

ASIAN DEVELOPMENT BANK

COUNTRY STRATEGY AND PROGRAM UPDATE (2003–2005)

FEDERATED STATES OF MICRONESIA

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CURRENCY EQUIVALENTS

The United States dollar (\$) is the unit of currency in the Federated States of Micronesia.

ABBREVIATIONS

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
BITS	–	Business and Information Technology Skills Project
BSS	–	Basic Social Services Project
ERCAP	–	Economic Policy Reform and Capacity Building
FMIS	–	financial management information system
FSM	–	Federated States of Micronesia
GDP	–	gross domestic product
IPBM	–	Implementation of Performance-Based Budget Management
MDG	–	Millennium Development Goal
NPRS	–	national poverty reduction strategy
OID	–	Omnibus Infrastructure Development Project
PSDP	–	Private Sector Development Program
TA	–	technical assistance
US	–	United States of America
USDOI	–	United States Department of Interior
WSS	–	Water Supply and Sanitation Project

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 September. FY before a calendar year denotes the year in which the fiscal year ends.
- (ii) In this report, "\$" refers to US dollars.

CONTENTS

	Page
I. COUNTRY STRATEGY	1
II. CURRENT DEVELOPMENT TRENDS AND ISSUES	2
A. Recent Political and Social Developments	2
B. Recent Social Development	2
C. Economic Assessment and Outlook	3
D. Implications for Country Strategy and Program	4
III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM	5
A. Progress Under the Poverty Partnership Agreement	5
B. Progress in the Country Strategy and Program Focus Areas	5
C. Highlights in Coordination of External Funding and Partnership Arrangements	8
IV. PORTFOLIO MANAGEMENT ISSUES	8
A. Portfolio Performance	8
B. Performance Monitoring and Evaluation	9
V. COUNTRY PERFORMANCE AND LENDING LEVELS	9
A. Lending Level Proposed	9
B. Nonlending Program	10
C. Summary of Changes to Lending and Nonlending Program	10
APPENDIXES AND TABLES	11
A1. Summary Statement of Strategy	
A2. Country and Portfolio Indicators, and Assistance Pipeline	
Table A2.1 Progress Toward the Millennium Development Goals and Targets	
Table A2.2 Economic Indicators	
Table A2.3 Poverty and Social Indicators	
Table A2.4 Environment Indicators	
Table A2.5 Development Coordination Matrix	
Table A2.6 Portfolio Performance Indicators	
Table A2.7 Portfolio Implementation Status	
Table A2.8 Assistance Pipeline for Lending Products	
Table A2.9 Assistance Pipeline for Nonlending Products and Services	
Table A2.10 Lending Scenarios and Performance Triggers	
A3. Concept Papers for Lending Products	
A4. Concept Papers for Nonlending Products and Services	

I. COUNTRY STRATEGY

1. The operational strategy of the Asian Development Bank (ADB) in the Federated States of Micronesia (FSM) is consistent with ADB's overall Pacific Strategy for the New Millennium.¹ It recognizes the FSM's moderate resource potential and good long-term growth prospects. The current strategy for 2003–2005 takes into account the sector priorities and goals of the Government, and the latest anticipated outcome of the ongoing Compact of Free Association (Compact)² negotiations with the United States (US), and the anticipated outcome based on the latest available update. It continues to support the private sector-led economic growth strategy of the Government as outlined during the Consultative Group Meeting in February 2000.

2. The immediate challenge for the FSM is to ensure strong growth in the private sector. The Government needs to divest itself of certain commercially oriented activities, to allow the private sector to identify opportunities and take commercial risks, and to create an enabling environment that is conducive to private sector development that will create additional jobs and opportunities. This objective will be supported by the approved Private Sector Development Program (PSDP)³ and reinforced by ongoing policy dialogue. The proposed Business and Information Technology Skills Development Project (BITS) will address the vocational education needs of the private sector, while preparing the nation for the technology demands of the future.

3. Social sector development and reforms will continue to play an important role in the overall development of the FSM, with emphasis on the outer islands to help improve basic social services delivery. This is consistent with ADB's poverty reduction strategy. Increased allocation and better utilization of resources will be an important factor in expanding access to essential services. The approved Basic Social Services (BSS) Project⁴ provides the start in improving quality and efficiency of pro-poor health and education service delivery, while the proposed Omnibus Infrastructure Development Project (OID) will address immediate social infrastructure needs that enhance access to water, sanitation, and sewerage. Subsequently, the recurrent funding needs of these sectors will be met by the new economic assistance provisions of the Compact.

4. Finally, continued support for good governance will underpin ADB's overall strategy for the FSM. Improved planning and budgeting systems, more effective and efficient utilization of resources, transparent and uniformly consistent rules and regulations between and within the national and state governments, and improved financial accountability and reporting are essential requirements for the successful implementation of the ADB strategy. ADB support in this area will be through its nonlending program and is built into the conditions of both the PSDP and BSS loans, as well as the proposed OID loan.

5. The country strategy will therefore focus on improving accountability and efficiency of the public sector, increasing access to basic social services through better utilization of state and national resources, and private sector development. A summary statement of the strategy is in Appendix 1.

¹ ADB. 2000. *A Pacific Strategy for the New Millennium*. Manila.

² Compact of Free Association under which the US Government provides grant assistance to FSM. Economic assistance for the last 15 years expired in October 2001 and is currently in a 2-year transition period pending renegotiation.

³ ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Federated States of Micronesia for the Private Sector Development Program*. Manila.

⁴ ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Federated States of Micronesia for the Basic Social Services Project*. Manila.

II. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Recent Political and Social Developments

6. The current national government administration was elected to office in the FSM in May 1999. Midterm elections for the 10 2-year members of the 14-member FSM National Congress were held in March 2001, resulting in the seating of one new senator in the May session and one in the August session of the 12th Congress, both replacing deceased senators. During the second regular session in October 2001, the FSM Congress passed bills authorizing the FSM to borrow from ADB for the PSDP and BSS.

7. The FSM is a stable democracy with actively contested national, state, and local government elections. Since gaining self-government in 1979, all transitions have been consistent with constitutional provisions and free and fair elections. National elections are scheduled for March 2003, subject to constitutional amendments that may result from the August 2002 referendum (para. 10). A new administration and a reorganized Congress will begin in May 2003.

8. The Economic Policy Implementation Council, created at the recommendation of the 2nd FSM Economic Summit in September 1999, has been established as an effective element of nationwide economic policy coordination. At the 5th council meeting in May 2002, the FSM leadership developed a strategy to identify resources, in addition to those bump-up funds already committed, to meet a US Government demand that at least \$30 million be deposited into the proposed Compact trust fund prior to the start of new economic provisions.

9. State elections will be held in Kosrae and Yap in November 2002, while Pohnpei's elections will be held in November 2003. Chuuk State's governor was elected by a wide margin in March 2001; however he now faces impeachment investigations by the state legislation. Chuuk is also facing a major financial crisis that, if unaddressed in the coming few months, will have serious ramifications for the entire country. Chuuk will hold midterm elections for the 28-member lower house in March 2003.

10. As a result of the 2001 Constitutional Convention, some major revisions and amendments have been proposed. Among the 14 amendments that will be considered in the August referendum, four specific proposals may have an impact on ADB's working relations, strategy, and assistance program. One would result in the president and vice-president being elected directly by popular vote, with the presidency rotating among the four states. Another three-part proposal would add 4 members to the 14-member FSM Congress; each senator's term would be increased from 2 to 4 years, and a term limit of 12 years would be imposed. On the economic management front, one proposal would provide for concurrent powers at the state and national levels for a value-added tax; and another would increase the share of national taxes distributed to the states from 50% to 80%. These will have a significant impact on how the tax reform program is designed and implemented under ADB technical assistance (TA).

B. Recent Social Developments

11. In FSM, no consensus or even acknowledgment of the significant level of poverty exists in the country. Considerable inequality exists in terms of gross domestic product (GDP) per capita among the four states. Of serious future concern are the implications of population growth continuing to exceed economic growth, and the increasingly unequal standards of living

between the population of the outer islands⁵ and migrants to Pohnpei and Chuuk.

12. Based on the latest household income and expenditure survey, an estimated 40% of households could fall under the national poverty line. With a human poverty index of 26.7, the FSM has a low ranking status in the Pacific. The incidence of economic inequality varies widely among the four states, and the lowest-income households are on the outer islands where the lack of opportunity for formal sector employment is chronic, caused by sluggish economic growth. Second, with a human development index of 0.569, the FSM scores poorly on social development goals. During 1980–2000, life expectancy increased from 65 to about 68 years, showing a moderate overall success in health care. Third, the FSM faces several environmental issues related to inadequate access of the population to safe water, inadequate solid waste management, and loss of biodiversity. As shown in the report prepared by the US Department of Interior (USDOI), the needs of rehabilitating deteriorated infrastructure facilities in the 4 states are intensive. The OID loan will focus on the most vital sectors for rehabilitation, and address the most urgent needs of the FSM that would help improve the living conditions of the local population and the deteriorating environment.

13. Maternal mortality of 122 deaths per 100,000 live births is a serious health issue, and illustrates the poor quality of the health services. The total fertility rate ranges from 3.7% in Yap to 5.6% in Chuuk, and the contraceptive prevalence rate is 30% in Chuuk and 45% in the other states. While the crude birth rate and fertility rates remain high, the number of children born per woman has decreased from 8.2 in 1973 to 4.7 in 1997. However, the high population growth adversely affects health indicators and also offsets economic growth.

14. Only 30% of those in paid employment are women. Women hold disproportionately fewer managerial positions (15% of the total), with only one elected woman in the national and state legislature bodies (1%). Gender inequalities are also significant as shown by lower female literacy and lower educational enrollment ratios. Education expenditure needs to be more effectively targeted, especially at girls in the elementary level. The BSS and OID loans will address many of these population, health, and education issues, specifically as they affect women.

C. Economic Assessment and Outlook

15. Over the past 3 years, the FSM economy has stabilized and returned to a level of growth nearer to its long-run average real growth rate of approximately 1.5% per annum. Stabilization followed a significant reduction of Compact funding at the onset of the third 5-year period of the Compact. The reduction amounted to the equivalent to 7.1% of GDP in FY1997. Following 4 years of economic decline from FY1996 to FY1999, the economy recorded positive real growth of 2.5% in FY2000, but declined to 0.9% in FY2001. The growth potential was significantly constrained due to the effects of worldwide recession, reduced capital expenditures, and uncertain investment climate, resulting from the looming threat of significantly reduced assistance under the Compact beyond FY2004.⁶ However, the economy is projected to grow by

⁵ The population of the outer islands, living on remote atolls far from the main islands, capitals, and urban centers of the four main islands, is about 18,000 people, which is 17% of the FSM's total population (SPC. 1997. *FSM Population Profile*. Suva).

⁶ Under the terms of the Compact, specific provisions are made for economic assistance for the first 15 years (FY1987–FY2001). In anticipation of potentially protracted negotiations and the US Congressional approval process, the Compact included a provision for 2 extra years of assistance (FY2002–FY2003), which will be funded at the level that prevailed in the second of the three 5-year periods of assistance. Since the Compact included a

3.3% in FY2002, supported by the temporary increase of about \$16 million a year for FY2002 and FY2003 in the Compact funding level. One-half of these “bump-up” funds were reserved in FY2002 and a still greater proportion will be reserved in FY2003 in a stabilization account of the FSM trust fund. Projections for economic activity in FY2003 indicate a decline of 0.7%, largely as a result of fiscal tightening in advance of reduced Compact assistance anticipated in FY2004 and continued uncertainty curtailing investment. Inflation in the FSM remains moderate. The estimated national annual inflation rate (which is based on Pohnpei estimates) is 2.6% as of end-June 2001. The low rate reflects both the stagnant economy and low inflation in the US, the major source of imports.

16. The partial use of the “bump-up” Compact funds by Chuuk and Kosrae, in particular, allows for an increase in government expenditure on capital projects and wages. However, a stepdown in revenue is expected for FY2004, which may trigger a reduction in the size of the public sector. The public sector provides the core of the economy. It directly accounted for 34% of GDP in FY2000 and has typically employed around half of the formal workforce. The national Government maintained a large structural surplus; however, cyclical revenue shortfalls due to reduced fishing fees and low investment returns put significant pressure on the national fiscal position in the short term. In Pohnpei and Yap, which maintained medium-term fiscal balance by constraining recurrent expenditure, fiscal management remained sound over 2001 and 2002. Chuuk faced a cash flow crisis toward the end of FY2001 due to an overestimation of revenue and a rush of capital expenditure in the lead-up to an election. Their fiscal position has deteriorated in FY2002 due to continued lack of discipline; a financial crisis is looming unless rapid and rigorous reforms are put in place immediately. Kosrae has a medium-term fiscal imbalance, and during 2001 could not fully service recent loans to facilitate economic reform. Starting in FY2002 with a fiscal deficit, the executive and legislature have recently passed a “deappropriation” bill to meet the fiscal balance conditions of the PSDP loan. Resulting from a moderate structural imbalance a more difficult adjustment is anticipated for Kosrae in FY2004.

17. Based on recent negotiations, the FSM can now anticipate a package of new Compact economic assistance to be in place for FY2004. Even in the event of a delay in US Congressional approval, indications from the US Government are positive that FY2004 funding—consistent with negotiated terms—will be provided beginning 1 October 2003. Thus, there is little or no threat of a major, destabilizing adjustment at that time or anytime in the foreseeable future. As of May 2002, the difference between the US and FSM proposals has narrowed considerably. While both proposals would result in a moderate shock in FY2004, the latest economic analysis indicates that the FSM would benefit from a 20-year period of substantial funding followed by a smooth transition to support from a trust fund created during that period. The latest US proposal includes a \$76 million grant and a \$16 million contribution to the trust fund for 20 years. The contribution to the trust fund will increase by 0.8 million annually, while the grant will be reduced by a similar amount. All payments are inflation-indexed to two thirds of prevailing US inflation. While there is no predetermined sectoralization, a certain portion must be used for infrastructure investment and a fixed amount is set aside for maintenance to ensure long-term sustainability of those investments.

C. Implications for the Country Strategy and Program

18. In designing any future intervention, the implications of the federal structure of the FSM Government must be taken into account. Project designs cannot assume a uniform level of

reduction after each 5-year period, this arrangement results in the FSM receiving an increased level of transfers of about \$32 million during the coming FY2002 and FY2003.

acceptance by all five governments and therefore must allow for differentiated project design. Possible changes in taxing powers and revenue sharing among the national and state governments arising from the referendum will also need to be factored into the future program.

19. Special attention will be given to ensuring no duplication and/or conflict with Compact assistance and assistance from other funding agencies. During the Country Programming Mission, the latest offer from the US was reviewed for its implications for ADB's strategy. The latest information indicates an offer that will require further fiscal adjustment of a small to moderate magnitude during FY2004–2006 and reduction in funding for infrastructure projects.

20. The emphasis for public sector reform needs to be shifted to the state level. Recognizing the four states as key players, long-term improvement in terms of efficiency, effectiveness, and accountability in government must be directed at the state level, and adequate capacity to sustain such efforts needs to be built. Assistance directed to these outcomes will be through TA for capacity building at state levels and coordination with other assistance agencies.

III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress Under the Poverty Partnership Agreement

21. The poverty partnership agreement between the Government and ADB was signed on 14 June 2002. It seeks the Government's commitment to better define and assess the concept of poverty, design appropriate strategies to reduce poverty, and incorporate these strategies into the country's development plans, consistent with Government's priorities. The Government's current priority and ADB's proposed assistance program are generally in line with the thrust for poverty reduction.

22. The FSM faces major challenges in achieving the millennium development goals (MDGs). In meeting these goals, a comprehensive poverty reduction strategy is required to address pro-poor growth, improved and expanded access to social services, and creation of jobs. Through regional TA, ADB will assist the FSM in 2003 in preparing a country-owned national poverty reduction strategy (NPRS) involving all stakeholders in a participatory process. Such an NPRS is proposed to be based on a national development strategy to be prepared for the implementation of Compact provision. The strategy will draw on the economic report to be prepared under a proposed ADB TA in 2003, with recommendations emanating from a 3rd FSM Economic Summit. ADB's current loan program and pipeline for 2003–2005 incorporates the essential elements that will assist the FSM in better achieving the MDGs. Progress toward the MDGs and targets are detailed in Appendix 2, Table A2.1.

23. Assessment of progress to achieving the MDGs is made difficult by the paucity of data on selected indicators. Assessment work to be carried out under the NPRS TA and the poverty analysis will be supported by the household income and expenditure survey to be carried out in 2003. Budget appropriation has been sought in FY2003 and may be supplemented by funding from USDOJ.

B. Progress in the Country Strategy and Program Focus Areas

1. Private Sector Development

24. In the FSM, pressures to create more jobs and business opportunities in the private sector stem from the (i) reduction of the public sector; (ii) decline in household income, mainly

due to decreasing external assistance, resulting in more demand for formal and informal employment; and (iii) continuing population growth and youthful demographic pattern, resulting in high demand for job opportunities. Private sector-led economic development is the overarching objective of the country's development strategy. Key policy issues in support of the strategy are to promote small and medium businesses in productive sectors such as fisheries, agriculture, and tourism by improving factor markets (land, labor, and capital) as well as the policy and regulatory environment. Coupled with the Public Enterprise Privatization and Corporate Governance TA, the PSDP loan will assist the Government to achieve this objective. More specifically, the corporatization and eventual privatization of national and state enterprises will be an important objective.

25. The PSDP loan substantially addresses the factors that affect the enabling environment for private sector development. Conditions and policy requirements under the program loan component require land and mortgage legislation be passed to facilitate the use of land as collateral. The project component of the loan establishes secured transaction systems, and land administration and management, and supports job creation through development of small businesses. A focus will be on improving the environment for foreign investment through legislative reforms, simplified regulations, strengthened institutional support, and marketing efforts. Accounting, computer skills, and other vocational education demands resulting from private sector growth will be supported by the proposed BITS loan. The PSDP loan requires the transformation of at least one public sector enterprise in each State to promote private sector development. This support for private sector development is augmented by a TA in 2004 as well as the privatization/transformation requirement of the Chuuk utility that will be required under the proposed OID loan. The FSM's country economic indicators are in Appendix 2, Table A2.2.

2. Social Services Development

26. ADB's priority in the health and education sectors is to promote equity, access, and quality of services; strengthen management efficiency; and mobilize resources for sustainable delivery. Priority in the health sector is to ensure that FSM citizens have access to basic preventive and curative services that are cost-effective, efficacious, and affordable. The BSS loan will help introduce essential reforms in both sectors to improve human resource development in a sustainable manner with due consideration to gender needs. Efficiency improvement under the BSS loan will enable better utilization of Compact funds for both sectors.

27. Health issues arising from poor access to safe water and sanitation facilities were partly addressed under the Water Supply and Sanitation (WSS) Project and will be improved under the proposed OID loan. The OID loan is expected to significantly improve the overall quality of life in all four states.

28. The BSS loan will use nutrition and health education to address the increase in noncommunicable diseases resulting from improper nutrition based on imported food and population growth issues. Support for local food production, particularly by women producers, is provided through the small business development component of the PSDP.

29. A gender development policy was developed at the 2nd FSM Economic Summit to broaden women's participation in the development process. As a result, the 1999–2002 FSM Planning Framework incorporates gender and development issues into the FSM's strategic development objectives, and introduces institutional mechanisms for improving the status of women and gender mainstreaming. While the new gender and development policy remains to be approved by the Cabinet, the new National Women's Interest Unit in the Department of

Health, Education, and Social Affairs has a strategic goal of improving services for women to enhance their status and development in all sectors. The BSS and PSDP loans will have significant gender participation; several components are targeted specifically to help women in health, education, and entrepreneurial development. The country's poverty and social indicators are provided in Appendix 2, Table A2.3.

30. The Government's environmental objectives relate to (i) improving environmental awareness and education, (ii) managing and protecting natural resources, and (iii) improving waste management and pollution control. Several of these activities have been, from time to time, supported by US Environmental Protection Agency grants, and the Australian Agency for International Development (AusAID) has funded the environmental awareness program. ADB's program to date has not directly affected any of those areas, although some waste management-related work has been undertaken under the WSS Project. The proposed OID loan may include solid waste management and sewerage treatment, which should significantly reduce lagoon pollution. Alternative funding from other assistance agencies will be sought to assist with other environmental issues and to improve environmental policy and administration work. The FSM's country environment indicators are found in Appendix 2, Table A2.4.

3. Good Governance

31. Since 1995, through its PSRP loan and associated TA, ADB has supported a reform program aimed at improving public sector efficiency and effectiveness in all FSM governments. However, the decentralized nature of government in the FSM requires more effort and resources than currently available to strengthen good governance institutions and arrangements in all levels of government. Some governance issues are being addressed through ongoing TAs such as Economic Policy Reform and Capacity Building (ERCAP) I and Implementation of Performance-Based Budget Management (IPBM).

32. Improved government accountability and transparency can be achieved through better integration of public sector budgeting, accounting, and management reporting systems and procedures. The scope of the IPBM TA will be amended to help and facilitate the implementation of an integrated financial management information system (FMIS) in all five governments. The successful implementation of the new FMIS will not only improve efficiency and effectiveness in government operations, but will also satisfy accountability, transparency, and accrual accounting requirements under the renegotiated Compact.

33. Proper implementation of the new integrated FMIS, which incorporates the budget planning and performance reporting systems, will require acquisition of hardware and software, as well as extensive training and capacity building. The funding through the USDOL is proposed to support the acquisition and project implementation costs, while the preparatory work will be done under the IPBM TA and the associated capacity building and training needs will be funded through TA, Strengthening and Capacity Building in Public Sector Financial Management, in the revised 2002 TA program.

34. Corporate governance issues are being addressed through the PSDP and the TA, Public Enterprise Privatization and Corporate Governance II in 2004. The OID loan, which will include conditions for institutional changes for the utility company in Chuuk, is also expected to improve public enterprise governance. The participation of the FSM governments in regional good governance initiatives that seek to increase participation of civil society and traditional leadership in government decision-making processes will be supported by funding from the Department for International Development, United Kingdom.

35. The governance assessment carried out during the Country Programming Mission determined that improving public sector accountability will require reinforcement of the audit function. A TA, Streamlining and Strengthening of the Office of Auditor General, is proposed to help set up the systems, procedures, and operating guidelines, as well as to explore the possibility of a centralized audit function for all five governments. The timing of the TA in 2005 is to take advantage of the new uniform FMIS expected to be in place by 2004.

B. Highlights in Coordination of External Funding and Partnership Arrangements

36. ADB, the only multilateral agency active in the country, plays a catalytic role in aid coordination. ADB has organized all four Consultative Group meetings (ADB maintains close linkage with the US, AusAID, and other bilateral aid agencies). While opportunities exist for more comprehensive and broad cooperation among agencies, the Compact with the US is the major external assistance to the FSM. A wide range of federal and nonfederal US services and programs of assistance are also available to the governments and other organizations in the FSM.

37. Japan is the second largest bilateral agency funding activities in the FSM, with annual grants of about \$10 million equivalent. These grants are provided basically to the four states and have usually financed the construction of roads, wharves, ports, and fisheries infrastructure. Japan also has a grassroots program for the environment and for improving quality of life. AusAID provides approximately \$1.0 million equivalent in aid per year, mainly for education, health, and training. AusAID has recently funded a full-time statistician for 2 years. The People's Republic of China provides grants for sports facilities and is promoting farming of vegetables. The World Bank does not currently have a program in the FSM, and the International Monetary Fund only undertakes Article IV consultations on a 2-year cycle. However, TA in the areas of tax, budget, statistics, and banking supervision is provided through the Pacific Financial Technical Assistance Centre, which is supported by ADB, the International Monetary Fund, and other assistance agencies. The United Nations and its agencies, such as the United Nations Industrial Development Organization, United Nations Environment Programme, World Health Organization, etc. are engaged in training and TA support in FSM. External assistance is summarized in the development coordination matrix provided in Appendix 2, Table A2.5.

IV. PORTFOLIO MANAGEMENT ISSUES

A. Portfolio Performance

38. Since joining ADB in 1990, total ADB assistance to the FSM has consisted of six loans with a total amount of \$56.136 million and 31 TAs totaling \$19.585 million, of which five loans⁷ of \$35.4 million and 4 TAs of \$1.9 million were active at the end of 2001. Sixty percent of the FSM portfolio was in the at risk category compared with the ADB-wide average of 24% mainly due to delayed project implementation. Two loans were considered to be problems compared with one from the preceding year, and one loan was a potential problem. Three new loans⁸ have not yet been declared effective. As such, FSM performance in 2001 was worse than the

⁷ Loan 1257-FSM(SF): *Fisheries Development Project*, Loan 1459-FSM(SF): *Water Supply and Sanitation Project*, Loan 1816-FSM(SF): *Basic Social Services Project*, Loan 1873-FSM(SF): *Private Sector Development Program*, and Loan 1874-FSM(SF): *Private Sector Development Project*.

⁸ Loan 1816-FSM(SF): *Basic Social Services Project*, approved on 20 December 2000, Loan 1873-FSM(SF): *Private Sector Development Program*, and Loan 1874-FSM(SF): *Private Sector Development Project*, both approved on 12 December 2001.

regional average and unfavorable with the ADB-wide average. The contract award ratio as of 31 December 2001 reached 4.7%, lower than the ADB-wide average of 14.9%. Actual contract awards total \$916,000, or 11% of projections in 2001, compared with 92% of projections in 2000. In 2001 the disbursement ratio was 46.6%, higher than ADB-wide average of 20.5%. The actual disbursements of \$2.505 million, or 25% of projections in 2001, compare unfavorably with 98% of the projection for 2000. Details of portfolio performance and status are shown in Appendix 2, Tables A2.6 and A2.7.

39. Of the four currently active loans, only one project loan for the WSS is in an advanced stage of implementation, while the BSS and the two PSDP loans are not yet effective. The next steps for loan effectiveness include authorizing legislation by the state legislatures, execution of relending agreements, and the legal opinion from the FSM Attorney General's Office. The WSS loan will close by the end of October 2002. The extensive and complex system of government that allows each state a high degree of autonomy is a major factor affecting project implementation.

40. Of the 4 active TAs, most activities under the TA for Improving Access to Laws have been completed, while inception of the ERCAP I TA was done recently and is progressing well. The TA for IPBM has made progress in identifying the areas needing attention and will be used to strengthen the performance budgeting and financial management systems.

B. Performance Monitoring and Evaluation

41. While counterpart funding has thus far not been a major issue, it has contributed to some implementation delays. In the context of the FSM, the main concern is the spillover effect on the fully compliant governments in the event any one of the five governments fails to comply with agreed counterpart funding contributions.

42. Based on the latest economic performance evaluation by ADB the overall rating of the FSM is slightly lower than the average for the Pacific developing member countries. The achievement of overall budget balance in 2000 was a positive development after years of fiscal strain. However, two of the four states faced significant fiscal problems in 2001 and 2002. The main macroeconomic issues are management of the public sector budget, the need to raise more local revenue, and development of the private sector. A more effective governance framework is also needed for public enterprises, including regulatory arrangements for monopolies. However, public enterprise reform has been the weakest of all elements of the reform agenda.

V. COUNTRY PERFORMANCE AND LENDING LEVELS

A. Lending Level Proposed

43. Based on recent evaluation and assuming a base-case performance, the 3-year rolling performance-based allocation for the FSM is \$10.2 million for 2003–2005. The final allocation of Asian Development Fund resources will depend on performance against agreed-upon triggers. The key areas for improved performance will be (i) public sector governance and management, (ii) public enterprise reform, (iii) trust fund management, and (iv) ADB portfolio management. The triggers that were agreed with the Government are in Appendix 2, Table A2.8.

44. The Government asked ADB to confirm the OID loan in 2003 to address urgent infrastructure needs of the four states. Based on the preliminary assessment, the \$8.0 million

OID loan may not be adequate to meet the immediate infrastructure needs of the four states. Discussions were held with USDOl for possible cofinancing of the project. USDOl may cofinance up to \$3.0 million primarily for the power project in Chuuk, if the same institutional changes and concept of the Ebeye infrastructure⁹ loan are followed. ADB's 2003–2005 lending program therefore includes an \$8.0 million OID loan in 2003 and a BITS loan in 2005. The proposed assistance pipeline for lending products is in Appendix 2, Table A2.9, and the project concept papers in Appendix 3.

B. Nonlending Program

45. Some changes were made in the TA pipeline to reflect changing priorities and to ensure that the annual TA allocations are within budget. The TA, Strengthening and Capacity Building of Public Sector Finance Management, is included in 2002, and the TA, Public Enterprise Privatization and Corporate Governance II, is in 2004. The second phase of the ERCAP is in 2003 with a TA for preparation of an economic report. Economic and sector work will be carried out by the state and national economic management advisory team under the ongoing ERCAP I and II and the IPBM TAs. Project preparatory TAs for the OID and BITS loans remain in 2002 and 2004. As part of improving good governance, the TA, Streamlining and Strengthening Public Sector Audit Function, is in 2005. The assistance pipeline for nonlending products and services is in Appendix 2, Table A2.10. The TA concept papers are in Appendix 4.

C. Summary of Changes to Lending and Nonlending Program

46. The program for the FSM reflects the priorities of the Government, takes into account the anticipated outcome of the Compact negotiations, and is consistent with the main thrust of ADB's strategy for countries grouped with the FSM. The Government reiterated the need for the OID loan in 2003 to meet urgent needs, including power, sewerage, and sanitation requirements of various states. The Basic Skills Development Project has been modified to address the vocational education needs of the private sector and the growing demands for information technology skills. While this seems to be the most appropriate program at this time, the urgent social infrastructure needs of the FSM may not be entirely met under the OID loan, and the sector remains underfunded in the Compact. The BITS loan may then have to be replaced by a 2nd OID loan. The second project will address environment-related infrastructure needs, including solid waste management, marine resource, and lagoon protection components. The TA program was changed to accommodate mutually agreed upon priority areas. Accordingly, the TA, Public Enterprise Privatization and Corporate Governance II, has been moved to 2004, replaced by a TA for training and capacity building for the new FMIS. The TA, Improving Economic Management and Policy Formulation (economic report), remains in 2003. These changes have the full concurrence of the Government.

⁹ ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Marshall Islands for Ebeye Health and Infrastructure*. Manila.

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
F. Infrastructure 1. Transport and Communication 2. Energy 3. Water Supply and Sanitation 4. Urban Infrastructure	<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)
G. Environment	None	<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)
H. Agriculture, Forestry, and Fisheries	None	<ul style="list-style-type: none"> Fishing Ports (Japan) Agricultural Farm for Vegetables (PRC)
I. Others	<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.	Dev't 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 <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> Other: </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input type="checkbox"/> Other <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 <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;"> <input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Other: Multisector </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Human development <input type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection </td> </tr> </table>	<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Other: Multisector	<input type="checkbox"/> Human development <input type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection
<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Other: Multisector	<input type="checkbox"/> Human development <input 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 <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> <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</p> <p><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</p> <p><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</p> <p><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									
<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										
<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</p> <p><input type="checkbox"/> Ordinary capital resources</p> <p><input type="checkbox"/> Asian Development Fund</p> <p><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</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget</p> <p><input type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> TA Special Fund: \$300,000</p> <p><input type="checkbox"/> Japan Special Fund</p> <p><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</p> <p><input type="checkbox"/> JFICT:</p> <p><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> <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> <tr> <td><input checked="" type="checkbox"/> Other: Multisector</td> <td></td> </tr> </table>	<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 checked="" type="checkbox"/> Other: Multisector	
<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 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): 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	
<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										
<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.