

POVERTY PARTNERSHIP

between the Government of the Federated States of Micronesia and the Asian Development Bank

1. The representatives of the Government of the Federated States of Micronesia (FSM) and the Asian Development Bank (ADB) have discussed the procedures for the development of a National Poverty Reduction Strategy (NPRS) for FSM over the next one to three years. The Government of FSM and ADB will work together as partners to prepare an NPRS for FSM, by drawing on the existing (or forthcoming) national development strategy, supplemented by community-based poverty consultation workshops. The NPRS will be incorporated into ADB's Country Strategy and Program (CSP) and will guide future ADB assistance to the country.
2. This document sets out the understanding reached between the Government and ADB on the principles and processes by which the NPRS will be developed and on the roles of ADB and the Government of FSM to this end.

A. INTRODUCTION AND BACKGROUND

3. Poverty is a multifaceted issue, as it embraces income levels as well as education, health, other basic services, opportunities for personal advancement, and participation in the decision making process. In ADB's view, poverty is a deprivation of essential assets and opportunities to which every human is entitled. Generally in the Pacific region, poverty of opportunity is of greater concern than income poverty.
4. PDMC Governments are signatories to a wide range of existing international conventions and agreements that embody many of the same aims as the Millennium Development Goals (MDG).
5. The Regional Social Development Workshop held in February 2002 at the Forum Secretariat¹ agreed that poverty is a concept relevant to the region. It was also agreed that the Pacific Island countries need support in better understanding the concept of poverty and in the development of appropriate strategies to address this issue.
6. ADB's poverty reduction strategy² establishes poverty reduction as its over-arching goal. The strategy provides that ADB enter into a partnership with each DMC government to develop an NPRS which will also support ADB's operational strategy for the country.

¹ PIFS, ILO, UNDP. Regional Social Development Workshop. 6 to 8 February, 2002, Suva, Fiji.

² ADB (1999) "Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy".

7. ADB's regional strategy for the Pacific³ notes that poverty is beginning to increase in the region. Priority concerns are disappointing economic growth, declining public service performance and associated weak governance in some countries, inadequate private sector development, environmental degradation, the weak role of women, and a high degree of vulnerability to external economic shocks and natural disasters.

B. VISION

8. The Government of FSM desires rapid economic growth and wishes to provide its people with basic education, health and other basic services in an effective and efficient manner, thus ensuring an enhanced quality of life for all on a sustainable basis.
9. The Government of FSM aims to achieve better governance for effective policies, institutions and markets.
10. The Government of FSM wants to address the special needs of the least well-off, the more vulnerable, marginalised and disadvantaged groups in its society.

C. GOALS

11. The goals of this Partnership are to (i) ensure that the FSM national development strategy effectively addresses poverty reduction, (ii) fully integrate and coordinate the NPRS with the country's national development strategy, (iii) incorporate the NPRS as a core component of ADB's CSP for FSM, and (iv) monitor implementation progress.
12. The FSM national development strategy, together with national commitments towards achieving the MDGs and compliance with associated treaties, will guide the identification of an appropriate set of critical country-specific short to medium-term poverty reduction indicators. Monitoring these agreed indicators will help to determine progress towards the achievement of each NPRS and the relevant MDGs.

D. ROLES AND COMMITMENTS

13. In its national development policies, the Government has subscribed to the tenets of prudent fiscal and monetary policy and the principles of sound macroeconomic management, prioritization of public expenditures in support of essential public services, a fair and equitable tax system, strengthening the framework for the development of the private sector, liberalization of trade and foreign investment, and ensuring secure property rights and transactions.

³ "A Pacific Strategy for the New Millennium." ADB. Office of Pacific Operations. September 2000.

⁴ "A Pacific Strategy for the New Millennium." ADB. Office of Pacific Operations. September 2000.

14. The Government of FSM has a genuine interest in designing its own prioritized NPRS (with the assistance of the international donor community where appropriate), rather than having each donor prepare a separate poverty reduction strategy for the country. The NPRS will guide the country in formulating an integrated and coordinated poverty-focussed development assistance package that may be used to seek additional assistance from bilateral and multilateral donors.
15. Sector priorities contributing to the reduction of poverty and enhanced quality of life for all will be individually determined for FSM in line with national development strategies and priorities.
16. ADB would expect that the three pillars of its poverty reduction strategy, that is pro-poor sustainable economic growth, inclusive social development, and good governance for effective policies and institutions, would also be a part of a sound NPRS.
17. ADB will continue to support the Government to:
 - further analyze and to otherwise improve its understanding of poverty,
 - institutionalize a process of broad-based stakeholder participation to prepare a country-owned NPRS,
 - incorporate/integrate such NPRS into the national development strategy and to formally adopt and implement such strategy, and
 - develop an appropriate monitoring and evaluation system to monitor the implementation of the NPRS.
18. The Government of FSM will direct the coordination of external funding. ADB will integrate its efforts closely with those of Government, civil society, and other development agencies.

E. LOOKING TO THE FUTURE

19. The respective roles and commitments of both the Government and ADB, and progress in implementing the CSP, will be monitored against the MDGs and other critical poverty reduction indicators selected for FSM.
20. Progress in implementing this Partnership will be reviewed annually, as far as possible at the time of ADB's country programming missions for FSM, and reported on.
21. ADB accepts that FSM's existing capacity to monitor and evaluate an NPRS is limited and will require continued support.

For, and on behalf of:

Government of the Federated
States of Micronesia:

Asian Development Bank:

Date:

John W. ...
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John W. ...
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14 June 2002
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**KEY MILLENNIUM DEVELOPMENT GOALS
FOR POVERTY REDUCTION**

Key Millennium Development Goals	Target Year	Possible Indicators
For Economic Wellbeing <ul style="list-style-type: none"> Reduce by half the proportion of people in extreme poverty 	2015	<ul style="list-style-type: none"> Proportion of population living on less than \$1 per day Percentage of the population living in poverty based on national poverty lines The prevalence of child malnutrition
For Social Development <ul style="list-style-type: none"> Achieve universal primary education 	2015	<ul style="list-style-type: none"> Primary school enrollment ratio
<ul style="list-style-type: none"> Eliminate gender disparities in primary and secondary education 	2005	<ul style="list-style-type: none"> Ratio of girls to boys in primary and secondary education
<ul style="list-style-type: none"> Reduce by two-thirds the mortality rates for infants and children under 5 Reduce maternal mortality rates by three-quarters 	2015 2015	<ul style="list-style-type: none"> infant mortality rate under-five mortality rate maternal mortality rate proportion of births attended by skilled health staff
<ul style="list-style-type: none"> Provide access for all to reproductive health services 	2015	<ul style="list-style-type: none"> Contraceptive prevalence rate
For environmental sustainability and regeneration <ul style="list-style-type: none"> Implement national strategies for sustainable development to ensure that current trends in the loss of environmental resources are effectively reversed at global and national levels 	2005 2015	<ul style="list-style-type: none"> Status of environmental action plans Access to improved water sources Forest area Nationally protected areas

United Nations. Millennium Development Goals (on-line). Available at www@developmentgoals.org