The Federated States of Micronesia (FSM) comprises four states—Chuuk, Kosrae, Pohnpei, and Yap—spread across 607 islands in the northwestern Pacific. As a small island developing state, the FSM experiences heightened barriers to growth due to its geographic isolation, small population and associated capacity constraints, and exposure to natural hazards. In 2021, the FSM’s economy was significantly impacted by border closures linked to the coronavirus disease (COVID-19) pandemic but has started recovering in 2022 as travel restrictions ease up particularly with the renewal of the Compact of Free Association with the United States (the Compact).

ADB supports the Federated States of Micronesia through investments in energy, water, transport, and education, including through technical assistance for related public administration reforms.

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ADB’s Pacific Approach, 2021–2025, serves as the country partnership strategy for the FSM, and focuses on building resilience against economic shocks, delivering sustainable services, and promoting inclusive and sustainable growth. It introduces new priorities such as a more programmatic approach to climate change solutions; longer-term capacity support, including posting of international experts on a long-term basis; greater flexibility in procurement and contracting; and a greater emphasis on gender equality. Recognizing the need for capacity support to complement physical infrastructure, ADB is helping improve utility and public sector performance alongside infrastructure works.
To date, ADB has committed 67 public sector loans, grants, and technical assistance totaling $197.5 million to the FSM. Cumulative loan and grant disbursements to the FSM amount to $108.67 million. These were financed by regular and concessional ordinary capital resources, the Asian Development Fund, and other special funds. ADB’s ongoing sovereign portfolio in the FSM includes 9 grants worth $54.8 million.1

In 2022, ADB committed a $5 million grant to help prepare the FSM’s future energy projects. The project readiness financing will help ensure that ensuing projects are implementation-ready for the timely and cost-effective achievement of the intended outputs and outcomes.

ADB has also committed nearly $30 million in grant assistance for the FSM’s COVID-19 response. Ongoing projects in the FSM involve renewable energy development, basic education, water supply and sanitation in Chuuk, and a project readiness financing to prepare an investment in transport. ADB’s Private Sector Development Initiative is strengthening the FSM’s business environment by increasing access to finance.

Operational challenges. The FSM experiences both physical and governance constraints that affect project implementation. As a federation, each state enjoys considerable autonomy, with responsibility for public services devolved from the central government. This structure can hamper development partner coordination and efficiency, and place fiscal pressure on state governments, which may be exacerbated as the Compact is phased out.

The FSM’s small population can migrate to, and work freely in, the United States—with outward migration further contributing to capacity constraints in the public and private sectors. ADB and the FSM are working to strengthen collaboration between partners, and between the state and national levels, and to identify and address development priorities. Ongoing support is needed to address long-term capacity constraints and infrastructure gaps, and to strengthen governance.

**KNOWLEDGE WORK**

ADB brings added value beyond its role in project financing. ADB acts as a knowledge broker—engaging in regional issues, including climate change and ocean health.

ADB co-hosted a webinar in 2021 on achieving long-term climate change resilience for Pacific small island developing states beyond the pandemic—stressing the need to improve climate adaptation and build resilience to help the most vulnerable communities.

ADB also publishes knowledge products on macroeconomic forecasting and public sector management in its *Asian Development Outlook* and *Pacific Economic Monitor*. Recent publications discuss the effects of rising fuel prices on public services, commodities, and transport costs and considers how Pacific governments have provided public relief measures in response to these issues. ADB is also conducting assessments on tourism and the economic impacts of the potential cessation of the Compact.

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1 Sovereign portfolio consists of loans, grants, equity investment, and sovereign guarantee committed and not financially closed. Regional projects with loans/grants to multiple countries are reported separately.
FINANCING PARTNERSHIPS

Financing partnerships enable ADB’s financing partner governments or their agencies, multilateral financial institutions, and private organizations to participate in financing ADB projects. The additional funds provided may be in the form of loans and grants, technical assistance, and nonsovereign cofinancing.

Cumulative cofinancing commitments in the FSM:
• Sovereign cofinancing: $2.78 million for 2 investment projects and $4.31 million for 7 technical assistance projects since 1992

FUTURE DIRECTIONS

The FSM’s national Strategic Development Plan for 2004–2023 provides a road map to address fiscal and economic challenges leading up to, and beyond, the expiration of the Compact grants. To achieve fiscal consolidation, the plan stresses the need to mobilize revenue by reforming the country’s taxation system and strengthening tax administration, while highlighting the need for ongoing prudence in managing public expenditures.

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

### Federated States of Micronesia: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2021–2022

<table>
<thead>
<tr>
<th>No. of Ongoing Loans⁴ (as of 31 Dec 2022)</th>
<th>2021 ($ million)</th>
<th>2022 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Awards¹, ², ³</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disbursements ²</td>
<td>(0.18)</td>
<td>0.04</td>
</tr>
<tr>
<td>No. of Ongoing Grants⁴, ⁵ (as of 31 Dec 2022)</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Contract Awards¹, ², ³, ⁴</td>
<td>4.19</td>
<td>13.82</td>
</tr>
<tr>
<td>Disbursements ²</td>
<td>2.31</td>
<td>10.20</td>
</tr>
<tr>
<td>At Risk Projects (%)⁶ (as of 31 Dec 2022)</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

¹ = nil, ( ) = negative.

Note: Numbers may not sum precisely because of rounding.


<table>
<thead>
<tr>
<th>Total Number of Validated and Evaluated Projects and Programs</th>
<th>Evaluation Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly successful and successful</td>
<td>Less than successful</td>
</tr>
<tr>
<td>Sovereign Operations</td>
<td>1</td>
</tr>
<tr>
<td>Nonsovereign Operations</td>
<td>–</td>
</tr>
</tbody>
</table>

= nil, IED = Independent Evaluation Department.

Note: The numbers indicate sovereign operations in the country that have been validated or evaluated by the IED and their overall performance ratings. The coverage consists of all validated or evaluated project completion reports circulated by ADB within the 10-year period from 1 July 2012 to 30 June 2022. See evaluations related to Federated States of Micronesia.

Source: IED success rate database.
ADB AT A GLANCE

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. It has 66 members—of which 49 are from Asia and the Pacific and 19 outside. ADB headquarters is in Manila, Philippines and has 43 offices around the world, with 3,775 staff from 66 members as of 31 December 2022.

ADB maximizes the development impact of its assistance to its members by providing financing and tailored knowledge solutions through policy dialogue and advisory services, among others. It mobilizes financial resources through cofinancing from official, commercial, and export credit sources.

ADB met strong demand for its assistance in 2022. It unlocked greater resources for its members through the private sector and partnerships. ADB provided financing for climate change mitigation and adaptation initiatives, education quality and access, affordable health care, and more sustainable and climate-resilient food systems. In 2022, 97% of ADB operations contributed to gender equality. ADB fostered greater regional collaboration on issues such as health threats and tax cooperation. ADB also responded to demand for tailored knowledge solutions from its members.

ADB operations. In 2022, ADB committed $20.5 billion in loans, grants, equity investments, guarantees, private sector programs, and technical assistance to both the public and private sectors of its borrowing members. ADB bolstered its total support with cofinancing of $11.4 billion.

As of 31 December 2022, ADB’s cumulative commitments in 45 countries stood at $358.4 billion covering 4,189 loans, $12.6 billion in 566 grants, and $5.5 billion in technical assistance grants, including regional technical assistance grants. In addition to loans, grants, and technical assistance, ADB uses guarantees, equity investments, and private sector programs to help its developing member countries.

Total commitments in nonsovereign loans, equity investments, and guarantees from ADB’s own funds in 2022 amounted to $11.1 billion for 37 transactions in economic and social infrastructure, finance sector, and agribusiness.

In 2022, ADB mobilized $1.7 billion of long-term project cofinancing and $5.3 billion of cofinancing through its Trade and Supply Chain Finance Program and Microfinance Program. Total outstanding balances and undisbursed commitments of nonsovereign transactions funded by ADB’s own resources stood at $12.8 billion as of 31 December 2022.

FINANCING PARTNERSHIPS

Total sovereign and nonsovereign cofinancing commitments, 2022

- $11.39 billion for 165 projects, of which:
  - $11.2 billion, 75 investment projects,
  - $126.49 million, 87 technical assistance projects,
  - $60 million transaction advisory services mandates for 3 projects.

Cumulative sovereign and nonsovereign cofinancing commitments, 1970–2022

- $151.87 billion for 3,292 projects, of which:
  - $147.81 billion, 1,163 investment projects,
  - $2.92 billion, 2,120 technical assistance projects,
  - $1.13 billion transaction advisory services mandates for 9 projects.

PROCUREMENT

ADB’s Procurement Contracts, 2022

Goods, Works, and Related Services

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

- $15.23 billion in 2021
- $16.19 billion in 2022
- $247.06 billion covering 228,149 contracts, cumulative procurement since 1966.

Consulting Services

ADB’s procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations:

- $706.65 million in 2021
- $535.61 million in 2022
- $15.45 billion covering 74,995 contracts, cumulative procurement since 1966.

MORE ABOUT THE FEDERATED STATES OF MICRONESIA AND ADB

Shareholding and Voting Power

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

*Overall capital subscription: $5.67 million
*Paid-in capital subscription: $279,000

*United States dollar figures are valued at rate as of 31 December 2022.

ADB Governor: Rose N. Nakanaga
ADB Alternate Governor: Lorin Robert
ADB Director: Rachel Thompson (Australia)
ADB Alternate Director: David Cavanough (Australia)
ADB Director’s Advisors: Sweety Kalbesang (Palau) and Sabuhi Jafarov (Azerbaijan)

CONTACTS

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Senior Country Officer: Maybelline Andon-Bing
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Useful ADB websites
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www.adb.org
Annual Report
www.adb.org/documents/series/adb-annual-reports
Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook
ADB Data Library
data.adb.org

Notes: (i) Figures are estimated by ADB unless otherwise stated.
* “$” refers to United States dollars. (ii) Data are updated as of 31 December 2022 unless otherwise indicated.