



**FSM Development Partners Forum  
7-8 November 2012**

**Final Communiqué**

1. The FSM Development Partners Forum was held in Palikir, Pohnpei, on November 7 and 8, 2012, to discuss ongoing initiatives, challenges, opportunities and priority areas for FSM economic development under the theme *looking to the future*.
2. The FSM Delegation to the Forum, represented by State and National Leaders from the Executive and Legislative branches, was led by H.E. Emmanuel Mori, President of the FSM.
3. Development Partners present at the Forum were: the Asian Development Bank, the Commonwealth of Australia, the Peoples' Republic of China, the European Union, the Food Agricultural Organization, the Forum Fisheries Agency, Israel, the International Monetary Fund, Japan, the Pacific Islands Forum Secretariat, the Pacific Development Bank, the Secretariat of the Pacific Community, Singapore, the United Nations Joint Presence, the United States of America, the World Bank, and the World Health Organization.
4. Representatives of the FSM Private Sector and Civil Society Organizations also attended the Forum.
5. The Honorable John Ehsa, Governor of the State of Pohnpei, acknowledged and welcomed the Development Partners, the FSM Leadership, and Representatives from the Private Sector and Civil Society Organizations; and wished them a successful meeting.

6. In his keynote address H.E. Emmanuel Mori highlighted the three main obstacles facing the nation: first the Compact Trust Fund, which needs an immediate injection of funds to meet its intended purposes in 2023; secondly the lack of sustainable economic growth driven by a strong private sector, in particular in the areas of agriculture, fisheries, tourism and renewable energy; and thirdly, climate change, sea level rise and the adverse effects on environment and food security.

### **Presentation of the economic framework**

7. Development Partners noted that policy initiatives are being undertaken by National and State Governments to maintain macroeconomic stability with a view to achieving economic growth objectives, including adoption of the Long Term Fiscal Framework and the tax reform package. Development Partners further observed that from experience of other countries, the magnitude of the fiscal adjustment being faced by FSM is enormous, and that the right balance needs to be struck between the mix of expenditure and revenue measures.

### **Growing the local economy**

8. FSM provided a summary of the priority areas identified to spur the local economy: enhancing agriculture production and increase of the production of value added agriculture products; maximizing the benefits of FSM's fisheries resources and further developing aquaculture; enhancing tourism products and improving the quality of services; and enhancing the development and expansion of clean, renewable energy sources with a view to lessening FSM's dependency on imported fossil fuels. The FSM also acknowledged that further improving the business enabling environment would be critical to attract sound investment in these areas.
9. Development Partners recalled past and ongoing assistance programs to the FSM, and shared the following observations:
  - Human resources development is key for nation and economic building, and FSM could learn from other countries' experiences;
  - Improving Development Partners' coordination is crucial, including enhancing alignment between national and regional priorities, as well as improving coordination among FSM stakeholders;
  - Security and safety for volunteers and staff providing technical assistance and capacity building to the FSM is crucial for the sustainability of the programs;

- The need for a right balance between expenditure reduction and government revenue;
  - The need to identify, capitalize on, and replicate successes; and
  - The need for FSM to take ownership of development programs and support.
10. Development Partners also welcomed ongoing initiatives, and encouraged FSM to implement reforms as planned.
  11. A private sector representative stressed the underlying issues facing private sector growth in the FSM, including involvement in the decision making process, long-term commitments to private sector development, and improving access to start-up capital for Small and Medium Enterprises.
  12. A representative from the NGOs informed the Forum that NGOs are already contributing to FSM economic and social development, and are ready to continue partnering with National and State governments.

### **Economic infrastructure**

13. The FSM shared an overview of its economic infrastructure and it was noted that core infrastructure was a key impediment to economic development. Development Partners also noted that the priorities in this area included, improving passenger and cargo services, renovating airports and refurbishing major airstrips, liberalizing the telecommunication sector, and extending the broadband connectivity to other FSM States. Development Partners stressed the need to ensure good use and maintenance of infrastructure and equipment.

### **FSM health priorities and education services**

14. Development Partners were briefed on FSM health priorities, and noted that FSM has identified the following priorities: reorientation towards community health; upgrading of current health infrastructure and human resources; preventing and controlling NCDs; controlling and eliminating TB/leprosy; improving prevention of communicable diseases, community health mapping and distribution of skills; establishing a national diagnostic and treatment facility; enhancement of traditional medicine; and supporting COM-FSM nursing and public health programs.
15. FSM also provided a presentation on education services in the nation with the following observation: although substantial Compact grants are dedicated to

education, challenges remain. Development Partners also noted that FSM has identified a number of priorities, including improving of quality learning and teaching, and introducing short and long term Degree Programs in new fields such as telecommunication.

16. Development Partners shared information on the various assistance programs available to support FSM in the areas of education and health. Development Partners also stressed the need to adopt an integrated approach to development, and that absorption capacity remains a challenge for the FSM, and must be addressed. Development Partners also shared lessons learnt in the area of education, in particular the importance of technical and vocational training, which plays a major role in attracting investors and enhancing competitiveness. In addition, Development Partners shared experience in attracting foreign investors, while maintaining an even playing field for all investors.

### **Environment and Climate Change**

17. FSM informed the Development Partners that the key priorities areas identified by the nation to enhance environment management and adapt to climate change, include: solid waste management, inshore marine ecosystems and costal fisheries, environmental planning and impact assessment, improving environmental governance, mainstreaming climate change issues into sectoral planning processes, and financing for adaptation projects.
18. Development Partners acknowledged that environment and climate change are critical cross-sectoral issues for Small Island Developing Countries like the FSM, and that accessing financing remains a major concern for them. Development Partners also stressed the need to build national capacity to enhance FSM's ability to access financing and implement projects; enhance preparedness and preserve the ecosystem assets to ensure sustainable economic development for present and future generations.
19. In response to FSM's proposed concept of a national Trust Fund, Development Partners also observed that although it was not possible to commit to any direct funding, there might be other options, such as budget support program for climate change and technical support to manage the fund.
20. Representatives from NGOs involved in environment and climate change shared their experiences and initial interventions to address the challenges faced in

developing and implementing community adaptive management plans and strategies, thus contributing to FSM's commitment to the Micronesia Challenge. NGO representatives observed that it was also crucial to address other critical environmental, social and economic issues.

### **Development coordination in the FSM**

21. FSM shared the approach it was taking with respect to development coordination, and informed Development Partners that the nation was in the process of developing its Overseas Development Assistance (ODA) Policy, which establishes the underlying architecture for how to manage ODA. The policy prioritizes aid effectiveness over volume, aligning support with FSM's priorities, prioritizing outcomes rather than inputs, transparency in the decision-making process, enhanced coordination among Development Partners as well as between national and state governments, and community ownership including involvement of non-state actors such as the civil society.
22. Development Partners welcomed the emphasis on enhancing aid coordination, and reaffirmed their engagement to work with the FSM to identify priority areas for partnership. Development Partners also stressed the need for transparency and accountability in managing and implementing ODA resources.

### **Forum Compact and Peer Review**

23. The Pacific Islands Forum Secretariat (PIFS) provided an overview on the Forum Compact, which emphasizes development coordination with a view to enhance aid delivery and effectiveness, and its contribution to sustainable economic development.
24. Development Partners noted that the Forum Compact promotes enhancing aid coordination, and strengthening financial management and accountability systems of the Member States. Development Partners were also informed that the FSM Government has invited a PIFS Peer Review mission to review its planning, budgeting and public financial management processes, with a view to propose appropriate recommendations and reforms.

### **Development Partners Statements**

25. Development Partners commended the FSM Government for convening the Development Partners Forum, and renewed their commitment to progress ongoing development assistance programs. Development Partners also assured

the FSM Government that the outcomes of the Development Partners Forum would form a basis for future development cooperation with the FSM. Finally, Development Partners stressed the need for increased ownership of development cooperation, including involvement of all relevant stakeholders.

26. National and State Governments thanked the Development Partners Forum for their attendance at the Forum, and welcomed the reassurances from Development Partners on their readiness to enhance future cooperation with the FSM. National and State Governments also reassured Development Partners that they will be more responsive in doing their part to ensure effective and successful implementation of the development framework.
27. Finally the Forum recognized the importance of developing an action plan, to ensure implementation of the priorities identified in the Development Framework.