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

**FEDERATED STATES OF MICRONESIA**

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 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 with the coronavirus disease (COVID-19) pandemic but it has started recovering in 2022 as travel restrictions eased.

Development assistance under the Compacts of Free Association with the United States (US), despite declining over time, has nevertheless boosted the FSM’s fiscal position. On 8 March 2024, the US government signed into law the 3rd Compact, a renewed 20-year agreement that allocates budget support and special funds.

The FSM joined the Asian Development Bank (ADB) in 1990. ADB’s support to the country seeks to (i) reduce energy costs by increasing the supply of renewables; (ii) manage risks by improving disaster risk financing and public financial management; and (iii) create value by delivering safe water and sanitation services, strengthening human capacity, supporting private sector development, and improving accessibility through climate-resilient roads and bridges.

**Federated States of Micronesia: 2023 Commitments ($ million)**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>18.00</td>
<td>–</td>
<td>18.00</td>
</tr>
<tr>
<td>Technical Assistancea</td>
<td>2.84</td>
<td>–</td>
<td>2.84</td>
</tr>
<tr>
<td>Total</td>
<td>20.84</td>
<td>–</td>
<td>20.84</td>
</tr>
</tbody>
</table>

* = nil.

Notes:
Commitment is the financing approved by ADB’s Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB. It comprises the amount indicated in the investment agreement, which—depending on the exchange rate at the time of signing—may or may not be equal to the approved amount.

a Numbers may not sum precisely because of rounding.

b Financing for technical assistance projects with regional coverage is distributed to their specific developing member countries where breakdown is available.

**Federated States of Micronesia: Cumulative Commitments**

<table>
<thead>
<tr>
<th>Sector</th>
<th>No.</th>
<th>Total Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Sovereign</td>
</tr>
<tr>
<td>Agriculture, Natural Resources, and Rural Development</td>
<td>9</td>
<td>10.32</td>
</tr>
<tr>
<td>Education</td>
<td>3</td>
<td>7.35</td>
</tr>
<tr>
<td>Energy</td>
<td>7</td>
<td>36.71</td>
</tr>
<tr>
<td>Finance</td>
<td>3</td>
<td>0.79</td>
</tr>
<tr>
<td>Health</td>
<td>2</td>
<td>2.13</td>
</tr>
<tr>
<td>Industry and Trade</td>
<td>1</td>
<td>0.36</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Multisector</td>
<td>3</td>
<td>9.08</td>
</tr>
<tr>
<td>Public Sector Management</td>
<td>30</td>
<td>75.37</td>
</tr>
<tr>
<td>Transport</td>
<td>2</td>
<td>6.25</td>
</tr>
<tr>
<td>Water and Other Urban Infrastructure and Services</td>
<td>9</td>
<td>69.93</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>218.30</td>
</tr>
</tbody>
</table>

= nil.

a Includes loans, grants, and technical assistance.

b Using primary sector in the reporting of commitments.

c From 2020, financing for technical assistance projects with regional coverage is distributed to their specific developing member countries where breakdown is available.

d Numbers may not sum precisely because of rounding.
As of 31 December 2023, ADB has committed 68 public sector loans, grants, and technical assistance totaling $218 million to the FSM. ADB's current sovereign portfolio in the FSM includes 8 grants worth $71.3 million.1

Cumulative sovereign loan and grant disbursements to the FSM amount to $112.95 million. These were financed by regular and concessional ordinary capital resources, and the Asian Development Fund, and other special funds.

In 2023, ADB committed $18 million in additional financing to cover escalating project costs and further boost the climate resilience of water supply and sanitation services in Chuuk. This will help expand the water supply network to reach more than 8,000 extra people on Weno Island, the largest urban center in Chuuk State, while improving the sustainability of safe water and sanitation to avoid pollution in groundwater reserves. The project will also contribute to reducing the transmission of hygiene-related and waterborne diseases during periods of excessive rainfall triggered by climate change.

As part of ongoing project readiness financing, ADB committed a $5-million grant in 2022 to help ensure the success of future energy projects in the FSM. This initiative ensures that resulting projects are adequately prepared for implementation, thereby facilitating the timely and cost-effective achievement of projects’ targets and objectives.

ADB also committed nearly $30 million in grant assistance for the FSM’s COVID-19 pandemic response. Other ongoing projects in the FSM involve basic education 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.

As disasters become more frequent and severe in FSM, ADB stands prepared to offer two types of grant financing—through the contingent disaster facility and the Asia Pacific Disaster Response Fund (APDRF)—to facilitate timely disaster response and early recovery efforts. FSM participated in Phases 2 and 3 of ADB’s Pacific Disaster Resilience Program. In 2020, ADB disbursed $6 million under Phase 2. Phase 3 financing of $6 million became available in January 2021 and was utilized in 2022 to aid the government in addressing the COVID-19 pandemic. Since 2009, FSM has been able to access the APDRF, including a recent $1.5 million allocation during the COVID-19 pandemic.

Operational challenges. The FSM continues to experience 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 could hamper coordination with development partners and place fiscal pressure on state governments. As the FSM’s small population can migrate to and work freely in the US, outward migration further contributes 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. The bank’s ongoing support also helps address long-term capacity constraints and infrastructure gaps and strengthen governance.

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

ADB brings added value to its members beyond its role in project financing. ADB acts as a knowledge broker by helping its members engage in regional issues including climate change and ocean health. ADB’s key publications, such as the Asian Development Outlook and Pacific Economic Monitor, help with macroeconomic forecasting and assess economic and key topical issues to guide national policy development and decision-making.

With knowledge support and activities being demand-driven, ADB works closely with the FSM in identifying and responding to both country and regional knowledge needs. ADB is making technical assistance available to the FSM to support upstream work including sector and scoping studies; and climate and disaster risk assessments, plans, and strategies. The FSM participates in ADB’s regional conferences and training programs to access regional best practices and improve the capabilities of policymakers, civil servants, and the technical workforce.

FINANCING PARTNERSHIPS

Financing partnerships enable ADB’s financing partner governments or their agencies, multilateral financing 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

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 while recovering from the impacts of the COVID-19 pandemic. The priority areas under the strategy include (i) a more programmatic approach to climate change support; (ii) a deeper focus on long-term capacity support, including the use of capacity supplementation; (iii) increased flexibilities in procurement and contracting; and (iv) an emphasis on gender equality.

Recognizing the need for capacity support to complement physical infrastructure, ADB is also helping improve utility and public sector performance alongside infrastructure works.

Federated States of Micronesia: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2022–2023

| No. of Ongoing Loans* (as of 31 Dec 2023) | 2022 ($ million) | 2023 ($ million) |
| Contract Awards<sup>1, 4</sup> | – | – |
| Disbursements<sup>1</sup> | 0.04 | – |
| No. of Ongoing Grants* (as of 31 Dec 2023) | 8 |
| Contract Awards<sup>1, 4</sup> | 12.32 | 3.76 |
| Disbursements<sup>1, 4</sup> | 10.20 | 4.28 |
| At Risk Projects (%)<sup>6</sup> (as of 31 Dec 2023) | – |

<sup>1</sup> = nil.
Note: Totals may not add up because of rounding.
• Based on commitments.
<sup>4</sup> Includes closed loans/grants that had contract awards or disbursements during the year.
<sup>6</sup> Excludes policy-based, results-based, financial intermediation (FI)/credit, FI component of combined FIL/Project loan and grants and projects funded by Asia Pacific Disaster Response Fund (APDRF).
<sup>1</sup> Includes only Asian Development Fund.
* Covers active projects as of 31 December 2023.


| Total Number of Validated and Evaluated Projects and Programs | Evaluation Ratings |
| Highly successful and successful | Less than successful | Unsuccessful |
| Sovereign Operations | 2 | – | 2 | – |
| Nonsovereign Operations | – | – | – | – |

<sup>1</sup> = 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 2013 to 30 June 2023. The rating of one COVID-19 Pandemic Response Option (CPRO) project completed (validated) in 2023 is not included in the total. See evaluations related to the 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. Established in 1966, it has 68 members—49 from the region and 19 outside. ADB headquarters is in Manila, Philippines and has 43 offices around the world, with 3,894 staff from 65 members as of 31 December 2023.

ADB maximizes the development impact of its assistance to its developing member countries by providing financing and tailored knowledge solutions through policy dialogue and advisory services, among others. As Asia and the Pacific’s climate bank, ADB reached its highest-ever annual financing for climate action in 2023: $9.8 billion, including $1 billion in nonsovereign financing. ADB’s evolution is ongoing. Strategy 2030 is being updated; and a new operating model was launched midyear to increase capacity as the region’s climate bank, spur private sector development, provide a wider range of integrated development solutions, and modernize how ADB works. Major capital management reforms have also unlocked up to $100 billion in new funding capacity over the next decade. These initiatives strengthen ADB’s ability to help DMCs address urgent and accelerating development challenges and achieve the Sustainable Development Goals.

ADB operations. In 2023, ADB committed $23.6 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 $16.4 billion.

As of 31 December 2023, ADB’s cumulative commitments in 45 countries stood at $378.8 billion covering 4,324 loans, $13.4 billion in 602 grants, and $5.8 billion in technical assistance grants, including regional technical assistance grants.

In addition to loans, grants, and technical assistance, ADB uses equity investments, guarantees, 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 2023 amounted to $1.7 billion for 40 transactions in economic and social infrastructure, finance sector, and agribusiness.

In 2023, ADB mobilized $3.3 billion of long-term project cofinancing and $3.1 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 $11.8 billion as of 31 December 2023.

FINANCING PARTNERSHIPS

Total sovereign and nonsovereign cofinancing commitments, 2023

- $16.39 billion for 172 projects, of which:
  - $15.85 billion, 90 investment projects,
  - $103.66 million, 80 technical assistance projects,
  - $442.91 million transaction advisory services for 2 projects.*

Cumulative sovereign and nonsovereign cofinancing commitments, 1970–2023

- $168.27 billion for 3,421 projects, of which:
  - $163.66 billion, 1,238 investment projects,
  - $3.03 billion, 2,172 technical assistance projects,
  - $1.58 billion transaction advisory services for 11 projects.**

* Adjusted to exclude $36.71 million A Loans mobilized under transaction advisory services reported under nonsovereign operations financing, and $510.1 million cofinancing reported in nonsovereign projects cofinancing.

** Adjusted to exclude $41.44 million A Loans mobilized under transaction advisory services reported under nonsovereign operations financing, and $510.1 million cofinancing reported in nonsovereign projects cofinancing.

PROCUREMENT

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

- $16.33 billion in 2022
- $13.98 billion in 2023
- $261.05 billion covering 231,117 contracts, cumulative procurement since 1966

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

- $553.94 million in 2022
- $530.31 million in 2023
- $16.04 billion covering 78,888 contracts, cumulative procurement since 1966

Notes: (i) Figures are estimated by ADB unless otherwise stated. * $“$” refers to United States dollars. (ii) Data are updated as of 31 December 2023 unless otherwise indicated.

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: $5.72 million
*Paid-in capital subscription: $282,000

*United States dollar figures are valued at rate as of 31 December 2023.

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

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Useful ADB websites
Asian Development Bank
www.adb.org

Annual Report
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Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

ADB Data Library
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