHQ	AD	JSF	300.0			300.0
Subtotal				300.0			300.0

AD = advisory, ADB = Asian Development Bank, JSF = Japan Special Fund, PAHQ = Pacific Operations Division, PP = project preparatory, TA = technical assistance, TASF = Technical Assistance Special Fund.
 Source: Asian Development Bank staff estimates.

CONCEPT PAPERS FOR LENDING PRODUCTS

Table A3.1: Omnibus Infrastructure Development Project

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 20px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other</p> <p style="margin-left: 20px;"><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and Communications Subsector: Ports and Shipping</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><input type="checkbox"/> Economic growth</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental protection</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Other: Multisector</p> </td> <td style="width: 50%; vertical-align: top;"> <p><input type="checkbox"/> Human development</p> <p><input type="checkbox"/> Good governance</p> <p><input type="checkbox"/> Private sector development</p> <p><input type="checkbox"/> Social protection</p> </td> </tr> </table>	<p><input type="checkbox"/> Economic growth</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental protection</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Other: Multisector</p>	<p><input type="checkbox"/> Human development</p> <p><input type="checkbox"/> Good governance</p> <p><input type="checkbox"/> Private sector development</p> <p><input type="checkbox"/> Social protection</p>
<p><input type="checkbox"/> Economic growth</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental protection</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Other: Multisector</p>	<p><input type="checkbox"/> Human development</p> <p><input type="checkbox"/> Good governance</p> <p><input type="checkbox"/> Private sector development</p> <p><input type="checkbox"/> Social protection</p>	
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p>4. Responsible division/department: PAHQ/PARD</p>		
<p>5. Responsible ADB officer(s): Tilak Sen</p>		
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Following the cholera epidemic in Pohnpei, the Government of the FSM requested the Country Programming Mission to consider multisectoral assistance to help the FSM states rehabilitate their deteriorating infrastructure facilities. With the assistance from the United States Department of the Interior (USDOI), the FSM has conducted a status review of the infrastructure in all its four states. This review identified areas that need urgent attention, which triggered the request for assistance from the Government.</p> <p>b. Goal and purpose: The review conducted by the Government with the assistance of USDOI has been extremely useful in identifying the infrastructure sectors needing attention. This study is a useful starting point from which ADB can focus its attention on the most vital sectors for rehabilitation.</p> <p>c. Components and outputs: The project includes (i) for Pohnpei, the priority areas are rehabilitation of the sewerage system, enhancement of water reservoir, and solid waste management system; (ii) for Chuuk, the power sector is desperately in need of rehabilitation along with rehabilitation of the sewerage system; (iii) Kosrae is now looking forward to ADB assistance in their water and solid waste management system; and (iv) Yap, with reasonably well-administered infrastructure on the main island, is seeking urgent assistance in outer island port infrastructure,</p>		

comprising docks, jetties, and beach channels that would improve access to these islands in an effort to raise the economic standard of the communities. Complementary nonlending assistance will strengthen the institutional capacity to manage either through management contracts or other similar modality.

d. Expected results and deliverables: The Project will improve the reliability and efficiency of the basic services, such as water, sewerage, solid waste management, power, and accessibility to the outer islands through construction of small wharves and jetties.

e. Social or environmental issues or concerns: As shown in the report prepared by USDOl, the needs of the four states are extensive. The project will attempt to address the most urgent country needs to help improve the living conditions of the local population and address the deteriorating environment due to dumping of raw sewerage in the lagoon. It will by no means be able to cover the extent of assistance identified in the report. The Government is looking forward to ADB's interest in the sectors on an ongoing basis. There is a strong possibility of cofinancing options with USDOl.

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Ministry of Transport and Communications

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

ADB's involvement in the proposed project is considered by the Government as vital, as it feels most sectors need to be restructured and will also benefit from capacity-building initiatives. ADB's involvement will therefore be useful in the interest of long-term sustainability of these sectors.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2003
- b. Expected date of submission for approval:
 - Lending: 2003
 - Nonlending (project preparatory): 2002
 - Nonlending (other than project preparatory): 2003
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending:
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund: \$
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT:

JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, FSM = Federated States of Micronesia, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A3.2: Business and Information Technology Skills Development Project

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p>Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p>Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p>Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> </table> <p>Other: Multisector</p>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance							
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection							
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: PAHQ/PARD</p>								
<p>5. Responsible ADB officer(s): Tilak Sen</p>								
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The governance assessment carried out during the CPM in June 2002 indicated that capacity and skills—of critical importance to support private sector development and public sector reforms—are seriously lacking. Short-term measures to meet this need in disciplines such as accounting, auditing, and law have been taken by employing expatriates. However without a significant increase in the pool of staff that have the basic foundation in vocational education, the longer-term prospect of replacing expatriates with qualified local staff remains limited. The TA is to examine the best way to develop curricula and teaching materials in business support skills that are appropriate to the current levels of general education and vocational training in the FSM. Current indications are that basic skills are needed in information and communication technology, accounting, bookkeeping, marketing, and business planning that are essential to support small/medium enterprises (SMEs), which is generally a cornerstone of private sector development in emerging countries.</p> <p>b. Goal and purpose: Poverty reduction through improving access to vocational training that is necessary to support private sector development.</p>								

c. Components and outputs: To be determined.

d. Expected results and deliverables: The loan will support development in vocational training in all states. The project preparatory TA supporting the loan will develop curricula and teaching materials, as well as identify locations and necessary staffing needed for future training activities. The loan will support the delivery of the training program through the establishment of vocational schools in all states and employment of qualified staff in the first 3 years of the program.

e. Social or environmental issues or concerns: The program must be made available to vulnerable youth from rural and outer island areas to increase their employability.

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Department of Education of the national government will be the executing agency to coordinate inputs and needs of all states.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Discussions on governance institutions and arrangements with key stakeholders indicated that the current deficiency in business support vocational training is limiting development of the private sector and increasing the reliance and hence costs of business.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2003
- b. Expected date of submission for approval
 - Lending: May2005
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending:
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund:
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CPM = country programming mission, CSPU = country strategy and program update, FSM = Federated States of Micronesia, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

Table A4.1: Economic Policy Reform and Capacity Building, Phase II

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input checked="" type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other: </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection </td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection
<input checked="" type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection	
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p>4. Responsible division/department: PAHQ/PARD</p>		
<p>5. Responsible ADB officer(s): Tilak Sen</p>		
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: ADB has assisted the FSM's reform effort through a loan for the Public Sector Reform Program, and TA for the two phases of the EMPAT. The EMPAT has played a significant role in increasing awareness of the need for reform, facilitating a series of economic summits, creating demand for policy analysis, initiating the EPIC, and advising the governments of the FSM on policy formulation. Prior to the EMPAT, the capacity for economic policy formulation was largely nonexistent, but the project has now trained a number of Micronesian economists to the master's degree level, and the EPIC process has institutionalized economic policymaking at the highest levels of government.</p> <p>However, the attainment of self-sufficiency in economic policymaking is yet to be achieved, and a continuing need is to support sound economic management as the Compact is renewed and in the subsequent adjustment to the new provisions. The provision of advice at the state level, where many policy decisions are made, is a high priority. In particular, the success of the EPIC at the national level provides a suitable vehicle for institutionalization and economic planning at the state level.</p>		

b. Goal and purpose: The implementation of the TA will reduce poverty through greater emphasis in policymaking at the state level, and through the impact of an improved economic policy environment for development and growth. It will improve government decision making and hence promote good governance. The TA plays a central role in ADB's country strategy for directly improving the policy environment for economic growth and poverty reduction, as well as institutional capacity building at the state level. The TA is directly related to other ADB initiatives and support, namely, the Private Sector Development Program loan, the performance budgeting TA, the statistics TA, and the public enterprise reform effort.

c. Components and outputs: The TA will cover the following:

- (i) improvement of institutional capacity for economic management;
- (ii) state-level capacity building through provision of resident specialists in the states; establishment of state EPICs (a major shift from the thrust of previous TAs);
- (iii) macroeconomic policy advice;
- (iv) public sector management: improvement in performance budgeting, expenditure management, and efficiency in service delivery;
- (v) Compact advisory support: provision of advice to ensure the economic provisions in the renewed Compact are consistent with sound economic policy and the long-run development of the FSM; and
- (vi) information systems: maintenance of existing statistical systems to ensure a sound basis for economic management and monitoring of the private sector development program (PSDP).

d. Expected results and deliverables: (i) increased capacity for economic planning at the state level, (ii) trained Micronesian economist handling policy work, (iii) outcome of Compact negotiations consistent with the FSM's development needs, and (iv) macroeconomic indicators show improvement in all states, and sound fiscal and financial policies are in place.

e. Social or environmental issues or concerns:

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Department of Economic Affairs

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2003
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): January 2003
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending: Until 2004
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget
- Grant TA funds
 - TA Special Fund: \$250,000
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

- JFICT:
- JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSPU = country strategy and program update, EMPAT = Economic Management Policy Advisory Team, EPIC = Economic Policy Implementation Council, FSM = Federated States of Micronesia, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SSCSP = subregional cooperation strategy and program, TA = technical assistance

Table A4.2: Improving Economic Management and Policy Formulation

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ</p>										
<p>5. Responsible ADB officer(s): Diwesh Sharan</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The strengthening of economic and financial management will also assess past developments, current issues, and future prospects for the economy with a view to identifying development opportunities, constraints, and policy options. Special attention will be paid to sustainable economic development and the socioeconomic welfare of the underprivileged population. Development of policy and an action plan for poverty reduction will identify the best approaches to poverty reduction in the FSM context. One outcome will be formulation and implementation of development policies in the FSM.</p> <p>b. Goal and purpose: The TA will assist the FSM with the preparation of an economic report for the Pacific Island Economic Report (PIER) series. The report will analyze both recent economic performance and the impact of reforms. Thus, the TA will contribute to the formulation and implementation of development policies in the FSM. It will also provide inputs for ADB's assistance to the FSM.</p> <p>c. Components and outputs: The TA will (i) analyze the current economy, trends, and prospects; (ii) identify major issues and constraints, and alternative strategies in support of growth and development in the medium term; (iii) prepare an economic report and include a forward-looking strategy that will form the basis for a more</p>										

comprehensive development plan; and (iv) include relevant sector analysis.
<p>d. Expected results and deliverables: An economic report produced in a timely manner in form suitable for publication covering economic development performance, problems, prospects, and possible strategies.</p> <p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables:</p>
7. Proposed executing/implementing agencies: Department of Economic Affairs
8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSPU: 2003</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): May 2003 Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance Lending: Nonlending: Until 2004 Activities financed by JFICT or JFPR:</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: <input type="checkbox"/> Asian Development Fund: <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input type="checkbox"/> Grant TA funds <input checked="" type="checkbox"/> TA Special Fund: \$250,000 <input type="checkbox"/> Japan Special Fund: <input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds):</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by <input type="checkbox"/> JFICT: <input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A4.3: Public Enterprise Privatization and Corporate Governance II

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input checked="" type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Multisector</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Multisector	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
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<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): Tilak Sen</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: This TA will promote private sector development and eliminate the public sector from sectors that the private sector needs to develop. This will also improve good governance.</p> <p>b. Goal and purpose: Phase II of the TA is aimed to assist the Government in the actual transformation process, and provide the necessary legal and financial advisory inputs.</p> <p>c. Components and outputs: The TA will include institutional capacity building, providing advice on financial analysis, accounting, corporatization, governance, and asset valuation; and will assist in actual privatization of public sector enterprises.</p> <p>d. Expected results and deliverables: At least one public sector enterprise in each state will be transformed. The private sector environment will be improved.</p> <p>e. Social or environmental issues or concerns:</p>										

f. Plans for disseminating results/deliverables:
7. Proposed executing/implementing agencies: Department of Economic Affairs
8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
9. Timetable for assistance design, processing, and implementation
<p>a. Year included in CSPU: 2004</p> <p>c. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): November 2004 Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance Lending: Nonlending: Until 30 April 2002 Activities financed by JFICT or JFPR:</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources <input type="checkbox"/> Asian Development Fund <input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget <input type="checkbox"/> Grant TA funds <input checked="" type="checkbox"/> TA Special Fund: \$300,000 <input type="checkbox"/> Japan Special Fund <input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds)</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by <input type="checkbox"/> JFICT: <input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A4.4: Business and Information Technology Skills Development

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p>Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input checked="" type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <p><input type="checkbox"/> Economic growth</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental protection</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Other: Multisector</p> <p><input checked="" type="checkbox"/> Human development</p> <p><input type="checkbox"/> Good governance</p> <p><input checked="" type="checkbox"/> Private sector development</p> <p><input type="checkbox"/> Social protection</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ/PARD</p>
<p>5. Responsible ADB officer(s): Tilak Sen</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The governance assessment carried out during the CPM in June 2002 indicated that capacity and skills that are of critical importance to support private sector development and public sector reforms are seriously lacking. Short-term measures to meet this need in disciplines such as accounting, auditing, and law have been taken by employing expatriates. However without a significant increase in the pool of staff that have the basic foundation in vocational education, the longer-term prospect of replacing expatriates with qualified local staff remains limited. The TA is to examine the best way to develop curricula and teaching materials in business support skills that are appropriate to the current levels of general education and vocational training in the FSM. Current indications are that there is a serious shortage of basic skills in information and communication technology, accounting, bookkeeping, marketing, business planning that are essential to support SMEs, which is generally a cornerstone of private sector development in emerging countries.</p> <p>b. Goal and purpose: Poverty reduction through improving access to vocational training necessary to support private sector development.</p>

c. Components and outputs: The TA will investigate the current level of vocational training, undertake training needs analysis of skills that will be needed to support SME development in the private sector, as well as business needs of public enterprises in all governments. The TA will have the following components: (i) assess current status of vocational training in the FSM; (ii) survey training needs in disciplines that will be critical to SME development; (iii) assess institutions in the FSM that are currently providing vocational training; and (iv) develop training curricula and teaching materials that are appropriate to the existing level of education in the FSM and expected business needs.

d. Expected results and deliverables: This TA will support development of vocational training in all states through the proposed BITS development loan. The TA will develop curricula and teaching materials, as well as identify locations and necessary staffing needed for future training activities. Support for delivery of the program through establishment of vocational schools and employment of qualified staff in the first 3 years of the program will be facilitated through the BITS loan.

e. Social or environmental issues or concerns: The program must be made available to vulnerable youth from rural and outer island areas to increase their employability.

f. Plans for disseminating results/deliverables: The result of the first three steps of the TA should be discussed with women and other nongovernment organization groups that are involved in helping to improve women's and youth's access to employment opportunities.

7. Proposed executing/implementing agencies: Department of Education of the national government will be the executing agency to coordinate inputs and needs of all states.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Discussions on governance institutions and arrangements with key stakeholders indicate that the current deficiency in business support vocational training is limiting development of the private sector and increases the reliance and hence costs of business .

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSPU: 2004
- d. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory): May 2004
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 8 months from May 2004
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund: \$400,000
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT:

JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, BITS = business and information technology skills, CPM = country programming mission, CSPU = country strategy and program update, FSM = Federated States of Micronesia, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, SME = small and medium enterprise, TA = technical assistance.

Table A4.5: Streamlining and Strengthening the Public Sector Audit Function

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Multisector</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Multisector	
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<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Multisector										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): To be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The governance assessment carried out during the CPM in June 2002 indicated that the current audit arrangement in several governments is weak and ineffective because of the lack of skills and other nontechnical factors, such as tradition and social environment. The current requirement of a separate independent auditor for each government may also be seen as inefficient and ineffective given the scarcity of skills in the FSM. The country strategy program provides for assistance to be included in 2005 to reestablish and strengthen this oversight function. This will improve the governance environment in the FSM.</p> <p>b. Goal and purpose: The proposed TA will improve public sector governance as a cornerstone of public accountability and transparency.</p> <p>c. Components and outputs: The TA will explore and encourage alternative audit arrangements between all governments through the establishment of a strong and truly independent audit office that would undertake audits of state and national governments. The TA will also provide assistance for institutional strengthening and capacity building to ensure the public sector audit office will have adequate resources and skills to provide effective and efficient oversight of government finances and performance.</p>										

d. Expected results and deliverables: A cooperative audit arrangement agreed by all governments and the establishment of an independent and well-resourced audit office capable of undertaking financial and performance audits to enhance accountability of governments to the Legislature and the public at-large.

e. Social or environmental issues or concerns: None

f. Plans for disseminating results/deliverables: Not applicable.

7. Proposed executing/implementing agencies: Finance/Ways and Means Committees of the Legislature

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Discussions on governance institutions and arrangements with key stakeholders indicate the current deficiency regarding public sector auditing and all parties are looking to appoint auditors without much success.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSPU: 2005

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory):

Nonlending (other than project preparatory): November 2004

Activities financed by JFICT or JFPR:

c. Period and duration of assistance

Lending:

Nonlending: 12 months from January 2005

Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

a. For lending

Ordinary capital resources

Asian Development Fund

Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For nonlending

No resources required, other than ADB staff

ADB's administrative budget

Grant TA funds

TA Special Fund: \$400,000

Japan Special Fund

Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT:

JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CPM = country programming mission, CSPU = country strategy and program update, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.