

ASIAN DEVELOPMENT BANK

COUNTRY STRATEGY AND PROGRAM UPDATE (2006–2007)

THE FEDERATED STATES OF MICRONESIA

August 2005

CURRENCY EQUIVALENTS

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

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BSSP	–	Basic Social Services Project
CSPU	–	country strategy and program update
FDI	–	foreign direct investment
FMIS	–	financial management information system
FSM	–	Federated States of Micronesia
GDP	–	gross domestic product
IMF	–	International Monetary Fund
JEMCO	–	Joint Economic Management Committee
JSF	–	Japan Special Fund
MDG	–	millennium development goal
PBA	–	performance-based allocation
PDMC	–	Pacific developing member country
PFTAC	–	Pacific Financial Technical Assistance Centre
PRC	–	People's Republic of China
PSD	–	private sector development
PSDP	–	Private Sector Development Program and Project
RETA	–	regional technical assistance
SDP	–	strategic development plan
SME	–	small- and medium-size enterprise
SOEs	–	state-owned enterprises
SSTA	–	small-scale technical assistance
TA	–	technical assistance
US	–	United States of America
USDOI	–	United States Department of Interior
WHO	–	World Health Organization

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	1
A. Recent Political and Social Developments	1
B. Economic Assessment and Outlook	2
C. Implications for the Country Strategy and Program	3
III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM	4
A. Progress in Poverty Reduction	4
B. Progress in the Country Strategy and Program Focus Areas	4
C. Highlights in Coordination of External Funding and Partnership Arrangements	7
IV. PORTFOLIO MANAGEMENT ISSUES	7
A. Portfolio Performance	7
B. Performance Monitoring and Evaluation	8
V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS	8
A. Proposed Lending Level	8
B. Nonlending Program	8
C. Summary of Changes to Lending and Nonlending Program	9
 APPENDIXES	
1. Summary Statement of the Asian Development Bank's Strategy	10
2. Country and Portfolio Indicators, and Assistance Pipeline	12
Table A2.1: Progress Toward Millennium Development Goals and Targets	12
Table A2.2: Country Economic Indicators	15
Table A2.3: Country Poverty and Social Indicators	16
Table A2.4: Country Environment Indicators	17
Table A2.5: Development Coordination Matrix	18
Table A2.6: Portfolio Indicators—Portfolio Amounts and Ratings	21
Table A2.7: Portfolio Indicators—Disbursements and Net Transfers of Resources	22
Table A2.8: Portfolio Indicators—Evaluation Rating by Sector	23
Table A2.9: Portfolio Implementation Status	24
Table A2.10: Assistance Pipeline for Lending Products, 2006–2007	25
Table A2.11: Assistance Pipeline for Nonlending Products and Services, 2006–2007	26
3. Concept Papers for Nonlending Products and Services	27
Table A3.1: Implementation of Public Sector Capacity-Building Road Map	28
Table A3.2: Youth and Gender Development	31
Table A3.3: Solid Waste Management	34
4. Assistance Program for 2005	37
Assistance Program for Nonlending Products and Services, 2005	37

I. COUNTRY STRATEGY

1. The Asian Development Bank's (ADB) operational strategy in the Federated States of Micronesia (FSM) is consistent with ADB's Pacific Strategy and continues to support the Government's strategy of private sector-led economic growth. ADB's operational strategy covers three areas—good governance, inclusive social development, and pro-poor economic growth—consistent with the three pillars of ADB's poverty reduction strategy. It is also in line with the Government's development strategy and policies, and outcomes of the 3rd FSM Economic Summit in March–April 2004. A summary statement of the FSM country strategy is in Appendix 1.

II. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Recent Political and Social Developments

2. The FSM is a stable democracy with actively contested national, state, and local government elections. General elections were held in March 2005 for the FSM National Congress, and most of the incumbents returned to the Fourteenth Congress, except two from Chuuk. In addition, new secretaries of the national Government were appointed for Department of Health, Education and Social Affairs; Department of Justice; Department of Economic Affairs; and Department of Transportation, Communication and Infrastructure. In the larger context, the complexity of Government with five distinct national and state governments, and the multitude of municipal governments, is not only expensive to operate, but has contributed to inefficiency and incapacity to formulate and implement sound development policies and strategies. Given the federal structure adopted against the backdrop of distinct cultures coming together to form the nation, there is an extra burden imposed in terms of intergovernmental cooperation and coordination.

3. A third nationwide economic summit was convened in March 2004 with the theme, The Next 20 Years: Achieving Economic Growth & Self-Reliance. Both the first and second economic summits stressed the need for private sector development (PSD) to replace large Government entities as the engine of growth for the economy. The main constraints to PSD include (i) weak commitment to economic reforms, (ii) lack of access to land, (iii) labor market inefficiencies, and (iv) an unfavorable policy environment. These constraints still remain despite years of summit discussions.

4. During the third summit, the Government made a firm commitment to continuing economic policy reform to cope with the transition of the Amended Compact and to maintain long-term sustainable economic growth. An infrastructure development plan (IDP) was approved at the Joint Economic Management Committee (JEMCO) meeting in March 2005. An FSM-wide strategic development plan (SDP) was finalized in July 2005 in preparation for the JEMCO Meeting in August 2005. This will build awareness of the anticipated structural and projected impact of the Amended Compact including a strategic planning matrix, directly linked to annual budget performance, with quantifiable outcomes for sector strategic goals.

5. Basic literacy is both high and equitably distributed between genders and states. However, neither the quality of education nor students' attainment levels have improved significantly in recent years. Health indicators are also unimpressive. The FSM still has one of the highest maternal mortality rates among the Pacific developing member countries (PDMCs)—although maternal mortality rates have fallen significantly—and there is a rapidly increasing incidence of noncommunicable diseases. Only 41% of the population has access to

improved water sources and about 45% to improved sanitation. Improved water sources may not actually be safe, and supply may be limited during droughts. Sanitation may improve household conditions but pollute adjacent areas. These services are often provided from Government funds or by heavily subsidized utilities, and so are often neither operated nor maintained in a sustainable fashion, with Pohnpei state as the notable exception. Poor solid waste management is evidenced by the lack of engineered waste disposal facilities in all states. Collection of wastes varies. Tables A2.1 to A2.4 in Appendix 2 show the country's progress toward the millennium development goals (MDGs) and targets.

6. The very limited reliable data on poverty and social indicators show slow progress toward achieving the MDGs. A recent analysis¹ reveals that approximately 30% of households in 1988 had incomes below the estimated basic needs poverty line of \$768 per capita per year (\$5,693 per household per year). It also suggests that 20% of households with the lowest incomes receive less than 4% of total income, while the highest quintile receives more than 50%.

7. With a human poverty index of 26.7, the FSM ranks ninth in poverty among the 14 PDMCs. This ranking largely reflects the extremely poor social services in rural areas and outer islands, caused by factors including insufficient institutional capacity, an inefficient public sector that captures a disproportionate share of resources, lack of community ownership, and dispersed geographical locations.

B. Economic Assessment and Outlook

8. The Government continues to dominate the economy. The formal private sector is small, inexperienced, locally focused, and relatively isolated from international opportunities. The economic environment is characterized by inadequate public infrastructure, a deficient collateral framework, poor skills, ineffective and often inconsistent investment policies for both local and foreign investors, and state-owned enterprises (SOEs) that provide unreliable, expensive services while crowding out private-sector initiatives.

9. The economy contracted in 2004 as it adjusted to new arrangements with the United States (US) under the amended Compact of Free Association. Real gross domestic product (GDP) fell by an estimated 3.3% in FY2004 (ended 30 September 2004) following a modest growth of 3.2% in FY2003. The decline was mostly attributable to an 8.4% contraction in the public sector. Other sectors also declined, but by less than 1% in aggregate. Tourist arrivals in 2004 are estimated at more than 10% below the previous year's level and substantially below recent highs. Recent growth continues the long-term trend of poor growth outcomes.

10. In FY2004, the FSM recorded a budget deficit of 6.7% of GDP, as opposed to a surplus of 5% in FY2003. The weak economic environment resulted in a poor revenue outcome for the year. Some state governments improved their tax collection (Yap's rose by 3% and Pohnpei's by 4%) in FY2004, while the national Government, together with the states of Chuuk and Kosrae, recorded declines in tax revenues. Total tax revenues slipped by 2.3% in 2004, with import duty collection falling by 7% and revenues from the wages and salary tax weakening by 5% (in nominal terms). Grants also fell substantially during the year, stemming primarily from the end of the "bump-up" in funds provided by the US for the final 2 years of the previous Compact. Total official external debt outstanding at the end of FY2004 was \$60 million, or about

¹ Calculations of poverty lines based on the 1988 Household Income and Expenditure Survey of Federated States of Micronesia under ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila.

26% of GDP, with debt servicing equivalent to 5.6% (5.2% in 2003) of exports of goods and services.

11. The Amended Compact with the US will provide \$92 million in grants annually until FY2023. This is substantial, at the equivalent of 40% of current GDP, and will underpin the economy over the long run. The Amended Compact also provides for the adoption of a range of new procedures and performance requirements for the specification, tendering, and contracting of major public works. The FY2004 budget anticipated administrative problems in adjusting to the new procedures, hence last year's relatively low levels of public investment. However, with the Amended Compact, a large expansion in the public works program is expected in FY2005. This boost in investment is expected to help jump-start the economy, with real GDP projected to grow by 2.3% in FY2005. The revenue position is expected to also improve in FY2005 as the firmer domestic economy pushes up tax revenues and \$13 million is received from a US Special Education Grant (in addition to Compact funds). A small budget deficit is still projected for the consolidated general Government sector for the year. Despite a second consecutive year of deficits, the gross external public debt is expected to remain low at approximately 26% of GDP, or less than 20% in net terms once offshore financial assets are taken into account.

12. The five state governments face the long-term challenge of adjusting to a decline in sector grants and making their revenues sustainable. In FY2007, the reduction in real official transfers is estimated to be equivalent to 0.6% of GDP, and the national Government's economic modeling suggests that a compensatory rise in taxation revenue is needed during the Amended Compact period from the present level of about 12% of GDP to over 16%. A comprehensive reform of taxation and tax collection is required but faces strong opposition. Sizable budget surpluses will need to be run to build up the Compact Trust Fund to the required level. Completion of contributions to the fund scheduled for 2004 will be a major initial test of commitments. Presidential Order No. 27 established a Tax Reform Task Force, headed by the vice president, for possible implementation of a value-added tax (VAT) system based on the approach recommended by several technical assistance missions. A VAT would replace the customs duties and the state sales taxes. A major advantage of VAT in the case of the FSM is that it would replace two taxes that are inefficient and distorting in their effects on the economy.

C. Implications for the Country Strategy and Program

13. The FSM country strategy and program update (CSPU) was last updated in July 2004, with the three pillars: (i) promote good governance, (ii) support inclusive social development, and (iii) promote pro-poor economic growth led by the private sector. The fundamental issues for the country—public sector dominance, weak private sector, heavy reliance on foreign aid, weak capacity in civil services, and deteriorating social conditions—have remained the same since the last CSPU. After intensive discussions and consultation with state and national Government officials, traditional leaders, private sector groups, civil society organizations, and key funding agencies, the Mission and the Government agreed that ADB's current FSM country strategy with the above three pillars remains relevant and valid, but that effectiveness could be increased by further prioritizing state, sector, and issue focus under each pillar. The US Government, through the Amended Compact, provides substantial resources to the education and health sectors. The major challenge will be to apply these resources in a manner that will build sustainable local capacities. Under ADB's strategy and program, special attention will be given to result-oriented implementation of ongoing projects, performance-based allocation among the states, and continued support for capacity-building in close coordination with the US

Government. This niche conforms to the Pacific Strategy 2005–2009² and the Government's SDP, and complements the Amended Compact with the US.

III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress in Poverty Reduction

14. The findings of an FSM hardship and poverty assessment, carried out between November 2003 and January 2004 under ADB technical assistance (TA) 6047-REG (Preparation of National Poverty Reduction Strategies for PDMCs, 2002), indicated a significant incidence of poverty and hardship, particularly in the outer islands and rural communities. As in other Pacific island nations, poverty in the FSM is not defined by people suffering starvation or destitution, but rather it is a situation in which people lack access to basic services and economic opportunities or adequate resources (including cash) to meet the basic needs of the household or customary obligations to the extended family, village community, or the church.

15. Governments in the FSM have not addressed poverty in their strategic planning, or in the policy goals that have been formulated in the sector strategic planning matrices. Most government executives and politicians are of the view that the traditional customs and systems of social obligations provide a “safety net” that keep families and family members from experiencing poverty or hardship. Another reason may be that many officials believe the underlying data (Household Income and Expenditure Survey and Census) are unreliable or inapplicable for measuring poverty or hardship. Governments need to address the issue in open forums that allow for participation by segments of the community that are vulnerable to poverty and hardship as defined. If hardship is truly perceived as a significant problem, then government policy and planning need to reflect that in the SDPs.

B. Progress in the Country Strategy and Program Focus Areas

1. Private Sector Development

16. Loans 1873/74-FSM (SF): Private Sector Development Program and Project (PSDP),³ effective in April 2003, aim to help the Government create an enabling environment for the private sector by (i) establishing a secured transactions system, (ii) building institutional capacity for land administration and management, (iii) improving financial services for small- and medium-size enterprises (SMEs), (iv) strengthening business development services to SMEs, and (v) strengthening the capacity of the Department of Economic Affairs to coordinate and monitor the PSDP. Privatization or other forms of transformation of SOEs is a tranche release condition for the PSDP program loan.

17. Notwithstanding initial delays, progress in implementing the investment loan continues to be satisfactory with respect to activities supporting land management, secured transactions, and financial services for SMEs. With respect to the policy loan, the first tranche was disbursed to all states (the first tranche for Chuuk was released in July 2004). While some progress continues to be made toward compliance with the second-tranche release conditions for the policy loan,

² ADB. 2004. *Pacific Strategy 2005—2009*. Manila.

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

certain conditions remain pending. A small-scale TA (SSTA) approved in December 2004⁴ will support, and build wider understanding, of the proposed reforms.

18. National development strategies to promote PSD must have the demonstrated commitment of national and state leaders. Strength of commitment will be key to accelerating the development of an outwardly competitive private sector. More than ever, there is a need to achieve increased growth in private sector activity to create new jobs and to provide an expanded tax base. A number of elements contributing to an enabling environment must be addressed. They include strengthened communication between public and private sectors, rationalization of the public sector enterprises to remove unfair competition, proactive initiatives to contract out activities that can be more efficiently performed by businesses, short- and long-term skills training to raise productivity, a regulatory climate characterized by transparency and efficient customer-oriented responsiveness of public agency services, and a legal framework supportive of business that includes secured transactions and bankruptcy laws.

19. The governments need to establish effective mechanisms to foster dialogue and formation of joint public-private working groups that are appropriately empowered or supported to accomplish specific objectives. With respect to agriculture, fisheries and tourism sectors, there is also the critically important Government responsibility for providing support services, including production of economic data, technical services, enforcement of standards and ethical business practices, and small business credit.

20. National and state governments must renew their commitment to attract foreign investment. PSD, particularly in fisheries and tourism, will require a substantially greater foreign direct investment (FDI) than that in the past, to achieve sustainable growth in income and employment. Particularly important elements in promoting greater domestic investment and FDI include (i) greatly improved public-private sector dialogue; (ii) reasonably predictable costs of doing business, and perhaps most importantly; (iii) transparency of foreign investment regulations. National and state governments still need to reach consensus on a consistent, transparent set of procedures for issuing foreign investment permits. One of the tasks of the ongoing SSTA is to build support for PSD and draw up a road map for sustained ADB support to the sector.

2. Social Services Development

21. Social sector development and reforms have not yet been effectively implemented. The improvement of basic social services delivery to the outer islands should be a priority. Expanding access to essential services will entail improvements in the productivity of staff and facilities.

22. Loan 1816-FSM (SF): Basic Social Services Project (BSSP)⁵ began implementation in January 2003. The BSSP aims to develop human resources in a sustainable manner and permit long-term social and economic development, with the participation of the national Government and the four states. The BSSP seeks to develop education and health service delivery systems that meet community requirements and deliver satisfactory, cost-efficient services.

⁴ ADB. 2004. *Technical Assistance to the Federated States of Micronesia for the Legislation for Private Sector Development*. Manila (SSTA 4539-FSM, approved on 23 December 2004 for \$150,000).

⁵ 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.

23. Ad hoc disposal of solid waste and the resulting environmental degradation are evident. Issues relating to the poor's access to safe water and sanitation facilities need to be addressed. The recently approved Omnibus Infrastructure Development Project will help the Government in improving wastewater infrastructure in Pohnpei state. This will in turn enhance public health, environmental quality, and surface and groundwater quality through provision of wastewater management and infrastructure.

24. Information from the Health Behavior and Lifestyle of Pacific Youth survey conducted by the United Nations Children's Fund (UNICEF) is alarming. The experience of life for today's youth is not the same as that for their parents. The support once offered by the extended family is no longer working, and if parents, schools, churches, sports, or other organized youth activities do not fill the void, the picture is bleak for many of FSM's young people as evidenced by the growing number of youth suicides in the FSM.

3. Good Governance

25. ADB has been helping the Government improve public sector efficiency and effectiveness since 1995 through its Public Sector Reform Program as well as through a series of TAs for economic management and capacity building.⁶ ADB continues to support the Government in increasing its institutional capacity for public sector management through TA 4258-FSM: Strengthening of Public Sector Management and Administration.⁷ This TA addresses (i) part of the restructuring requirements in the transition to the amended Compact, and (ii) preparation of a long-term institutional capacity-building road map.

26. The road map under TA 4258 will guide the Government in carrying out institutional capacity building during the amended Compact period (2003–2023). The road map will also help ensure efficient and effective use of the sector grant for capacity building from the US. The main focus of the road map is to improve (i) economic planning, (ii) financial management, (iii) auditing, (iv) law enforcement, (v) immigration controls, (vi) the judiciary, and (vii) the compilation and analysis of appropriate statistical indicators. Human resource management and staff development issues will be thoroughly reviewed and incorporated in the road map.

27. Performance-based budgeting has been another area of ADB intervention since 1997. In particular, efforts have been made to introduce an integrated financial management information system (FMIS) in the national Government and four states to increase the efficiency and accountability of public financial management. ADB is helping the national Government meet the specifications of the Amended Compact reporting requirements, in particular, the financial control, accounting, auditing, and performance-based budgeting aspects of the Compact's fiscal procedures. Through TA 3962–Strengthening and Capacity Building in Public Sector Financial Management, ADB will also help to build Government capacity to effectively implement the new FMIS

⁶ ADB. 1995. *Technical Assistance to the Federated States of Micronesia for a Policy Advisory Team for Economic Management*. Manila (TA 2294-FSM, approved on 31 January 1995 for \$2,500,000); ADB. 1997. *Technical Assistance to the Federated States of Micronesia for Expansion of the Economic Management Policy Advisory Team*. Manila (TA 2294-FSM, approved on 29 April 1997 for \$540,000). TA 2294 was rated successful in the program performance audit report of the FSM's Public Sector Reform Program. ADB. 1998. *Technical Assistance to the Federated States of Micronesia for Economic Policy Reform and Management*. Manila (TA 3024-FSM, approved on 2 June 1998 for \$3,876,000); ADB. 2001. *Technical Assistance to the Federated States of Micronesia for Economic Policy Reform and Capacity Building Phase I*. Manila (TA 3783-FSM, approved on 29 November 2001 for \$883,000).

⁷ ADB. 2003. *Technical Assistance to the Federated States of Micronesia for Strengthening of Public Sector Management and Administration*. Manila (TA 4258-FSM, approved on 16 December 2003 for \$500,000).

28. To further enhance public sector governance as a cornerstone of public accountability and transparency, TA 4464—Streamlining and Strengthening the Public Sector Audit Function—will be implemented during 2005. The TA will support the establishment of a capable and truly independent audit office that would undertake audits of state and national governments.

29. The federal structure of the Government in the FSM presents a challenge for economic development. But this challenge is not insuperable. The problem can be overcome with good governance, and with each branch of Government performing its constitutional role. Governments' activities must be fully transparent, and governments must be held accountable to the public. For the FSM to be able to foster an atmosphere conducive to economic development and attractive to investors, the potential for corruption must be reduced and the people's trust in the governments restored.

C. Highlights in Coordination of External Funding and Partnership Arrangements

30. The Amended Compact with the US is the FSM's major source of external assistance. A wide range of federal and nonfederal US assistance services and programs are also available to the FSM. ADB's various TAs in the governance area are supporting FSM's efforts for a smooth economic transition to the requirements of the Amended Compact. Accordingly, proactive coordination between ADB and the US is essential, including the exchange of information on ongoing and proposed projects. In this regard, ADB and the United States Department of Interior (USDOI) are developing a joint action plan for coordination, identifying specific areas in which ADB can engage constructively.

31. Japan is the second largest bilateral funding agency, with annual grants of about \$10 million equivalent for construction of roads, wharves, ports, and fisheries. The Australian Agency for International Development (AusAID) provides smaller aid programs, mainly for education, health, and training. The People's Republic of China (PRC) provides grants for sports facilities, cargo ships, and presidential and other official residences. The World Bank does not currently have a program in the FSM. The International Monetary Fund (IMF) undertakes its Article IV consultations on a 2-year cycle. Advice on taxation, budget, statistics, and banking supervision is provided by the Pacific Financial Technical Assistance Centre (PFTAC), which is supported by ADB, IMF, and other international development agencies. External assistance is summarized in the development coordination matrix in Appendix 2, Table A2.5.

IV. PORTFOLIO MANAGEMENT ISSUES

A. Portfolio Performance

32. Since joining ADB in 1990, the FSM has received eight loans totaling \$75.10 million, of which five were active at the end of 2004; and 43 TA grants totaling \$23.57 million, of which 11 TAs are solely funded by the Japan Special Fund ([JSF] \$5.85 million), two partly funded by JSF (\$2.5 million), and five through other financing (\$3.01 million).

33. Contract awards during the year totaled \$1.1 million, bringing the cumulative figure to \$35.3 million. The contract award ratio was 3.0%, lower than the ADB-wide average of 17.4%. Disbursements during the year totaled \$1.1 million, bringing cumulative disbursement to \$35.0

million. The disbursement ratio was 5.0%, lower than the ADB-wide average of 17.7%. Portfolio indicators and portfolio implementation status are in Tables A2.6 to A2.8.

B. Performance Monitoring and Evaluation

34. While the lack of counterpart funding has thus far not been a major issue, it has contributed to some implementation delays. In the FSM, if any one of the five governments fails to comply with the agreed-upon counterpart funding contributions, the entire program is delayed. ADB programs and projects have also suffered from complex designs which were beyond the limited capacity of the governments to implement and manage. Future programs should ensure (i) a workable and much less complex design, and (ii) allocation of appropriate resources for monitoring and evaluation.

V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS

A. Proposed Lending Level

35. The allocation of the Asian Development Fund (ADF) resources will be determined under the revised performance-based allocation (PBA) policy. For planning purposes, the ADF allocation of about \$5.0 million every 2 to 3 years has been set, but will be subject to change based on the revised PBA policy. Poor portfolio, economic, social and governance performance may lead to a lower ADF allocation. Two loan projects—the BSSP (para. 22) and the PSDP (para. 16)—are currently being implemented, and the Loan Agreement of the approved Omnibus Infrastructure Development Project (OIDP), approved in November 2004, was signed in June 2005, and is expected to become effective in September 2005.

36. As included in the CSPU⁸ approved in 2004, a loan for solid waste management is planned for 2007. The Government reaffirmed the agreement reached during the 2004 CSPU to (i) have a 2-year break in loan project processing during 2005–2006, and (ii) focus, during this period, on effective implementation of the ongoing projects. This is in view of its institutional and human capacity constraints.

B. Nonlending Program

37. The nonlending program continues to be ADB's key modality of assistance to promote PSD and development effectiveness in the FSM. In addition to the ongoing TAs in public sector management and administration and performance-based budgeting, the TA for streamlining and strengthening the public sector audit function⁹ will be implemented in 2005 to increase the accountability of public financial management. In addition, regional TA projects, both ongoing and under processing, provide for FSM's participation.¹⁰

⁸ ADB. 2004. *Country Strategy and Program Update (2005–2006): The Federated States of Micronesia*. Manila.

⁹ ADB. 2004. *Technical Assistance to the Federated States of Micronesia for Strengthening Public Sector Audit Function*. Manila (TA 4464-FSM, approved on 03 December 2004 for \$300,000).

¹⁰ RETAs under implementation: (i) 6202-REG (ADB. 2004. *Technical Assistance for Diagnostic Studies for Secured Transactions Reforms in the Pacific Region*. Manila); (ii) 6204-REG (ADB. 2004. *Technical Assistance for Mainstreaming Environmental Considerations in Economic and Development Planning Process in Selected PDMCs*. Manila); (iii) 6207-REG (ADB. 2004. *Technical Assistance for Pacific Regional Social Protection Systems Assessment*. Manila); (iv) 6209-REG (ADB. 2004. *Technical Assistance for HIV/AIDS in the Pacific—ADB's Response*. Manila); (v) 6128-REG (ADB. 2003. *Technical Assistance for Alternative Negotiation Arrangements to Increase Fisheries Revenues*. Manila); (vi) 6222-REG (ADB. 2004. *Technical Assistance for Leadership Enhancement and Advancement Program*. Manila); and (vii) 6064-REG (ADB. 2002. *Technical Assistance for Climate Change Adaptation Program for the Pacific*. Manila). RETAs under processing: (i) Regional Demographic

C. Summary of Changes to Lending and Nonlending Program

38. The assistance program in the 2004 CSPU will remain largely the same, except for the following changes:

- (i) A follow-up TA for implementing a public sector capacity-building road map has been shifted from 2005 to 2006, as TA 4258 for a public sector capacity-building road map (footnote 8) is expected to be completed toward the end of 2005. This is to help the Government “implement” the public sector capacity-building road map to be prepared under the ongoing TA. A TA to formulate a hardship reduction strategy was dropped to avoid any overlap with the Government’s SDP; and
- (ii) For 2006, an advisory TA for youth and gender development as well as a project preparatory TA on solid waste management will be provided. For 2007, advisory TAs for education and health sector strategy and for capacity-building in solid waste management are planned.

39. Concept papers for nonlending products and services are in Appendix 3, Tables A3.1–A3.3.

40. For reference, the 2005 assistance program for nonlending products and services is provided in Appendix 4.

SUMMARY STATEMENT OF THE ASIAN DEVELOPMENT BANK'S STRATEGY

Item	Good Governance	Social Development	Pro-Poor Economic Growth
Strategic Focus	<ul style="list-style-type: none"> • Promote effective development processes • Support long-term capacity-building efforts • Promote wider participation of civil society in development 	<ul style="list-style-type: none"> • Improve basic social services (education, health, water supply, and waste management) 	<ul style="list-style-type: none"> • Develop an enabling environment for private sector development
Target Outcomes	<ul style="list-style-type: none"> • Strengthened capacity of governments, civil society, and private sector groups to plan and manage for development results • Increased dialogue and cooperation among civil society organizations, private sector groups, and governments • Enhanced development partner coordination and harmonization 	<ul style="list-style-type: none"> • Capacity developed to manage and deliver quality basic social services • Effective public, private, and development partner resource allocations for basic social services 	<ul style="list-style-type: none"> • An effective institutional, legal, and regulatory environment • Improved financial services • Improved SOE accountability and performance
Performance Indicators	<ul style="list-style-type: none"> • Long-term public sector capacity-building road map prepared and implemented • A uniform public financial management system installed and operational for four states and national Government • A mechanism for better participation of civil society/NGOs in the country's development processes • Leaders in public sector, private sector, and civil society organizations trained 	<ul style="list-style-type: none"> • Improved quality of basic education (FSM National Standardized Test–Correct Answers by 6th grade students (43% in Math, 55% in Language Arts) • Improved quality of primary, preventive, and public health services (80% of dispensaries report no major drug and/or medical supply shortages; immunization rate of all 2-year old children increased to 80%) 	<ul style="list-style-type: none"> • SOE reforms (one public enterprise transformed by each government) • Improved access to finance (FSMDB processes and systems improved) • ST framework in place (ST law passed and filing archive established) • Improved processes and procedures in land surveying, registration, valuation (qualitative consultant outputs, BTORs)
Ongoing and/or Proposed Loans		<ul style="list-style-type: none"> • Basic Social Services (2000) • Private Sector 	<ul style="list-style-type: none"> • Private Sector Development Program and Project

Item	Good Governance	Social Development	Pro-Poor Economic Growth
		<ul style="list-style-type: none"> Development Project/Program (2003) • Omnibus Infrastructure Development (2004) • Solid Waste Management (2007) 	<ul style="list-style-type: none"> Loans (2003) • Omnibus Infrastructure Development Loan (2004)
Ongoing and/or Proposed Technical Assistance	<ul style="list-style-type: none"> • Strengthening and Capacity Building of Public Sector Financial Management (2003) • Strengthening of Public Sector Management and Administration (2003) • Strengthening Public Sector Audit Function (2004) • Regional TA for Leadership Enhancement and Advancement Program (2005) • Strengthening Civil Society Participation in Development (2005) 	<ul style="list-style-type: none"> • Youth and Gender Development (2006) • Implementation of Public Sector Capacity-Building Road Map (2006) • PPTA-Solid Waste Management (2006) • Education and Health Sector Strategy (2007) • Capacity Building for Solid Waste Management (2007) • Regional Demographic and Health Survey (2005) • HIV/AIDS in the Pacific-ADB's Response 	<ul style="list-style-type: none"> • Country Economic Report (2004) • Legislation for Private Sector Development (2003) • Public Utilities Corporate Governance (2004) • Preparing the Omnibus Infrastructure Development (2004) • Implementation of Public Sector Capacity Building Road Map (2006)
Other Assistance	<ul style="list-style-type: none"> • PFTAC/US 	<ul style="list-style-type: none"> • US Compact • Japan-Australia • WHO/UNEP 	<ul style="list-style-type: none"> • Japan/PRC/US Compact

BTOR = back-to-office report, FSM = Federated States of Micronesia, FSMDB = FSM Development Bank, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, NGO = nongovernment organization, PFTAC = Pacific Financial Technical Assistance Centre, PPTA = project preparatory technical assistance, PRC = People's Republic of China, ST = secured transaction, SOE = state-owned enterprise, TA = technical assistance, UNEP = United Nations Environment Programme, US = United States, WHO = World Health Organization.

COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

Table A2.1: Progress Toward Millennium Development Goals and Targets

Goals and Targets	1990	1995	Latest Year
Goal 1. Eradicate Extreme Poverty and Hunger			
Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015			
1. Proportion of population below \$1 per day (PPP-values) (%)	—	—	5.2 (1998)
2. Poverty gap ratio	—	—	0.51 (1998)
3. Share of poorest quintile in national consumption (%)	—	—	5.2 (1998)
Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015			
4. Prevalence of child malnutrition (% of children under 5)	13.3 (1987–1988)	—	15.0 (1997)
5. Proportion of population below minimum level of dietary energy consumption (%)	—	—	—
Goal 2. Achieve Universal Primary Education			
Target 3: Attain 100% primary school enrollment by 2015			
6. Net enrollment ratio in primary education (%)	85.0 (1984–1994)	93.7 (1994)	92.3 (2000)
7. Proportion of pupils starting Grade 1 who reach Grade 5	—	—	66.9 (2000)
8. Literacy rate of 15–24 year olds (%)			
Total	92.4 (1980)	96.4 (1994)	95.0 (2000)
Male	92.5 (1980)	96.2 (1994)	94.2 (2000)
Female	92.3 (1980)	96.6 (1994)	96.0 (2000)
Goal 3. Promote Gender Equality and Empower Women			
Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015			
9. Ratio of girls to boys in: (%)			
Primary education	—	92.1 (1994)	93.5 (2000)
Secondary education	—	97.6 (1994)	104.0 (2000)
Tertiary education	—	78.8 (1994)	107.0 (2000)
10. Ratio of young literate females to males (% of age group 15–24)	99.8 (1980)	100.4 (1994)	101.9 (2000)
11. Share of women in wage employment in the non-agriculture sector	—	33.6 (1994)	33.6 (2000)
12. Proportion of seats held by women in national	0.0	0.0	0.0 (2005)

Goals and Targets	1990	1995	Latest Year	
parliament				
Goal 4. Reduce Child Mortality				
Target 5: Reduce infant and child mortality by two thirds from 1990 to 2015				
13. Under-5 mortality rate (per '000 live births)	16.0	12.0	12.0	23.0
		(1996)	(2000)	(2003)
14. Infant mortality rate (per '000 live births)	46.0	40.0	40.0	19.0
		(1996)	(2000)	(2003)
15. Proportion of 1-year-old children immunized against measles	81.0	90.0	85.0	91.0
			(2000)	(2003)
Goal 5. Improve Maternal Health				
Target 6: Reduce maternal mortality ratio by three quarters between 1990 and 2015				
16. Maternal mortality ratio (per 100,000 live births)	83.0	274.0	317.0	(2003)
	(1992)	(1999)		
17. Births attended by skilled health staff (% of live births)	—	82.0	87.7	(2001)
		(1995-97)		
Goal 6. Combat HIV/AIDS, Malaria and Other Diseases				
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS				
18. HIV prevalence rate among 15-24 year old pregnant women	—	0.0	0.0	
19. Contraceptive prevalence rate (% of women aged 15-49)	—	25.0	70.0	(2000)
		(1997-98)		
20. Number of children orphaned by HIV/AIDS	—	0.0	0.0	
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases				
21. Malaria:				
Prevalence rate (per 100,000 people)	—	—	—	
Death rate (per 100,000 people)	—	—	10.0	(2000)
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures	—	—	—	
23. Tuberculosis (TB):				
Prevalence rate (per 100,000 people)	392.0	73.4	92.0	62.0
		(1996)	(2000)	(2003)
Death rate (per 100,000 people)	30.0	4.0	10.0	6.0
		(1994)	(2000)	(2003)
24. TB cases, DOTS:				
Detection rate (%)	—	16.0	43.0	92.0
			(2000)	(2003)
Treatment success rate (%)	—	80.0	95.0	91.0
			(2000)	(2003)
Goal 7. Ensure Environmental Sustainability				
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources				

Goals and Targets	1990	1995	Latest Year	
25. Forest area (% of total land area)	34.8	51.4 (1994)	21.7	(2000)
26. Nationally protected areas (% of total land area)	—	10.3	7.3	(2003)
27. GDP per unit of energy use (PPP\$ per kg oil equivalent)	—	—	—	
28. Carbon dioxide emissions (per capita metric tons)	—	2.2 (1994)	1.3	(1996)
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water				
29. Access to an improved water source (% households)				
Total	87.0	79.1 (1994)	87.0	59.0 (2000) (2003)
Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers				
30. Access to improved sanitation (% households)				
Total	30.0	34.4 (1994)	44.0	48.0 (2000) (2003)
Urban	53.0	—		84.0 (2003)
Rural	21.0	—		12.0 (2003)
31. Access to secure tenure (slum population as % of urban population [secure tenure index])	2.0	—	2.0	(2001)

— = not available; DOTS = directly observed treatment, short course; GDP = gross domestic product; kg = kilogram; HIES = household income and expenditure survey; HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome; PPP\$ = purchasing power parity in United States dollar.

Sources: Abbott, D. 2004. *The Federated States of Micronesia (FSM) Hardship and Poverty Status Discussion Paper*. Manila: Asian Development Bank (ADB); National Statistics Office. 2002. *FSM 2000 Population and Housing Census Report*. Pohnpei, FSM: Department of Economic Affairs; Secretariat of the Pacific Community (SPC). 2004. Statistical Annex to *Pacific Islands Regional Millennium Development Goals Report 2004* (Online). Available: <http://www.spc.int/mdgs>; SPC. 2005. *Pacific Regional Information System (PRISM)* (Online). Available: <http://www.spc.int/PRISM>; United Nations Development Programme (UNDP). 1999. *Pacific Human Development Report 1999*. Suva, Fiji: UNDP; United Nations Children's Fund (UNICEF). Various years. *The Progress of Nations*. New York: UNICEF; United Nations Statistics Division (UNSD). 2005. *Millennium Indicators Database* (Online). Available: <http://unstats.un.org/unsd/mi>; World Health Organization (WHO). Various years. Western Pacific Region Health Databank (Online). Available: <http://www.wpro.who.int>; WHO. Various years. *The World Health Report*. Geneva: WHO Press.

Table A2.2: Country Economic Indicators

Item	Fiscal Year ^a				
	2000	2001	2002	2003	2004
A. Income and Growth					
1. GDP per Capita (\$, current)	1,964.3	1,961.6	1,971.8	2,029.4	1,958.3
2. GDP Growth (% , in constant prices)	8.9	0.1	0.8	3.2	(3.3)
a. Agriculture	—	—	—	—	—
b. Industry	—	—	—	—	—
c. Services	—	—	—	—	—
B. Saving and Investment (current and market prices, % of GDP)					
1. Gross Domestic Investment	—	—	—	—	—
2. Gross National Saving	—	—	—	—	—
C. Money and Inflation (annual change)					
1. Consumer Price Index ^b	2.1	1.3	(0.1)	(0.3)	1.5
2. Total Liquidity (M2)	—	—	—	—	—
D. Government Finance (% of GDP)					
1. Revenue and Grants	68.1	63.6	71.8	70.5	52.4
2. Expenditure and Onlending	74.7	72.4	66.0	65.6	59.1
3. Overall Fiscal Surplus (deficit)	(6.6)	(8.8)	5.9	5.0	(6.7)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	(37.9)	(39.6)	(34.5)	(43.9)	(50.6)
2. Current Account Balance (% of GDP)	0.3	(5.3)	7.2	0.8	(11.6)
3. Merchandise Export (\$) Growth (annual % change)	22.6	17.9	6.3	(9.2)	(9.3)
4. Merchandise Import (\$) Growth (annual % change)	10.4	8.7	(9.0)	21.6	9.1
F. External Payments Indicators					
1. Gross Official Reserves (including gold, \$ million in weeks of current year's imports of goods)	—	—	—	—	—
2. External Debt Service (% of exports of goods and services)	20.7	18.9	5.1	5.2	5.6
3. Total External Debt (% of GDP)	23.3	20.3	17.9	17.0	17.3
G. Memorandum Items					
1. GDP (current prices, \$ million)	219	222	223	230	225
2. Exchange Rate (\$/\$, average)	1.0	1.0	1.0	1.0	1.0
3. Population ('000)	107.0	107.3	107.5	107.8	108.0

— = not available; GDP = gross domestic product.

^a Fiscal year ends 30 September.

^b Period average.

Sources: IMF, International Financial Statistics; FSM Department of Economic Affairs, Economic Management Policy Advisory Team website at <http://www.empat.fm/statistics/stats/htm>.

Table A2.3: Country Poverty and Social Indicators

Item	Period		
	1990	1994	Latest Year
A. Population Indicators			
1. Total Population ('000)	95.7(1989)	105.5	108.0 (2004)
2. Annual Population Growth Rate (% change)	3.0 (1980–1989)	1.9 (1989–1994)	0.3 (1994–2000)
B. Social Indicators			
1. Total Fertility Rate (births/woman)	7.4 (1980)	4.6	4.4 (2000)
2. Maternal Mortality Ratio (per 100,000 live births)	83.0 (1992)	274.0 (1999)	317.0 (2003)
3. Infant Mortality Ratio (below 1 year/1,000 live births)	46.0	40.0 (1996)	19.0 (2003)
4. Life Expectancy at Birth (years)	65.2	67.0 (1996)	66.5 (2002)
a. Female	66.8	67.6 (1996)	68.1 (2002)
b. Male	64.6	66.5 (1996)	64.9 (2002)
5. Adult Literacy (%)	88.9 (1980)	93.9	92.4 (2000)
a. Female	87.6 (1980)	93.0	91.9 (2000)
b. Male	90.3 (1980)	94.8	92.9 (2000)
6. Primary School Gross Enrollment (%)	—	93.7	142.2 (2000/01)
7. Secondary School Gross Enrollment (%)	—	81.4	132.2 (2000/01)
8. Child Malnutrition (% below age 5)	13.3 (1987–1988)	—	15.0 (1997)
9. Population with Access to Safe Water (%)	87.0	79.1	59.0 (2003)
10. Population with Access to Sanitation (%)	30.0	34.4	48.0 (2003)
11. Public Health Expenditure (% of GDP)	—	6.1 (1997)	5.4 (2001/02)
12. Public Education Expenditure (% of GDP)	—	5.5 (1998/99)	9.6 (2001/02)
13. Human Development Index (Pacific)	—	0.604	0.569 (1999)
Pacific Rank / number of PDMCs	—	7/12	8/14
14. Gender-Related Development Index Rank	—	—	—
C. Poverty Indicators			
1. Poverty Line (US\$ per household per year)	—	—	5693 (1998 HIES)
2. Poverty incidence (Households below Poverty Line [%])	—	—	27.9 (1998 HIES)
3. Poverty Gap	—	—	0.51 (1998 HIES)
4. Poverty Severity Index	—	—	—
5. Inequality (Gini Coefficient)	—	—	—
By income	—	—	0.51 (1998 HIES)
By expenditure	—	—	0.47 (1998 HIES)
6. Human Poverty Index (Pacific)	—	—	26.7 (1999)
Pacific Rank / number of PDMCs	—	—	10/14

— = not available, GDP = gross domestic product, PDMCs = Pacific developing member countries.

Sources: Abbott, D. 2004. The Federated States of Micronesia (FSM) Hardship and Poverty Status Discussion Paper. Manila: Asian Development Bank (ADB); Abbott, D. and S. Pollard. 2004. *Hardship and Poverty in the Pacific*. Manila: ADB; National Statistics Office. 2002. *FSM 2000 Population and Housing Census Report*. Pohnpei, FSM: Department of Economic Affairs; Secretariat of the Pacific Community (SPC). 2004. Statistical Annex to *Pacific Islands Regional Millennium Development Goals Report 2004* (Online). Available: <http://www.spc.int/mdgs>; United Nations Development Programme (UNDP). 1999. *Pacific Human Development Report 1999*. Suva, Fiji: UNDP; United Nations Educational, Scientific and Cultural Organization (UNESCO). 2005. Institute for Statistics (Online). Available: <http://www.uis.unesco.org>; United Nations Statistics Division (UNSD). 2005. *Millennium Indicators Database* (Online). Available: <http://unstats.un.org/unsd/mi>; World Health Organization (WHO). Various years. Western Pacific Region Health Databank (Online). Available: <http://www.wpro.who.int>; WHO. Various years. *The World Health Report*. Geneva: WHO Press.

Table A2.4: Country Environment Indicators

Indicator	1990	Latest Year
A. Energy Efficiency of Emissions		
1. GDP/Unit of Energy Use (PPP\$/kgoe)	—	—
2. Traditional Fuel Use (% of total energy use)	—	—
3. Carbon Dioxide Emissions		
a. Metric Tons ('000)	236.0 (1994)	141.4 (1996)
b. Metric Tons per Capita	2.2 (1994)	1.3 (1996)
B. Water Pollution: Water and Sanitation		
1. % Urban Population with Access to Safe Water	93.0	87.0 (2003)
2. % Rural Population with Access to Safe Water	85.0	31.0 (2003)
3. % Urban Population with Access to Sanitation	53.0	84.0 (2003)
C. Land Use and Deforestation		
1. Forest Area (km ²)	—	—
2. Average Annual Deforestation		
a. Km ²	—	—
b. % Change (natural forests only)	—	(38.0) (1990–2000)
3. Rural Population Density (people/km ² of arable land)	—	—
4. Arable Land (% of total land)	—	5.7 (2001)
5. Permanent Cropland (% of total land)	—	45.7 (2001)
D. Biodiversity and Protected Areas		
1. Nationally Protected Area		
a. Km ²	72.0 (1994)	72.0 (2004)
b. % of Total Land	10.3 (1994)	10.3 (2004)
2. Mammals (number of threatened species)	6 (1996)	6 (2004)
3. Birds (number of threatened species)	6 (1996)	8 (2004)
4. Higher Plants (number of threatened species)	4 (1997)	4 (2003)
5. Reptiles (number of threatened species)	2 (1996)	2 (2004)
6. Amphibians (number of threatened species)	0 (1996)	0 (2004)
E. Urban Areas		
1. Urban Population		
a. '000	26.9 (1994)	23.9 (2000)
b. % of Total Population	25.5 (1994)	22.3 (2000)
2. Per Capita Water Use (liters/day)	—	—
3. Wastewater Treated (%)	—	—
4. Solid Waste Generated per Capita (kg/day)	—	—

— = no data available, GDP = gross domestic product, kg = kilogram, kgoe = kilogram oil equivalent, km² = square kilometer, PPP = purchasing power parity.

Sources: Central Intelligence Agency (CIA). 2005. *The World Factbook 2005* (Online). Available: <http://cia.gov>; International Union for Conservation of Nature and Natural Resources (IUCN). Various years. *The IUCN Red List of Threatened Species* (Online). Available: <http://www.iucnredlist.org>; Secretariat of the Pacific Community (SPC). 2005. Pacific Island Populations 2004 poster (Online). Available: <http://www.spc.int/demog>; SPC. 2005. Pacific Regional Information System (Online). Available: (<http://www.spc.int/PRISM>); United Nations Statistics Division (UNSD). 2005. *Millennium Indicator Database* (Online). Available: <http://millenniumindicators.un.org>; World Bank. Various years. *The Little Green Data Book*. Washington, DC: World Bank; World Health Organization (WHO). Various years. Western Pacific Region Health Databank (Online). Available: <http://www.wpro.who.int>; World Resources Institute (WRI). 2003. *Earth Trends 2003* (Online). Available: <http://earthtrends.wri.org>.

Table A2.5: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Governance	<p>Ongoing</p> <ul style="list-style-type: none"> • TA 3962-FSM: Capacity Building in Public Sector Financial Management • TA 4258-FSM: Strengthening of Public Sector Management and Administration • TA 4464-FSM: Strengthening Public Sector Audit Function <p>Programmed</p> <ul style="list-style-type: none"> • Implementation of Public Sector Capacity-Building Road Map (2006) 	<ul style="list-style-type: none"> • Economists/Statisticians (AusAID) • Trust Fund (PRC) • Tax Reform/Administration (PFTAC)
B. Inclusive Social Development	<p>Programmed</p> <ul style="list-style-type: none"> • Youth and Gender Development (2006) 	<ul style="list-style-type: none"> • FSM-China Friendship Sports Center in Pohnpei • National Youth Policy Development Program (AusAID) • Pohnpei Ladies Club (UNESCO)
C. Private Sector Development	<p>Ongoing</p> <ul style="list-style-type: none"> • Loans 1873/1874: Private Sector Development Program and Project • TA 4539-FSM: Legislation for Private Sector Development • TA 4426-FSM: Public Utilities Corporate Governance 	<ul style="list-style-type: none"> • Micronesian Entrepreneurship Development Center (UNDP)
D. 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"> • Education and Health Sector Strategy (2007) 	<ul style="list-style-type: none"> • Short-term technical training (AusAID) • Short-term training (Japan) • Scholarship (AusAID) • School supplies (Japan)
E. Health, Nutrition, and Social Protection	<p>Ongoing</p>	<ul style="list-style-type: none"> • Pharmacy/Medical Specialist (AusAID)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
	<ul style="list-style-type: none"> • Loan 1816: Basic Social Services Project <p>Programmed</p> <ul style="list-style-type: none"> • TA: Solid Waste Management (2006) • Loan: Solid Waste Management (2007) 	<ul style="list-style-type: none"> • Medical equipment supply (Japan) • Hospital management (US) • Training fellowships, medical equipment and supplies (WHO and UNFPA)
F. Water Supply, Sanitation and Waste Management	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 2099/2100-FSM: Omnibus Infrastructure Development Project) • TA 4426-FSM: Public Utilities Corporate Governance 	<ul style="list-style-type: none"> •
G. Energy	<p>Ongoing</p> <ul style="list-style-type: none"> • Loan 2099/2100-FSM: Omnibus Infrastructure Development Project) • TA 4426-FSM: Public Utilities Corporate Governance 	<ul style="list-style-type: none"> • Pohnpei Power Plant (Japan)
H. Transport and Communications	<p>None</p>	<ul style="list-style-type: none"> • Road Improvement Project, Harbor/Wharves (Japan) • Cargo, Passenger Boats (PRC) • Chuuk State Airport (PRC)
I. Environmental Sustainability	<p>Ongoing 6064-REG: Climate Change Adaptation Program for the Pacific</p>	<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 Water, etc. (UNEP) • Climate change (EU) • Special Programme for Food Security FAO (UN) • Outer Islands Electrification Program (EU)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> • Convention on Law of the Seas • Convention for the Conservation of Migratory Fish Stock in the Central and Western Pacific Ocean
J. Agriculture and Natural Resources	None	<ul style="list-style-type: none"> • Fishing Ports (Japan) • Tuna Commission (PRC) • Agriculture Farm for Vegetables (PRC) • SPC-Plant Protection/Quarantine & Plant Protection (EU) • SPC/GTZ Tropical Forestry Program (German) through USP/IRETA for farmers training program/communication program • EDF-9 Development of Sustainable Agriculture Program (DSAP)
K. Industry and Trade	None	<ul style="list-style-type: none"> • Tourism promotion (Japan) • Tourism specialist (Japan)
L. Others	None	<ul style="list-style-type: none"> • Voter registration and training for FSM Election Commission • Immigration computerized system, (AusAID) • Grassroots cooperation, heritage program (Japan) • Historic preservation (Spain) • Volunteer assistance (UK) • Kosrae Public Information (UNESCO) • Peace Corps Volunteer Program (US) • Emergency Assistance (AusAID) • Official residential homes (PRC)

AusAID = Australian Agency for International Development; DSAP = Development of Sustainable Agriculture Program; EDF = Environmental Defence; EU = European Union; FSM = Federated States of Micronesia; GTZ = Deutsche Gesellschaft for Technische Zusammenarbeit; PFTAC = Pacific Financial Technical Assistance Centre; PRC = People's Republic of China; REG = regional; RETA = regional TA; TA = technical assistance; UK = United Kingdom; UNDP = United Nations Development Programme; UNEP = United Nations Environment Programme; UNESCO = United Nations Educational, Scientific and Cultural Organization; UNFPA = United Nations Population Fund; US = United States; USP = University of South Pacific; WHO = World Health Organization.

Table A2.6: Portfolio Indicators—Portfolio Amounts and Ratings
(public sector loans, as of 31 December 2004)

Sector	Net Loan Amount		Rating ^a													
			Total		Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		Potential Problem ^b		At Risk ^c	
	\$ million	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources																
Education																
Energy																
Finance																
Health, Nutrition, and Social Protection																
Industry and Trade																
Law and Public Sector Management	15.5	34.50	2	40.00	0.00	2	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Multisector	29.4	65.50	3	60.00	0.00	3	100.0	0.00	0.00	0.00	0.00	1	33.3	1	33.3	33.3
Transport and Communications																
Water Supply, Sanitation, and Waste Management																
Total	44.9	100.0	5	100.0	0.00	5	100.0	0.00	0.00	0.00	0.00	1	20.0	1	20.0	20.0

No. = number.

^a One rating for implementation progress and development objectives, based on the lower rating of either.

^b Potential problem loans are satisfactory loans, but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^c A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Source: Asian Development Bank estimates.

Table A2.7: Portfolio Indicators—Disbursements and Net Transfers of Resources
(public sector loans, as of 31 December 2004)

Disbursements and Transfers	OCR	ADF	Total
Disbursements^a			
Total Funds Available for Withdrawal (\$ million)	0.0	25.1	25.1
Disbursed Amount (\$ million, cumulative)	0.0	3.1	3.1
Percentage Disbursed (disbursed amount/total available)	0.0	12.3	12.3
Disbursements (\$ million, latest year)	0.0	1.1	1.1
Disbursement Ratio (%) ^b	0.0	5.0	5.0
Net Transfer of Resources (\$ million)^c			
2000	0.0	4.1	4.1
2001	0.0	2.2	2.2
2002	0.0	1.1	1.1
2003	0.0	2.4	2.4
2004	0.0	0.6	0.6

ADF = Asian Development Fund; OCR = ordinary capital resources.

^a Includes all loans with disbursements during 2004.

^b Ratio of disbursements 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.

^c Includes private sector projects.

Source: Asian Development Bank estimates.

Table A2.8: Portfolio Indicators—Evaluation Rating by Sector
(as of 31 December 2004)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0	0	0	0	0	0	0	0	0	0	0
Education	0	0	0	0	0	0	0	0	0	0	0	0
Energy	0	0	0	0	0	0	0	0	0	0	0	0
Finance	0	0	0	0	0	0	0	0	0	0	0	0
Health, Nutrition, and Social Protection	0	0	0	0	0	0	0	0	0	0	0	0
Industry and Trade	0	0	0	0	0	0	0	0	0	0	0	0
Law and Public Sector Management	0	0	0	0	0	0	0	0	0	0	0	0
Multisector	0	0	0	0	0	0	0	0	0	0	0	0
Public Sector Reform Program	0	0	1	100	0	0	0	0	0	0	1	100
Transport and Communications	0	0	0	0	0	0	0	0	0	0	0	0
Water Supply, Sanitation, and Waste Management	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	1	100	0	0	0	0	0	0	1	100

Source: Asian Development Bank project (program) audit reports.

Table A2.9: Portfolio Implementation Status
(public sector loans, as of 31 December 2004)

Sector	Loan No.	Seg	Title	Net Loan Amount		Approval Date	Effective Date	Closing Date		Progress (% complete)
				OCR (\$ million)	ADF (\$ million)			Original	Revised	
MS	1816 (SF)		Basic Social Services Project	0.00	9.60	20 Dec 00	21 Jan 03	30 Jun 07		1.00
LW	1873 (SF)		Private Sector Development Program	0.00	5.80	12 Dec 01	24 Apr 03	31 Aug 05		Program loan 10.00
LW	1874 (SF)		Private Sector Development Project	0.00	9.70	12 Dec 01	24 Apr 03	31 Aug 06	31 Oct 07	
MS	2099 (SF)		Omnibus Infrastructure Development	0.00	15.00	05 Nov 04		31 Dec 09		0.00
MS	2100		Omnibus Infrastructure Development	4.80	0.00	05 Nov 04		31 Dec 09		0.00
Total				4.80	40.10					

ADF = Asian Development Fund, LW = law and public sector management, MS = multisector, No. = number, OCR = ordinary capital resources, Seg = segment (pertaining to loans with more than one withdrawal authority).

Source: Asian Development Bank estimates.

Table A2.10: Assistance Pipeline for Lending Products, 2006–2007

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)					
						OCR	ADB		Total	Gov't.	Co- financing
							ADF				
							Loans	Grants			
2006 Firm Loans											
None						0.00	0.00	0.00	0.00	0.00	0.00
	Subtotal					0.00	0.00	0.00	0.00	0.00	0.00
	Total					0.00	0.00	0.00	0.00	0.00	0.00
2007 Firm Loans											
Water Supply, Sanitation, and Waste Management											
Solid Waste Management	TI	ISD/GOV/ ENV	PAHQ	2006	8.00	0.00	8.00	0.00	8.00	TBD	0.00
	Subtotal					0.00	0.00	0.00	0.00	0.00	0.00
	Total					0.00	0.00	0.00	0.00	0.00	0.00

ADB = Asian Development Bank, ADF = Asian Development Fund, ENV = environment, GOV = governance, ISD = inclusive social development, OCR = ordinary capital resources, TBD = to be determined.

Source: ADB estimates.

Table A2.11: Assistance Pipeline for Nonlending Products and Services, 2006–2007

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2006							
Law, Economic Management and Public Policy							
1. Implementation of Public Sector Capacity-Building Road Map	PAHQ	ADTA	TASF	300.00		0.00	300.00
Subtotal				300.00		0.00	300.00
Multisector							
1. Youth and Gender Development	PAHQ	ADTA	TASF	200.00		0.00	200.00
Subtotal				200.00		0.00	200.00
Water Supply, Sanitation, and Waste Management							
1. Solid Waste Management	PAHQ	PPTA	TASF	500.00		0.00	500.00
Subtotal				500.00		0.00	500.00
Total				1,000.00		0.00	1,000.00
2007							
Water Supply, Sanitation, and Waste Management							
1. Capacity-Building for Solid Waste Management	PAHQ	ADTA	TASF	300.00		0.00	300.00
Subtotal				300.00		0.00	300.00
Multisector							
1. Education and Health Sector Strategy	PAHQ	ADTA	TASF	400.00		0.00	400.00
Subtotal				400.00		0.00	400.00
Total				700.00		0.00	700.00

ADB = Asian Development Bank, ADTA = Advisory Technical Assistance, PAHQ = Pacific Operations Division, TASF = Technical Assistance Special Fund.
Source: ADB estimates.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for projected nonlending products:

- (i) Table A3.1: Implementation of Public Sector Capacity-Building Road Map
- (ii) Table A3.2: Youth and Gender Development
- (iii) Table A3.3: Solid Waste Management

**Table A3.1: Implementation of Public Sector Capacity-Building Road Map
Concept Paper**

Date:

<p>1. Type/modality of assistance</p> <ul style="list-style-type: none"> <input type="checkbox"/> Lending <ul style="list-style-type: none"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other: <input checked="" type="checkbox"/> Nonlending <ul style="list-style-type: none"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <ul style="list-style-type: none"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other 								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Law, economic management and public policy Subsectors: National government administration, and subnational government administration</p> <p>b. Targeting classification <input checked="" type="checkbox"/> Targeted intervention <input type="checkbox"/> General intervention</p> <p>c. Key thematic area(s) Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input type="checkbox"/> Sustainable economic growth</td> <td style="width: 50%;"><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Financial and economic governance, public governance, civil society participation, anticorruption</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<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: Pacific Operations Division/Pacific Department</p>								
<p>5. Responsible ADB officer: Meeja Hamm</p>								
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: ADB continues to support the Government in improving its institutional capacity in public sector management through TA 4258-FSM: Strengthening of Public Sector Management and Administration. The TA will support the Government in (i) the Compact transition, and (ii) preparing a long-term public sector institutional capacity-building road map.</p> <p>The road map will guide the Government in carrying out institutional capacity building during the amended Compact</p>								

period (2003–2023). The road map will also help ensure efficient and effective use of the sector grant for capacity building from the United States. The main focus of the road map is to improve (i) economic planning, (ii) financial management, (iii) auditing, (iv) law enforcement, (v) immigration controls, (vi) the judiciary, and (vii) the compilation and analysis of appropriate statistical indicators. Human resource management and staff development issues will be thoroughly reviewed and incorporated in the road map.

b. Goal and purpose: To help the Government implement the road map.

c. Components and outputs: The TA will provide specialist support to implement the road map to be prepared under TA 4258.

d. Expected results and deliverables: To be determined (based on the outcome of the road map)

e. Social or environmental issues or concerns: No major issue is envisaged at this stage.

f. Plans for disseminating results/deliverables:

For TA, method(s) of TA output dissemination:

- A conference/workshop/brown bag
 Publication of article(s) in external journals or books
 External press release to news agencies, including www.adb.org
 Internal press release in *ADB Today*
 Others (specify) _____

7. Proposed executing/implementing agency or agencies: Department of Finance and Administration

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 CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005

b. Expected date of submission for approval
 Lending:
 Nonlending (project preparatory):
 Nonlending (other than project preparatory): 2006

c. Period and duration of assistance{s}
 Lending:
 Nonlending: 8 months

10. Financing Plan {Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements. Check more than one category, if applicable.}

- a. For lending
 Ordinary capital resources: \${amount}
 Asian Development Fund (loan): \${amount}
 Asian Development Fund (grant): \${amount}
 Other: {specify} \${amount}

If cofinancing is required, indicate amount and sources sought: \$____, from _____.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source:	

b. For nonlending

- No resources required, other than ADB staff

- ADB's administrative budget: \${amount}
- Grant TA funds: \$300,000 from TA Special Fund
- Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.

Source	Amount (\$)
ADB Financing	300, 000
Government Financing	0
Other Financing	0
Total Cost	300,000

Source: ADB estimates.

ADB = Asian Development Bank, CSP = country strategy and program, FSM = Federated States of Micronesia, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A3.2: Youth and Gender Development
Concept Paper**

Date:

<p>1. Type/modality of assistance {double-click on appropriate box}</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"/> ADF grant-financed</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>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multisector Subsectors: Basic education, nonformal education, social protection, other health and social services</p> <p>b. Targeting classification</p> <p> <input checked="" type="checkbox"/> Targeted intervention</p> <p> <input type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Gender equity in capabilities, gender equity in opportunities, gender equity in empowerment and rights, human development</p>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<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: Pacific Operations Division/Pacific Department</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: A recent assessment of hardship in the FSM shows that issues of youth and gender such as teenage pregnancy, drug among youth, and increasing cases of petty crimes are growing concerns of various communities. A rapid change of the society from the traditional lifestyle to a monetized economy is considered the main cause of the issues.</p> <p>b. Goal and purpose: To help the FSM conduct the assessment of issues of youth and gender in the country.</p>								

c. Components and outputs: The TA will thoroughly assess issues of youth and gender and propose a strategy to solve those issues.

d. Expected results and deliverables: Youth and gender assessments and strategy.

e. Social or environmental issues or concerns: The TA will directly deal with social issues.

f. Plans for disseminating results/deliverables:

For TA, method(s) of TA output dissemination:

- A conference/workshop/brown bag
 Publication of article(s) in external journals or books
 External press release to news agencies, including www.adb.org
 Internal press release in *ADB Today*
 Others (specify) _____

7. Proposed executing/implementing agency or agencies: Department of Health, Education and Social 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 CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005

b. Expected date of submission for approval
 Lending:
 Nonlending (project preparatory):
 Nonlending (other than project preparatory): 2006

c. Period and duration of assistances
 Lending:
 Nonlending: 8 months

10. Financing Plan

- a. For lending
 Ordinary capital resources: \${amount}
 Asian Development Fund (loan): \${amount}
 Asian Development Fund (grant): \${amount}
 Other: {specify} \${amount}

Source	Amount (\$)
--------	-------------

ADB Financing	
Government Financing	
Other Financing	

Total Cost

Source:

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget: \${amount}
 Grant TA funds: \$200,000 from TA Special Fund
 Other:

Source	Amount (\$)
--------	-------------

ADB Financing	200,000
Government Financing	0

Other Financing	0
Total Cost	200,000
Source: ADB estimates.	

ADB = Asian Development Bank, CSP = country strategy and program, FSM = Federated States of Micronesia, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A3.3: Solid Waste Management
Concept Paper**

Date:

<p>1. Type/modality of assistance</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Lending <ul style="list-style-type: none"> <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> ADF grant-financed <input type="checkbox"/> Other <input checked="" type="checkbox"/> Nonlending <ul style="list-style-type: none"> <input type="checkbox"/> Project preparatory <input checked="" type="checkbox"/> Other than project preparatory <ul style="list-style-type: none"> <input type="checkbox"/> Economic, thematic, and sector work <input checked="" type="checkbox"/> Institutional development <input type="checkbox"/> Other 								
<p>2. Assistance focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Water supply, sanitation, and waste management Subsectors: Water supply and sanitation, waste management, integrated</p> <p>b. Targeting classification <input checked="" type="checkbox"/> Targeted intervention <input type="checkbox"/> General intervention</p> <p>c. Key thematic areas Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input type="checkbox"/> Sustainable economic growth</td> <td style="width: 50%;"><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Public governance, urban environmental improvement, environmental policy and legislation</p>	<input type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Capacity development
<input type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Capacity development							
<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: Pacific Operations Division/Pacific Department</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: Poor solid waste management is evidenced by the lack of an engineered waste disposal facility in all states. Collection of wastes is also variable. The ad hoc disposal of solid waste, which in some states results in environmental degradation, is visually evident.</p> <p>b. Goal and purpose: To help the FSM establish an effective solid waste management system.</p> <p>c. Components and outputs: The PPTA will carry out a feasibility study on improving solid waste</p>								

management in the country. The proposed loan project will support and establish viable physical infrastructure for solid waste management, while the ADTA will support capacity building of the sector for the country to better manage and operate the waste management system. The assessment of synergies with, and incentives available through, associated CDM opportunities will be included.

d. Expected results and deliverables: To be determined.

e. Social or environmental issues or concerns: The TA will directly deal with social and environmental issues.

f. Plans for disseminating results/deliverables:

For TA, method(s) of TA output dissemination:

- A conference/workshop/brown bag
 Publication of article(s) in external journals or books
 External press release to news agencies, including www.adb.org
 Internal press release in *ADB Today*
 Others (specify) _____

7. Proposed executing/implementing agency or agencies: Department of Transport, Communication and Infrastructure

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 CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2005

b. Expected date of submission for approval
 Lending: 2007
 Nonlending (project preparatory): 2007
 Nonlending (other than project preparatory): 2007

c. Period and duration of assistance{s}
 Lending: 35 years
 Nonlending: PPTA–8 months; Associated TA–10 months

10. Financing Plan

- a. For lending
 Ordinary capital resources
 Asian Development Fund (loan): \$8,000,000
 Asian Development Fund (grant)
 Other

If cofinancing is required, indicate amount and sources sought: \$ _____, from _____.

Source	Amount (\$)
ADB Financing	8,000,000
Government Financing	0
Other Financing	0
Total Cost	8,000,000

Source: ADB Estimates.

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget:
 Grant TA funds: \$500,000 from TA Special Fund
 Other

If cofinancing is required, indicate amount and sources sought: \$ _____, from _____.

Source	Amount (\$)
ADB Financing	500,000
Government Financing	0
Other Financing	0
Total Cost	500,000

Source: ADB estimates.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CDM = Clean Development Mechanism, CSP = country strategy and program, PPTA = project preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

ASSISTANCE PROGRAM FOR NONLENDING PRODUCTS AND SERVICES, 2005

Sector Assistance Name	Responsible Division	Assistance Type ^a	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source ^b	Amount (\$'000)	Source ^c	Amount (\$'000)	
2005							
Health, Nutrition, and Social Protection							
1. Pacific Demographic and Health Survey	PAHQ	RETA	TASF	800.00		0.00	800.00
2. Socioeconomic Implications of HIV/AIDS in the Pacific	PAHQ	RETA	TASF	300.00		0.00	300.00
Subtotal				1,100.00		0.00	1,100.00
Law, Economic Management and Public Policy							
1. Strengthening Pro-Poor Policy in the Pacific	PAHQ	RETA			AusAID	925.00	925.00
					PRF	925.00	925.00
2. Strengthening Civil Society Participation in Development	PAHQ	RETA	TASF	500.00		0.00	500.00
Subtotal				500.00		1,850.00	2,350.00
Total				1,600.00		1,850.00	3,450.00

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, PAHQ = Pacific Operations Division, PRF = Poverty Reduction Fund, RETA = regional technical assistance, TASF = Technical Assistance Special Fund.
Source: ADB estimates.