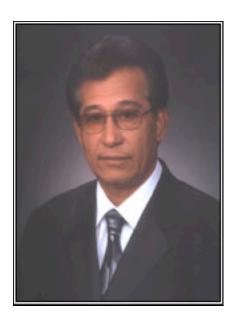# Federated States of Micronesia

Policy for Overseas Development Assistance

July 2013

H.E. Emanuel Mori
President of the Federated States of
Micronesia

Message from the President

Like most young nations, the dream of self-sufficiency is not yet a reality for the FSM. We have many mountains to climb and rivers to cross before our aspirations of a healthy and prosperous nation can be realized. Thankfully, we are not alone in this journey.

Support from the international community has helped us along this path, yet there remains a long way to go and new challenges are emerging. We must adapt to meet these challenges and renew our efforts to ensure that support we receive addresses the issues confronting us. This policy is a first step toward focusing our energies on the issues that matter most to Micronesians, and ensuring that the generous assistance provided to the FSM supports our own dream of a healthy, prosperous and self-sufficient nation.

I urge all stakeholders with an interest in realizing this dream to work in partnership with one-another, build upon each other's strengths and share their knowledge and expertise. With shared goals and a common commitment to working together, our dream can become reality.

H.E. Emanuel Mori

President of the Federated States of Micronesia

"With this Constitution, we affirm our common wish to live together in peace and harmony, to preserve the heritage of the past, and to protect the promise of the future."

Preamble, Constitution of the Federated States of Micronesia

Introduction

1.   The Federated States of Micronesia is a young nation of diverse cultures. We celebrate our diversity; yet unite under a common desire to preserve the heritage of the past and promise of the future. While our nation is rich in culture, it is also poor in other resources required to deliver on this common commitment. Hence, we reach out to the international community for support as we forge a self-sufficient and prosperous nation.

2.   The task ahead is challenging, and one that demands many hands working in unison. This policy strives to create an environment of shared goals and ways of working together that will result in this nation delivering on its constitutional commitment to all FSM citizens.

Context and Purpose

3.   The purpose of this policy is to establish approaches to managing our development assistance such that benefits are maximized for all stakeholders. For the FSM this involves positive, sustainable outcomes for individuals, communities, organizations and governments. For our development partners it means effective use of resources and strengthened relationships with the FSM.

4.   This policy establishes the underlying systems and architecture for our overseas development assistance. We recognize that our circumstances are unique and thus our approaches to development must be tailored to suit our specific needs and capacities. Thus, this policy acknowledges the problems facing the FSM and selectively incorporates best practices into an approach that suits our circumstances.

5.   With this policy, the FSM aims to introduce structure where it is needed; ensure that the right stakeholders are involved at the right decision-making junctures; reduce confusion and unnecessary bottlenecks; and streamline processes wherever appropriate.

6.   The intended audience for this policy includes political leaders, Government offices and departments, non-government organizations, communities, private sector groups, current and future development partners to the FSM, and any other stakeholder with an active interest in the development of the FSM.

7.   The limitations of this policy must be clearly understood. It is a framework on which to build upon. It requires participants to fill in the gaps using their knowledge, insights, ideas, opinions, decisions, knowledge and commonsense. It is also designed to accommodate future reforms to overseas development assistance (ODA) management and enhance linkages with domestic resource planning as they become possible.

Definitions

8.   *ODA* is defined as any form of developmental support that is funded or resourced by sources external to the FSM. *ODA management* refers to the planning, coordination and organization of ODA.

9.   The term *development partner* is defined to include any custodian of sources of ODA to the FSM.

10.   Distinction must made between *solicited* requests for assistance and *unsolicited* requests for assistance; and between *official* and *non-official* requests for assistance:

➢ *Solicited requests for assistance* are offers of support initiated by development partners that involve specific areas of support determined by development partners and/or time-bound deadlines for applications.
➢ *Unsolicited requests for assistance* are those initiated by FSM stakeholders for which there may be no specific targeted programs.
➢ *Official requests for assistance* are those submitted by, for and on behalf of any FSM government entity.
➢ *Non-official requests for assistance* are those submitted by, for and on behalf of any non-government organization.

Guiding Principles

11.   The following principles are aimed at ensuring that external support remains focused, fair, effective, and in the interests of all stakeholders.

12.   Coordination and cooperation between FSM governments shall be undertaken in line with the two broad principles of "no surprises" and "mutual consent" in all ODA matters.

13.   In planning our development cooperation, we acknowledge and respect the unique circumstances of each State but also seek commonalities across the FSM.

14.   Maintaining the sovereign rights to self-determination is of paramount importance to the FSM, and this must be reflected throughout all ODA. FSMs relationship with providers of external assistance shall be in the form of a partnership, where the FSM acts as lead partner in respect of strategic decision-making for ODA. Development partners to the FSM must respect this arrangement as a precondition for the provision of external support.

15.   Official development assistance to the FSM must be aligned with the Strategic Development Plan or other endorsed strategic needs.

16.   ODA effectiveness is prioritized before quantity. Enhanced effectiveness of external support serves the interests of all stakeholders without the added costs associated with increased volumes of assistance.

17.   Transparency and accountability are the twin pillars upon which all ODA activities and decision-making must be founded. All ODA stakeholders, including FSM governments and development partners are equally bound by this expectation.

18.   Management and oversight of ODA activities will focus on measuring outcomes rather than inputs. While it is useful to

understand what is going into development programs, it is far more important to measure what we are getting out of them, and to use this information to guide decision-making.

19. Development cooperation opportunities must be available and easily accessible to all FSM stakeholders, including governments, civil society organizations, community groups and the private sector.

20. Strengthening and adoption of local systems and resources for implementation of ODA activities are encouraged wherever possible.

21. Capacity development must be a mandatory element of all assistance to the FSM, to promote self-sufficiency and long-term sustainability.

22. Local ownership of ODA must be actively promoted, particularly through close consultations between FSM governments and other stakeholders, and through financial or in-kind contributions to activity implementation.

23. All stakeholders are responsible for ensuring that communities throughout the FSM, particularly vulnerable or marginalized groups, have a voice in ODA decision-making processes.

24. Loans will be used as an option of last resort and only where strict criterion can be met.

Strategies

25. In order to align our practices with the aforementioned guiding principles, the following strategies are adopted:

26. ODA coordination between National and State Governments will based on the following requirements:

➢ Representation by all participating FSM governments on steering committees for nation-wide ODA activities;
➢ Written consent from State Governments prior to National Government making financial commitments on behalf of States, and vice versa;
➢ Timely sharing of ODA agreements for nation-wide activities with State Governments;
➢ Timely sharing of ODA opportunities between FSM governments; and
➢ Timely sharing of accurate ODA information and data between State and National Governments.

27. All externally supported activities shall incorporate the following mandatory components into their design:

➢ Explicit alignment between activity objectives and the Strategic Development Plan or other endorsed strategic needs;
➢ Specific, measurable, achievable, realistic and time-bound indicators for measuring outcomes. Where indicators already exist in plans, strategies or priorities, they should be used as far as practicable; and
➢ A sustainability plan detailing how activity outcomes will continue locally, post-support (e.g. maintenance funding, technical skills transfer, resourcing etc.)

28. Information on development cooperation programs and opportunities will be consolidated and made publicly available. Current activities will be tracked on a database, whereas grant opportunities and

donor programs will be listed on a public webpage to promote access to information and opportunities for all stakeholders.

29.   The National Government of the FSM shall host a forum every two years for development partners and domestic stakeholders from civil society and the private sector to review progress, share experiences and discuss strategies and priorities for future cooperation.

30.   Every two years, the FSM shall coordinate a process of identifying or reviewing ODA priorities. These ODA priorities will guide the submission of official unsolicited requests for assistance, and guide the drafting of frameworks or programs of assistance with development partners.

31.   Except in the case of solicited or non-official requests for assistance, requests for external support will be the product of a planning process aligned to annual domestic planning and budget cycles as far as possible.

32.   Strengthening FSMs capacity to manage ODA is essential for effective outcomes. In recognition of limited resources to manage ODA, the FSM shall maintain deep and long-term relationships with a manageable range of major development partners for government assistance, but encourage and support civil society organizations to pursue a wider range of sources of assistance.

33.   Enhancing capacity for activity implementation is essential for effective outcomes. Hence, assistance will be sought for the provision of ongoing capacity development opportunities for stakeholders across the FSM in the areas of project design, proposal writing, project management, monitoring and evaluation, and reporting.

34.   All FSM governments commit to the ongoing strengthening of core government functions as a means to ensuring that both domestic and external resources are deployed in an effective, efficient and accountable manner. This may include regular independent Public Expenditure and Financial Accountability reviews and follow-up action in the areas of planning, budgeting, financial management, procurement, auditing and measuring results.

35.   Loans, as a means of financing initiatives, shall only be considered where:

➢ Grant assistance is unavailable;
➢ It can be demonstrated that the estimated returns (either economic growth or foreign earnings) or cost savings outweigh debt obligations;
➢ They are highly concessional in nature; and where
➢ Debt repayments can be accommodated by long-term fiscal plans.

Institutional Responsibilities

36.   A clear division of institutional responsibilities is essential for ensuring that ODA is accessible and effective. All FSM stakeholders are required to uphold and champion the ODA principles and processes contained herein in their dealings with development partners and with one another. Specific responsibilities are articulated as follows:

37.   ODA offices established throughout National and State governments are

responsible for facilitating, coordinating and supporting the processes described herein, within their respective jurisdictions. State and National ODA offices are not responsible for the drafting of requests for assistance, nor are they responsible for decision-making regarding ODA priorities. Core responsibilities include, but not limited to:

➢ Provision of advice regarding ODA opportunities and strategies;
➢ Consolidation and dissemination of ODA data and information, including with SBOC for grant awards and ODA agreements;
➢ Collection of monitoring and evaluation data and information for ODA priorities within their jurisdictions;
➢ Supporting the development of requests for assistance;
➢ Facilitating processes for determining ODA priorities and endorsement of requests for assistance; and
➢ Coordination between jurisdictions for ODA matters.

38. In addition to its role as ODA office for the FSM National Government, the office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC) has the additional responsibility for:

➢ Consolidating and disseminating nation-wide ODA data and information;
➢ Consolidation and maintenance of a repository of ODA agreements;
➢ Update and maintenance of a public website that consolidates ODA opportunities;
➢ Research into ODA opportunities and trends;

➢ Day-to-day liaison with development partners regarding strategic ODA matters;
➢ Support the development of ODA management capacity at State level;
➢ Secretariat for the ODA Coordination Committee; and
➢ Liaison with the Department for Foreign Affairs for the submission and receipt of decision-making for official, unsolicited requests for assistance.

39. In addition to its role as custodian of FSMs foreign relations, the Department of Foreign Affairs is responsible for the following tasks:

➢ Timely submission of official, unsolicited requests for assistance, receipt of development partner decision-making; and execution of endorsed ODA agreements and frameworks for nation-wide assistance;
➢ Seek clarification from relevant National government departments or offices where ambiguity exists in relation to ODA matters, prior to representation to development partners;
➢ Make ODA commitments on behalf of the FSM only where such commitments are endorsed in writing by relevant National Government departments or offices;
➢ Timely sharing of all ODA-related information with SBOC; and
➢ Act as an unqualified champion for endorsed ODA requests for assistance in all dealings with development partners.

40. National Government departments and offices are responsible for ensuring that ODA decisions made on behalf of the FSM have the full consent of State-based counterparts.

41.   Finance departments throughout National and State governments are responsible for the accountable and transparent receipt and disbursement of ODA finances, including management of loan agreements and timely preparation of reports and follow-up action, as required in accordance with ODA agreements and FSM legislative and regulatory requirements. For the National Department for Finance and Administration this includes timely on-forwarding of ODA finances to State counterparts where appropriate, and point-of-contact for International Financial Institutions.

42.   In addition to existing roles, National and State legislatures are responsible for the consideration and endorsement of biennial nation-wide and State-specific ODA priorities, respectively. In addition to legislated responsibilities for ODA, legislative bodies are responsible for the endorsement of official, unsolicited requests for assistance; and in conjunction with executive leadership, are responsible for monitoring progress against the endorsed ODA priorities.

43.   Implementers of ODA activities, including government departments and offices, civil society groups, communities and stakeholders from the private sector, comprise the "engine room" for ODA. Responsibilities include, but are not limited to:

➢ Development of needs into requests for assistance, in alignment with endorsed ODA priorities (for official, unsolicited requests) or relevant strategic plans (for all other requests);

➢ Consultation with communities to ensure that requests for assistance reflect genuine needs, and will be supported at the grassroots level;
➢ Implementation of activities in accordance with ODA agreements, including strong leadership and decision-making, transparent and accountable management of resources, regular monitoring and evaluation, and effective reporting,
➢ Day-to-day liaison with development partners for implementation matters; and
➢ Ensuring that any matching contributions are secured in a timely manner.

44.   FSMs development partners play a major role in ensuring that ODA is effective and coordinated. Responsibilities include:

➢ Responsiveness to FSM leadership and strategic decision-making;
➢ Forwarding a courtesy copy of all ODA-related information (including planned meetings, visiting missions, opportunities and ODA awards) to SBOC;
➢ Accommodation of FSM timetables and availability in respect of visiting missions and other time-intensive activities;
➢ Formal declaration of all forms of assistance to the FSM upon request, including support to civil society and private sector organizations; and
➢ Support for, and adoption of, the spirit and requirements of this policy.

Processes

45.   The following processes are intended to provide clear guidance to stakeholders involved in ODA, covering the development of official ODA priorities and requests for

assistance; and the submission of unofficial or unsolicited requests for assistance.

46. The establishment of official ODA priorities shall be undertaken on a biennial basis, and used primarily to guide the submission of official, unsolicited requests for assistance and to guide the preparation of frameworks for assistance with development partners, as follows in Table 1:

Table 1: Biennial Process for the Establishment and Monitoring of Official ODA Priorities

Activity	Timing	Responsibility	Notes
(i) Identification / review of six nation-wide ODA priorities. (ii) Endorsement of nation-wide priorities by Congress. (iii) Monitoring indicators developed for each priority.	No later than July.	Priorities identified by FSM Cabinet in consultation with State counterparts. President submits priorities to Congress for consideration and endorsement. Monitoring indicators developed by FSM Cabinet in consultation with State counterparts.	Priority needs that are common to all FSM states, and which are suitable for external support. Priorities drawn from the 2003-2024 Strategic Development Plan. Six nation-wide ODA priorities submitted by President to Congress for consideration and endorsement. Simple monitoring and evaluation indicators developed, or aligned with existing sector indicators.
(iv) Identification / review of two additional ODA priorities specific to each State. (v) Endorsement of state-specific ODA priorities by state legislatures. (vi) Monitoring indicators developed for each priority.	No later than September.	Priorities identified by State Government Cabinets. Governors submit priorities to legislatures for consideration and endorsement. Monitoring indicators developed by State Government Cabinet.	Priority needs that are unique to each State, and which are suitable for external support. Priorities drawn from State strategic plans, if available. State-specific ODA priorities submitted by Governors to Legislatures for consideration and endorsement. Simple monitoring and evaluation indicators developed, or aligned with existing sector indicators.
(vii) Consolidation of fourteen ODA	No later than October.	SBOC for the consolidation and dissemination of ODA	Fourteen endorsed ODA priorities (six nation-wide, plus eight State-specific) presented at the biennial

Table 1: Biennial Process for the Establishment and Monitoring of Official ODA Priorities

Activity	Timing	Responsibility	Notes
priorities and indicators into a single document.		priorities.	Development Partners Forum. Consolidated ODA priorities used to guide submission of official, unsolicited requests for assistance, and the preparation of frameworks for assistance with development partners.
(viii) Quarterly monitoring and reporting of progress against each ODA priority, and distribution to stakeholders.	Quarterly basis.	ODA offices responsible for collection of data within their jurisdictions. SBOC responsible for consolidating data and preparation of a simple quarterly report.	Relevant government departments and offices collect monitoring data and prepare brief narrative summaries. ODA offices collect monitoring data and narratives from relevant departments within their jurisdictions. SBOC consolidates monitoring information and prepares quarterly reports for distribution to stakeholders (government leadership and development partners).
(ix) Review of ODA priorities every two years >> repeat from step (i)	Biennial.	All stakeholders.	At two-year intervals, the process is repeated, where nation-wide and state-specific ODA priorities are reviewed and/or updated.

47. The abovementioned process for establishing, reviewing and monitoring ODA priorities will be used as a platform for the FSM to clearly communicate its utmost needs to development partners with a unified and consistent voice. These priorities are not exclusive, but describe FSMs preferences where flexibility exists in the deployment of ODA resources.

48. For official, unsolicited requests for assistance (i.e. those requests initiated by government, for which no specific program is targeted) where maximum flexibility is afforded, the FSM shall align its requests with the endorsed ODA priorities. The process for developing these requests is aligned with the annual budget cycle, as described below in Table 2:

Table 2: Annual Process for the Development of Official, Unsolicited Requests for Assistance

Activity	Timing	Responsibility	Notes
(i) Annual call for official, unsolicited ODA requests for assistance.	Aligned with annual budget calls.	State and National ODA offices.	In parallel with the annual budget call, a request will be made for all departments and offices to prepare official, unsolicited ODA requests for assistance for the coming year.
(ii) Development of proposals for assistance.	Due with budget requests.	Departments and offices in all FSM governments, supported by local ODA offices.	Departments / offices to prepare ODA proposals in support of planned activities for the coming fiscal year. Proposals must align with the endorsed ODA priorities.
(iii) Budget Review Committee review of proposals.	Aligned with existing Budget Review Committee process.	Budget Review Committees in each jurisdiction.	Review proposals for appropriateness and evidence of matching contribution (if any) in Departmental budget requests.
(iv) Coordination of ODA proposals.	Following BRC recommendation.	State and National ODA offices, facilitated by SBOC.	ODA proposals to be coordinated between State and National ODA offices to identify commonalities.
(v) Finalization of proposals	Prior to submission to legislatures.	Departments and offices in all FSM Governments	Proposals to be finalized, ready for submission to legislatures as recommended proposals.
(vi) Approval of ODA proposals by legislatures.	Included in legislative budget sessions.	Legislatures, facilitated by State and National ODA offices.	Recommended proposals to be submitted for legislative approval alongside the annual recommended budgets.
(vii) Final check of proposals and matching up with suitable development partners.	Following legislative approval.	ODA Committee comprising one representative from Department of Foreign Affairs and each ODA office.	Administrative check to ensure that all proposals are complete and comply with this policy; and a decision made regarding which proposals will be submitted to which development partner.
(viii) Submission of proposals to development partners.	Following successful check by ODA Committee	SBOC and Department of Foreign Affairs	All approved proposals submitted by SBOC to Department of Foreign Affairs for on-forwarding to their respective development partners.

49. For solicited proposals or non-official requests for assistance, including ad hoc government and non-government requests for assistance under existing programs, a timely and streamlined process is essential.

The following process, described in Table 3, is designed to promote ease of access for all departments, offices and organizations seeking support, while ensuring that critical ODA information and data is captured.

Table 3: Process for Ad Hoc Unofficial or Solicited Requests for Assistance

Activity	Timing	Responsibility	Notes
(i) Identification of solicited opportunity.	Ad hoc	All stakeholders.	Opportunities for assistance will be promoted through a publicly accessible website.
(ii) Preparation of applications.	Ad hoc – according to opportunity deadline	All FSM stakeholders, including governments, non-government organizations and the private sector, supported by local ODA offices.	Preparation of applications by implementing organizations must comply with the specific requirements described for the opportunity.
(iii) Endorsement of applications	Prior to submission deadline	Endorsement by head of department/organization, as required by legislation for official proposals, and/or as specified by the opportunity requirements.	Each application must be endorsed in writing by the relevant leadership of the submitting department / organization or office, or other body as specified in the opportunity requirements. Official proposals must additionally meet any legislative requirements for approval prior to submission.
(iv) Submission of application, courtesy copy to local ODA office.	Prior to submission deadline.	Each submitting department / organization or office.	Submission direct to the funding source, copied to the local ODA offices for information collection purposes.
(v) Notification of successful / unsuccessful application to	Following the outcome of each application.	Each submitting department / organization / office.	Applicants must notify the local ODA office of the application outcome. For official development

Table 3: Process for Ad Hoc Unofficial or Solicited Requests for Assistance

Activity	Timing	Responsibility	Notes
local ODA office.			assistance, successful applicants must ensure that any legislative requirements are met prior to execution of ODA agreements, and must lodge a copy of executed agreements with their local ODA office.

50.   In addition to the requirements outlined in this policy, implementation of activities will be determined on a case-by-base basis and as described in the proposal, design and subsequent agreement covering each activity. It is the responsibility of the implementing organization, office or department to ensure that the requirements and processes for implementation are appropriate, realistic and clearly understood by all stakeholders.

The Future of ODA

51.   This policy establishes the fundamental architecture for the management of ODA to the FSM. It charts a trajectory for development assistance that is appropriate to our circumstances, capacities and future directions. Over time, as our systems and capacities improve, opportunities to further integrate internal and external resource planning and deployment will emerge.

52.   Ultimately, the FSM wishes to see continual improvement in the effectiveness of ODA. Future strategies to achieve this may include:

➢ Development and institutionalization of medium-term and sector planning processes;
➢ Full integration of ODA into domestic planning, budgetary and monitoring processes;
➢ Adoption of direct budget support and sector-wide approaches; and
➢ Standardized reporting and monitoring between FSM governments, and across domestic and externally resourced activities.

53.   Lastly, the FSM acknowledges that policy reform is an ongoing process. Mistakes will be made and lessons will be learned. Hence, this policy must be treated by all stakeholders as a living document, and be subject to refinement and change as lessons are learned and circumstances change in our internal and external environment. To aid this process, the FSM invites comments, feedback, suggestions and observations from stakeholders at any time, in addition to a regular policy review timed to coincide with the biennial review of ODA priorities, so that this policy remains relevant, responsive and effective.