

## Chapter 3. Social Institutions and Their Relevance for Economic Decisions

### 3.0 Introduction

**T**he Federated States of Micronesia is a nation with a dualistic heritage fostered by its traditional customs and beliefs and by assimilation of Western systems of economic, legal, political, and religious models inherited from its colonial past (Box 2) and perpetuated through its continuing reliance on the US. The FSM society that has evolved through this process is one that is multi-cultural, multi-linguistic, and fiercely ethnocentric. Ethnocentrism is present in the way FSM conducts its businesses, elects leaders, adjudicates disputes, protects human rights, engages in politics, formulates public policies, allocates resources, prioritizes state's interests, and maintains distinctive state identities. The uniqueness of cultural values and beliefs, customs and traditions, and social systems and languages of each of the four FSM States play a decisive role in maintaining a traditional system of decision-making, leadership and governance, conducive to FSM collective and communal traditions.

This chapter analyzes how social institutions and systems affect economic development and policymaking. Section 3.1 analyzes how cultural, religious and social institutions, such as the family, the church, and land tenure systems negatively impact private sector development. Section 3.2 proposes an alternative integrated development framework that addresses basic communal economic and social needs specific to rural areas throughout the FSM. Alternative models of people-centered development initiatives designed, owned, and managed by communities in partnership with the private sector, the government, and the donor community are presented. Section 3.3 establishes linkages between the family, the church, land tenure, and economic development. It highlights the opportunities such social institutions bring to creating economic opportunities and an enabling environment that blends traditional and modern systems conducive to public sector development and sustainable livelihood.

### 3.1 The Family, Its Structures, and Systems of Organization

The cultural and social structures of FSM society were traditionally based on extended kinship systems. Kosrae and Pohnpei are predominantly patrilineal while Chuuk is essentially matrilineal. Yap has both patrilineal and matrilineal

## Box 2. Historical Summary

Since the 16<sup>th</sup> century, the Micronesian islands have been dominated by large foreign powers. The impact of each colonial period is summarized as follows:

- I. **Spanish Colonial rule** was formally established in 1869 and ended with the Spanish-American War in 1899. Impact of this period included (a) organized religion, (b) introduction of European building construction, (c) trade and commerce, and (d) resultant changes to traditional cultures and traditions throughout Micronesia.
- II. **German Administration** began in 1899 when Germany purchased the Caroline and Mariana Islands from Spain after the Spanish-American War. German rule of the Caroline Islands ended in 1914, at the onset of World War I. Impact of this era included (a) trade and commerce, (b) economic, social and infrastructure development (roads, communication stations, hospital, churches, copra industry, etc), (c) creation of political districts, (d) introduction of the cash economy, (e) activation of patriarchal land registration, personal land rights and titling systems and, (f) levying of taxes.
- III. **Japanese Administration** began in 1914 and ended in 1945 following the ending of WWII. Impact of the Japanese Administration includes: (a) continuation of trade and commerce, (b) land development and commercialization, (c) economic social infrastructure development, (d) introduction of occupation education, (e) military control, and (f) emasculation of island-wide leadership authority and power.
- IV. **American Administration** came into force in 1945 at the conclusion of WWII. An initial Naval Administration was put in place from 1945 to see to post-war rehabilitation efforts. This was followed by the Trust Territory of the Pacific Islands (TTPI) period administered by the United States. A High Commissioner was appointed by the US to administer the TTPI as mandated by the United Nations. Rehabilitation of basic infrastructure was undertaken to help restore peace and order and to protect the health and welfare of the people. Basic social services (hospitals, schools, roads, public utilities, transportation, communication and social welfare programs) were provided to assist post WWII recovery efforts in the urban areas. To operate these services the TTPI administration introduced the US civil service system heavily staffed by senior US expatriates. A US Federal System of Government was also adopted. Its centralized headquarters was based in the Marianas and district administrations were established in all TTPI districts. The TTPI period covered the period from 1947 to 1979.
- V. The **Micronesian Transitional Government** administered the islands from 1979-1986. This was a period of greater political activism on self-rule, de-colonization and democratization. The establishment of the Congress of Micronesia in 1965 had precipitated intensive political status negotiations between the US Administration, the United Nations De-colonization Committee and leaders of the Congress of Micronesia. By 1979, UN endorsed de-colonization and independence for the TTPI. The UN urged the US and Micronesia to speed up political status negotiations that would eventually result in an agreed political entity for the former TTPI nations. In 1985, the Compact of Free Association status with the United States was ratified by FSM and the Marshall Islands. The Marianas opted to accept Commonwealth status and Palau deferred action on the Compact until 1994.

VI. **Federated States of Micronesia (FSM)** came into being in 1986 following the signing of its Compact of Free Association with the United States. The FSM consists of four of the former TTPI districts – Chuuk, Kosrae, Pohnpei, and Yap. The FSM seat of Government is located at Palikir in the State of Pohnpei. The FSM state governments are located in each of the FSM States of Chuuk (Weno), Kosrae (Tofol), Pohnpei (Kolonia), and Yap (Colonia). The FSM National Government represents the Federation and is responsible for foreign affairs. Politically, each state government runs its own domestic affairs but exerts major influence on national policy and decision-making. Each state government holds equal power in national affairs through electoral representation in the FSM National Congress and through specific states' rights and powers set out in the FSM Constitution.

systems of association, but increasing modernization and exposure to external lifestyles have made Yap society more patrilineal. The same is happening to Chuuk.

In terms of societal structure, Pohnpei retains a monarchy – although it is now more symbolic than functional. Modern Yap society is highly stratified, with rules of engagement for and between its social hierarchy and caste system, clearly defined and strictly followed. Exposure to external influences has modified Yapese customs and practices, but the essential principles underlying its unique traditional values and customs remain relevant today.

The extended family systems are being supplanted by the nuclear family in contemporary FSM society. However, the notion of extended family still has its influence on social and political relations. There is still the obligation to look after the members of the extended family. For example, wage earners are expected to give cash or cash-bought goods to non-wage earners in exchange for services.

Mobility, changing values and lifestyles, and the high cost of living associated with the cash economy have made this obligatory reciprocity difficult to maintain. The difficulty is one major contributing factor to the rapid breakdown of traditional kinship systems.

Culture also has a role in influencing the pace of development and the outcome of economic and political decision-making. This is particularly true for Yap, where the government and its Councils of Chiefs have forged a dynamic alliance to guide the State's development without unduly compromising customs and traditions. Pohnpei culture, to some extent, is compliant towards traditional social duties and obligations but serves no functional role in its modern institutions and systems. For Chuuk and Kosrae, traditions and customs are not as prevalent as those in Pohnpei and Yap and may be exploited in support of specific political agendas.

**Table 2. Structures and Systems of Organizations, FSM, 2004**

Clan and Kinship Systems	Chuuk	Kosrae	Pohnpei	Yap
Matrilinage – relationship is based on maternal (female) line of accession	x			x
Patrilineage – relationship is based on paternal (male) line of accession		x	x	x
Estate – mixed line of accession (adoption, Estates, House Foundations and Communal)				x
Feudal – a system based on social class, status, power and control			x	x
Nuclear – relationship based on a couple and their children	x	x	x	x

Source: Marksbury (1979); Perin (1996); Ritter (1978).

The political exploitation of customs and traditions allows special interest agendas to dominate public events and dictate economic decision-making processes. Often, this hinders national development efforts. Discretionary application of traditional culture in contemporary FSM affairs has occasionally compromised sustainable development efforts. This is because the role of traditional customs in mainstream development policies is not clearly defined. When customs are evoked, the application is inconsistent. There is also the existing attitude that traditions stand in the way of progress and must be altered or reformed.

### 3.2 The Church and Other Faith-Based Institutions

Christianity continues to be the most successful agent of cultural and social change in FSM society. It blends well with the collective, communal, and complementary elements of traditions and customs, and is responsive to the

basic spiritual and emotional needs of the people. For example, reverence for and fear of an invisible but powerful God is akin to respect for one's ancestors' spirits. Both act as a potent force for ensuring compliance and conformity with religious doctrines, and culture and tradition. In addition, the Church and other faith-based organizations have become the major providers of quality education throughout the nation.

Today there are many other religious disciplines in the FSM, each trying to win over members in various ways, including economic rewards and offers for better opportunities, both in the FSM and overseas. The depressed economic situation in FSM has made conversion attractive, resulting in many traditional Christians having changed their religion in exchange for economic and social benefits. Table 3 provides a summary of the membership shares of churches and faith-based organizations in the FSM.

**Table 3: Percentage of Membership in Faith-Based Churches by State, FSM, 2004**

FSM State	Roman Catholics (Percentage)	Protestants (Percentage)	Other Faith Based Churches <sup>+</sup> (Percentage)
Chuuk	53	43	4
Kosrae	*	89	4
Pohnpei	53	43	4
Yap	83	*	4

Source: *FSM (2000). National Census Report.*

\* Included in Other Faith-Based Churches

+ Bahai, Salvation Army, Seventh Day Adventist, Assembly of God and Mormon, and United Church of Christ

The comparative advantage the Church offers the nation, in its quest for sustainable development, social justice, and self-reliance cannot be underestimated. The Church played a decisive role in opening up traditional systems to pave the way for modern development. In the recent past, the Church was instrumental in mobilizing FSM leaders and people to reject proposals for commercial activities such as beer breweries, casinos, five star hotels, and golf courses on the grounds that these activities would create social and spiritual ills incompatible with Christianity. While this perceived threat was legitimate, the potential for job creation and development was downplayed.

In times of natural disasters, such as the landside in Chuuk in 2002, the churches and other faith-based organizations provided much-needed emergency services and psychological and social support to victims and affected communities. They also partner with the government and the FSM Red Cross Society to mobilize international humanitarian relief for victims of natural disasters. The Churches and their emergency programs are well-positioned to provide the moral platform upon which social and political transformation can be built. Many church leaders are influential community, public and/or traditional leaders.

As the FSM embarks on a fiscally tighter policy regime dictated by the provisions of the newly amended Compact, the Church may become more useful than ever. As development catalysts, the Churches can partner with government and non-state actors to mobilize the citizenry into collective action. This can be achieved via the Churches' public awareness and education campaigns, through its social justice and development outreach activities, and by providing accountable and transparent rules and guidelines for leaders' involvement in public and political leadership. The Churches are best suited to instill responsible and accountable governance and leadership ethics in their members.

Churches can also work with civil society, businesses, and the government to define expected roles, lines of responsibility, and partnership arrangements that are accountable, participatory, transparent, and protective of human rights and the rule of law. They can do this by focusing collective efforts towards realizing the FSM strategic and infrastructure development plans and other international development commitments. The *Micronesian Seminar*, a pastoral education and research organization, has contributed to improved awareness and literacy on public affairs, and in speaking out on issues related to development, politics and foreign relations.

### 3.3 Land and its Titles

In Micronesia, land is wealth, power, spirituality, identity, and the basis for life itself. Land is a valuable cultural asset and a priceless heritage to be passed to future generations.

The overall land area of the FSM is 271 square miles. Pohnpei has the largest land area followed by Chuuk, Yap, and Kosrae. Sixty eight per cent of the land in the FSM is privately owned. Approximately 98% is privately owned in Chuuk and Yap, while 64% and 36% are privately owned in Pohnpei and Kosrae, respectively. Table 4 presents selected land-related indices to show development potential.

Land ownership and inheritance are traditionally collective. Land is owned or inherited through the following: direct accession through matrilineal, patrilineal, extended or communal relationships or ancestry; acceptance of a “gift” or compensation for service rendered; land purchase; land lease; or squatting on unsettled lands.

**Table 4: Selected Land and Land Use Related Indicators by State, FSM, 2004**

	Chuuk	Kosrae	Pohnpei	Yap	FSM
Land Area (sq.m.)	49	42	133	46	271
Population	53,595	7,686	34,486	11,241	107,008
Population Density (per sq.m.)	1,094	179	261	244	395
Population Growth Rate (in % per annum)	0.1	0.9	0.4	0.1	0.3

Source: FSM (2002). *Statistical Yearbook*.

Traditionally, property rights and land ownership are reserved for inheritance within families or clans. They are rarely transferred outside the indigenous community. A majority of land parcels in the FSM continue to have extended family or traditional authority over use or alienation rights. Most of the land in the FSM has not been surveyed, mapped, registered, or titled. These are the main reasons why land is difficult to acquire and develop. To improve land ownership and titling in all FSM states, land administration offices within formal and traditional jurisdictions have to be restructured to allow for more effective and efficient land development and management systems. A review of the laws governing land use needs to be done and it can begin with provisions in the FSM National and State Constitutions that forbid the sale of land, or the indefinite use of land by non-FSM citizens (See Box 3).

Developers and landowners have different agendas on how and to what extent land is to be utilized. Developers, on the one hand, see potential for large-scale commercial land development. Landowners, on the other, are largely subsistence users, and view land as the primary source of food production and security for daily survival.

In all the states of FSM, the tie between land and traditional ownership and authority is still strong. In Yap, for example, the Councils of Chiefs have the power to veto any decision or law that may affect customs and tradition.

### **Box 3. Land Tenure Laws & Regulations**

#### **Constitution of the Federated States of Micronesia**

Article XIII: General Provisions

**Section 4:** A non-citizen of the FSM or a corporation not wholly owned by citizens may not acquire title to land or waters in Micronesia.

**Section 5:** A lease agreement for the use of land for an indefinite term by a non-citizen, corporation not wholly owned by citizens, or any government is prohibited. An existing agreement becomes void 5 years after the effective date of this constitution. Within that time, a new agreement shall be concluded between the parties. When the national government is a party, it shall initiate negotiations.

#### **Chuuk State Constitution**

Article XI: General Provisions

**Section 2:** The power to take an interest in land may only be exercised by the State Government for a specific purpose of general public interest, as prescribed by statute. Negotiations with the owner for voluntary lease, sale or exchange shall be fully exhausted and just compensation shall be fully tendered before a taking may occur. The Legislature shall provide for access to the courts to ensure that good faith of the negotiations, the reasonable necessity of the acquisition, and the adequacy of the compensation tendered. Upon the termination of the public use for which an interest in land is involuntarily acquired, the State Government shall return and quit claim the land to the owner or the owner's successors.

Also refer to Article IV: Traditional Rights for supplementary clauses on customary rights and practices in text box 12 under Chuuk State Constitution

#### **Kosrae State Constitution**

Article XI: Land and the Environment

**Section 3:** The use of real property shall, in the public interest, be regulated by law to assure public health, community well-being, the orderly and economical use of land, preservation of places of cultural or historical value and island beauty.

**Section 7:** Only a person who is a citizen of the Federated States of Micronesia and a domiciliary of the State, or a corporation which is wholly owned by such persons, may acquire title to land in the State. Acquisition or utilization of interests in real property may be restricted or regulated by law.

#### **Pohnpei State Constitution**

Article XII: Land

**Section 1:** Limitation of Leaseholds. No lease of land, except from the Government or as provided in Section 4 of this Article, may not exceed 25 years. The right for option to renew and other protections shall be provided by statute.

**Section 2:** Acquisition of Permanent Interest in Real Property. The acquisition of permanent interest in real property shall be restricted to Pohnpeian citizens who are also pwilidak of Pohnpei, as specified under Article 3 of this Constitution

**Section 3:** Indefinite Land-Use Agreements. An agreement that grants the user of land the unilateral authority to continue use for an indefinite term is prohibited.

**Section 4:** Land Legislation. The Legislature may provide, by appropriate legislation procedures to permit leases and other uses of land in excess of limits prescribed in Section 1 of this Article.

**Section 5:** Land Sale. No land shall be sold, except as authorized by statute.

**Yap State Constitution**

Article XIII: Conservation and Development of Resources

**Section 2:** An agreement for the use of land where a party is not a citizen of the Federated States of Micronesia or a corporation not wholly owned by such citizens shall not exceed a term of fifty years. The Legislature may prescribe a lesser term.

**Section 3:** Title to land may be acquired only in a manner consistent with traditions and customs.

In the FSM, land rights and land use are based on a principle of reciprocity between landowners and those who have the right to use the land. The existing informal market, however, allows transactions in which land ownership is transferred in exchange for money or power. This will become a more accepted business practice as private sector development needs for land expands, the demand for housing increases, and requirements for local production of consumable goods and services grow.

The cash or money economy has changed the socio-economic reality so that landowners are now forced by necessity to exchange their land rights for cash and other material rewards. As land becomes more acceptable as a cash commodity, accession and inheritance rights are changing. For example, in Chuuk, authority to alienate land, once vested in the matrilineal groups as a collective decision-making responsibility, has now been taken over by educated, business-minded individuals. The financial gain from the land is turning into a constant source of family or clan conflicts, and costly legal proceedings. This conflict is a symptom of increasing economic hardships (underemployment and lack of family income), increasing population, and changing economic and social aspirations and lifestyles.

Public lands are also the subject of legal issues. Strategically positioned pieces of land where important public infrastructure is built and maintained for government operations is leased, often for huge sums of money. Unpaid land leases have become a major source of litigation and government expenditure.

Given these concerns and the fact that land is limited and has high social and cultural value, legislating changes in land use or the relevant constitutionally protected land tenure provisions will take time. This situation raises numerous questions about how land in FSM can be best managed. These issues have been addressed in various ADB-funded technical assistance projects in the FSM. So far, a few key points have been identified but no real consensus reached. The legal framework for secured lending needs to be clarified and updated. New land-use regimes must incorporate customary use rights, but at the same time permit more land to serve as collateral or be available for private sector development.

There needs to be commitment to change that simultaneously protects traditional land use rights, while facilitating economic development.

Culturally sensitive land development policies and enabling legislation can evolve through formalizing stakeholder consultation processes such as national and state economic summits or the establishment of “issue-based” *development policy forums* (DPFs). It is also possible to create statutory policy mechanisms such as a *Native Land Trust* (NLT), or an office of *Micronesian Cultural Affairs*. Having such systems in place can help bridge the current gaps between government, the private sector, and the people by:

- *Providing a formally structured, participatory consultation process that involves key representatives of all stakeholder groups in land planning, policy formulation, and decision-making.*
- *Making land planning, policy and decision-making processes primarily confined to government officials, accessible to the private sector, civil society, and local development partners such as training institutions, chambers of commerce, and landowners.*
- *Ensuring that economic policy and decision-making affecting land development be dictated by national and state development realities rather than driven by external development interests.*
- *Making available performance or results-based indicators to assist planning, decision-making, and programming efforts.*
- *Conducting workshops and forums to develop consensus on how to strengthen and improve governance, leadership, management, and technical capacities at all levels.*
- *Convening conferences or workshops on formulating a clear and unified national vision and to address inconsistencies between national and state constitutional rights and provisions.*

The recommended measures would address the long-standing indigenous weaknesses in managing and administering the modern democratic institutions and systems required to successfully promote economic development.

There was virtually no real commitment to developing this capacity and the result has been a chronic shortage of qualified professionals and technicians in the public service and in the local labor force. This in turn has resulted in a high dependency on foreign advisors and contract employees. Given this reality, there is a pressing need to conduct a needs-assessment of the institutional (administrative, organizational and technical) capacity of government and public enterprise functions and programs.

**Box 4. S.L. No. 4L-21-96: Pohnpei Development Leasehold Act of 1996**

This act is known as the “Pohnpei Development Leasehold Act of 1996”. This Act stipulated the following:

- 1) Each notice submitted for the recordation pursuant to Section 3 of this act shall be accompanied by a non-refundable recordation fee of \$100 and a refundable bond equal to \$100 for each year of the term of the proposed lease – Section 5
- 2) The recordation fee so paid upon submission of a notice of intent shall be deposited into the General Fund of the Pohnpei Treasury as the realization of general revenue. The refundable bond shall be deposited in a special fund of the Pohnpei Treasury, and shall be returned to the payor or his designee if the prospective development lease agreement is not executed within the time limits prescribed by Section 12 of this act or if so executed on the fifth anniversary of the execution of the development lease upon a finding by the Director that the requisite capital improvements have been emplaced on the real property as prescribed by Section 13(4) of this act; provided, however, that such bonds shall be forfeited to the state if required by Section 16(2) of this act.
- 3) The maximum number of years for which the lease may be executed, but not in excess of 55 years -Article 13 (3).
- 4) A covenant stating the minimum value of improvements to the real property that is the subject of the lease which must be emplaced upon the property by the fifth anniversary of the issuance of the lease, the value of which shall not be less than \$200,000 – Article 13(4)
- 5) A covenant stating that the lessor shall be entitled to not less than 10 per cent of the capital gains received by the lessee or his successors in interest for an assignment, sublease or subsequent assignment or lease, of the leasehold estate or portion thereof; provided that the calculation of such capital gains shall not include investment less depreciation and reasonable business costs incurred by the lessee or his successors in interest with respect to improving the leasehold estate or developing the business activities thereon – Article 13(6)
- 6) The statutory conditions prescribed by Section 13 of this act are hereby made a part by reference and operation of law of every development lease executed in the State of Pohnpei for the benefit of the lessor, notwithstanding their incorporation or non-incorporation in the written leasehold agreement. Any provision in a lease contract, agreement or subsequent agreement or contract which seeks to effectuate a waiver of the statutory provisions of Section 13 of this act to the detriment of the rights and privileges of the lessor contained herein is null and void as against public policy. Violation of any condition or covenant prescribed by said sections of this act to the detriment of the rights and privileges of the lessor shall be deemed a material breach of the lease agreement, which may be redressed by report to judicial action – Section 14
- 7) In addition to the civil sanctions as may be imposed under Section 14 of this act, any lessee who, within five years of execution of the leasehold agreement, fails to improve the leasehold estate at a value equal to or in excess of the valuation prescribed in the development agreement shall be liable for the payment to the lessor or his successors in interest of a civil fine of 10 per cent per year of the value of the improvements that have not been so made to the property – Section 16(1)
- 8) In addition to the civil fine imposed by Subsection (1) of this section, the bond paid for filling of a notice of intent to enter or substantially modify a development lease as prescribed by Section 5 of this act shall be forfeited to the state – Section 16(2)

The current impasse between landowners and government on land tenure systems arises because of the perception that development plans promote only the economic value of land as measured by market price, and not its cultural and natural resource use values. It is true that whatever natural resources the present generation has exists because of the investments and conservative decisions made in the past. The management of resources over time, in light of the future benefits those resources may yield, is an important question of economic efficiency. There are also ethical and moral issues involved as to the current generation's responsibility to conserve resources for the future.

Concerns regarding clear title to land, i.e., identification of all ownership interests in private property, underlies much of the support for land and real estate registration. However, identification is only part of the problem. To serve as collateral with economic value, land ownership rights must be transferable. Land is inalienable to non-citizens which means security interests or liens cannot be enforced. In many customary settings, however, freehold titles do considerable harm to traditional practices. Modern approaches often ignore the fact that land rights in a traditional setting have value over and above simply holding title.

Land reform should address the issue of how to harness the values of land while preserving its associated traditional values. One mechanism that provides a robust land tenure system together with economic incentives and legal security for lending is found in the Western ownership model. This required approach would entail the following actions.

- *Reforming land administration, management, and enforcement;*
- *Creating a one-stop-shop for real estate property development and investment;*
- *Reforming and expanding EPIC (Refer to 3.1.3);*
- *Performing an institutional audit of existing national and state executive, legislative, and judiciary systems to identify administrative and legal constraints and to propose development-friendly improvement measures and legislative acts;*
- *Adopting a government policy of pro-actively working with civil society and other non-state actors; and,*
- *Providing for independent national and state legal and regulatory reviews and appraisals*

### **Box 5. Laws on Customs and Traditions**

#### **FSM Constitution - Article V: Traditional Rights**

**Section 1:** Nothing in this Constitution takes away a role or function of a traditional leader as recognized by custom and tradition, or prevents a traditional leader from being recognized, honored, and given formal or functional roles at any level of government as may be prescribed by this Constitution or by statute.

**Section 2:** The traditions of the people of the FSM may be protected by statute. If challenged as violative of Article IV, protection of Micronesian tradition shall be considered a compelling social purpose warranting such government action.

**Section 3:** The Congress may establish, when needed, a Chamber of Chiefs consisting of traditional leaders from each state having such leaders, and of elected representatives from States having no traditional leaders. The Constitution of a state having traditional leaders may provide for an active, functional role for them.

#### **Chuuk State Constitution - Article IV: Traditional Rights**

**Section 1:** Existing Chuukese custom and tradition shall be respected. The Legislature may prescribe by statute for their protection. If challenged as violative of Article III, protection of Chuukese custom and tradition shall be considered a compelling social purpose warranting such government action.

**Section 2:** Nothing in this Constitution takes away the role or function of a traditional leader as recognized by Chuukese custom and tradition, or prevents a traditional leader from being recognized, honored, and given formal or functional roles in government.

**Section 3:** The Legislature may appropriate funds annually for a traditional leaders conference

**Section 4:** Traditional rights over all reefs, tidelands, and other submerged lands, including their water columns, and successor rights thereto, are recognized. The Legislature may regulate their reasonable use.

#### **Kosrae State Constitution - Article II: The Community and the Individual**

**Section 1:** Except when a tradition protected by statute provides to the contrary.

**Section 2:** The State Government shall protect the State's traditions as may be required by the public interest.

#### **Pohnpei State Constitution - Article 5: Tradition**

**Section 1:** Customs and Traditions. This Constitution upholds, respects, and protects the customs and traditions of the traditional kingdom of Pohnpei.

**Section 2:** Protection of Customs and Traditions. The Government of Pohnpei shall respect and protect the customs and traditions of Pohnpei. Statutes may be enacted to uphold customs and traditions. If such a statute is challenged as violating the rights guaranteed by this Constitution, it shall be held upon proof of existence and regular practice of the custom or tradition and the reasonableness of the means established for the protection, as determined by the Pohnpei Supreme Court.

**Section 3:** Family Obligations. (1) To strengthen and retain good family relations in Pohnpei, as needed, this Constitution recognizes and protects the responsibility and authority of parents over their children. (2) This Constitution also acknowledges the duties and rights of children in regards to respect and good family relations as needed.

**Yap State Constitution - Article III: Traditional Leaders and Traditions**

**Section 1:** There shall be a Council of Pilung and a Council of Tamol which shall perform functions which concern tradition and custom.

**Section 2:** Due recognition shall be given to traditions and customs in providing a system of law, and nothing in this Constitution shall be construed to limit or invalidate any recognized tradition or custom.

**Section 16:** A certified copy of every bill which shall have passed the Legislature be presented to the Council of Pilung and Council of Tamol for consideration. The Councils shall have the power to disapprove a bill which concerns tradition and customs or the role or function of a traditional leader as recognized by tradition and custom. The Councils shall be the judge of the concernment of such a bill.

**Section 17:** The Council of Pilung and the Council of Tamol may disapprove a bill by returning the certified copies of the bill with their objections within thirty days after it is received from the Legislature. A disapproved bill may be amended to meet the Councils' objections and, if so amended and passed, only one reading being required for such passage, it shall be presented again to the Councils.

Innovative approaches are needed to achieve small-scale interventions which strengthen and support existing goals and values in a manner complimentary to social-cultural relationships within the community.

There is a perception that current FSM development policies and structural adjustment programs emphasize an overly “top-down” economic development agenda perpetuated by the discretionary application of customary governance. This neo-traditional policy framework undermines the dynamism of a collective and communal lifestyle suitable to a largely subsistence economy and society. Traditional authority and governance were purposefully stripped of any functional role in the modern FSM democratic government in all but one state. As a result, the role of traditional authority in public governance has taken on a more superficial ceremonial role that often is subject to financial gain or political manipulation.

Customs and traditions are often invoked in times of crisis to pull the nation together, or to appeal to a collective endorsement and legitimacy for otherwise unpopular leadership actions. In the political sphere, traditional customs and extended kinships hold the authority and wield the bargaining influence that opens doors to elected office and positions of power. Political aspirants actively seek endorsement from traditional authority and closely align themselves with these traditional processes to further their political aspirations. People expect elected leaders and politicians to reciprocate by honoring obligatory “duties and rights” prescribed by traditional authority.

The extent of traditional authority and status is intrinsically proportional to one's relative relationship to the land and collective extended family systems. There are two ways to be elected into leadership and power: (1) ride on the ticket of the extended family alliances and networks in one's electoral district or in one's municipality or state; and (2) use of current position and authority to buy votes or provide employment opportunities. Once elected, these leaders are subject to keeping and nurturing the electorate they represent. This is their priority mission. Those who reciprocate and fulfill their "obligatory duties" secure for themselves a perpetual elected position.

### 3.4 Community-Based Development Approaches

The search for national identity in the post-colonial era and the preoccupation with economic development has relegated social welfare to secondary importance in the FSM. Already, the pace of urbanization and population growth is challenging the ability of customary traditions to protect people from hardship. Pockets of squatter dwellings and settlements are beginning to emerge throughout the FSM. An estimated 20% of FSM citizens have migrated overseas in search of better economic and social opportunities.

Economic and social development of heritage and natural resource-based assets, based on traditional, indigenous cultural values and practices may be an effective approach for rural areas and those adjacent to them which contain cultural and natural resources. This involves initiating a variety of community participatory activities which act as catalysts for local community interest groups to assess the unique characteristics and economic potential of the elements making up their physical heritage. This assessment can provide a basis for designing community action plans that are both profitable and sustainable. This approach would be complementary to private sector development that would be more focused on utilizing land in the urban areas. While the private sector development approach would depend to a much larger extent on foreign investment and the use of technological and management skills prevalent in the global economy, the community-based approach would likely be a more effective approach for mobilizing resources in the non-profit sector, relying more heavily on local labor and capital. A significant portion of the labor could come from the underemployed in the subsistence sector.

Three alternative models for rehabilitating and empowering local communities to achieve self-reliance through responsible cultural heritage preservation are presented.

The ***Local Effort And Preservation (LEAP) Model*** is a process-based model premised on local communities assuming an active stewardship of their cultural heritage and being empowered to develop elements of that heritage in a responsible, profitable and sustainable manner. LEAP views preservation as an activity that can bring economic opportunities and serve as a tool for job creation and income generation based on traditional technologies, locally available materials and the human resources in the local community. This model stimulates economic opportunities by using traditional skills and indigenous resources available in the community. Recruiting the potential of cultural tourism as a tool for the preservation and enhancement of both the physical and intangible heritage can be combined with a specific cultural industry to promote urban regeneration and revitalization of rural and remote island communities throughout the FSM.

Land development can be a catalyst for further cultural development. LEAP aims to empower inhabitants in local communities to:

- *Understand and advocate the sustainable conservation of locally significant monuments, sites, and the material and tangible traditions uniquely associated with local culture;*
- *Play a leading role in actual hands-on conservation and preservation work, as well as in the interpretation of the heritage values which are to be safeguarded;*
- *Develop the means through which they can benefit financially from the enhanced conservation of their heritage.*

Such promotional efforts also restore pride in local heritage thereby attracting opportunities for income generation and job creation in eco-businesses in local communities. The aim is to restore heritage conservation from an elite technical specialization practiced by a handful of experts to a popular grass-roots movement. LEAP would serve as a tool for endogenous and sustainable economic and human development that is appropriate to a particular locale.

The ***Enterprise Facilitation Model*** has as its primary focus building communities around people doing what they love and empowering local economic development based on the personal growth of people within the communities they live in.

The Enterprise Facilitation Model is a grassroots approach to local development that promotes and teaches civic leaders how to establish a program that transforms individual passion and community activism into rewarding and

sustainable local enterprises. It is a client-centered, management coaching method made available to self-motivated individuals with a bona fide business idea. It is a low-cost, locally managed project that complements strategic infrastructure development and provides for better utilization of all business-related resources already available in each community. It succeeds by introducing sound and effective management principles to the grassroots by restoring personal motivation and talent to its central role in spurring entrepreneurship and promoting economic development.

Since 1985, Enterprise Facilitation has demonstrated that the provision of competent and dedicated support to entrepreneurs is as important as the building of physical infrastructure to the development of a stable and successful economy. This is because true economic development is two-fold: the creation of infrastructure for development, and building the capacity of people to utilize such infrastructure.

Enterprise Facilitation is a social initiative that helps communities create diversity and sustainability that is people-centered and locally owned and controlled. This model challenges leaders, managers, planners, and policymakers to listen, keep development simple, and do whatever it takes to make sure the entrepreneurs have a strong team in place. It forces the community to build enterprises with ordinary people. It offers a practical tool that gives communities the ability to create their own prosperous future.

***The Community Economic Development Initiative (CEDI) Model*** is a bottom-up approach to economic planning and development. This initiative seeks to bring members of the community, the private sector, civil society organizations, and various government departments together to generate a more informed response to the communities' development efforts. It focuses the attention of central and local government on the economic development needs of local communities, and it provides a mechanism for coordinating the delivery of government services with the private sector to remove bottlenecks. The approach uses a participatory planning process to ensure that communities identify what they themselves can do to achieve economic development, and what services and assistance they need from others to help them achieve their plans. The output is a community-formulated resource development action plan that is owned by a broad-based constituency of stakeholders, all of who have a vital interest in the plan's success.

The CEDI Model is based on getting a community to work on the following: assess and prioritize its needs; identify its resources and assets; determine viable economic ideas and potentials; match community development ideas with existing enterprise facilitation programs; develop community cooperative

plans; convene financing forums between cooperative officials and investors/donors to deliberate on cooperative plans to secure financing; form community cooperatives and revolving loan and savings funds; and establish cooperative business ventures and community development corporations.

Economic development has more to do with people than with so-called comparative advantage. Wealth can be generated in the short term by exploiting natural resources, but long-term prosperity can only be created collectively – exchanging ideas, and sharing technologies and resources. CEDI helps communities initiate and generate their own solutions to common economic problems, build long-term community capacity, and foster the integration of economic, social, environmental and cultural heritage objectives to expand livelihood and to improve productivity.

### 3.5 Developing a Shared Vision

Developing a shared vision is important to building and strengthening national identity. This goal entails a strategic planning framework that cuts through institutional boundaries by establishing a multi-sector, multi-disciplinary, partnership-based decision-making process. This participatory development framework would contribute to:

- *Promoting good governance and respect for the rule of law;*
- *Improving governance as stakeholders seek to achieve consensus on policies and practical measures that enhance the urban-rural linkages and harness the potential of towns to productively absorb increasing urban congestion;*
- *Strengthening national, state, and municipal links so that all are well-informed and ready to participate in public affairs critical to their mandates;*
- *Encouraging citizen participation in public affairs and the developmental process;*
- *Promoting agreement on actions to be taken and timetables for implementation;*
- *Clarifying roles and responsibility of the private, public and civil sectors (non-profit organizations);*
- *Strengthening the judicial sector;*
- *Reducing government control over the economy.*

To actively support and facilitate the community-based development approach, there is a need for an agency or office of government that is mandated to work with the non-profit sector in seeking external financing (and in the future, government funding out of domestic revenues) and in assisting in the programming of such funding. This new agency (perhaps a Bureau of Community Development and Cultural Affairs) could also be responsible for ensuring national and state government support to the non-profit sector towards achieving the nation's MDGs (discussed in Section 10.2). To this end, serious consideration should be given to establishing a Social Development Fund (SDF).

The SDF is a means to provide much-needed assistance for basic community services not provided under traditional national and state health and education programs. Some of the MDG targets that could be addressed by the SDF include hardship reduction by creating employment, and environmental sustainability by furthering the targets on protection of forested land and maintenance of biological diversity. Other programs could address public education, legal literacy, human rights education, and basic adult literacy.