



**Overseas Development Assistance (ODA) Report:
Fiscal Year 2021**

ODA Report for Fiscal Year 2021

Executive Summary

Fiscal Year 2021 was unlike any other year. The COVID19 pandemic led to an increased inflow of assistance to the FSM, while hindering the progress of many active Overseas Development Assistance (ODA) funded projects. The total assistance available as of FY21 was around **\$334,729,948.20**. The top source of ODA came from Development Partners such as the World Bank, the United States of America, Japan, the Green Climate Fund, the Asian Development Bank (ADB), several agencies from the United Nations (UN), and the European Union (EU). It is important to note that this report does not capture what the FSM receives from the United States through the Compact Sector Funds. If the Sector Funds were to be captured in this report, the ranking of largest investment by Fund source would start with the United States, followed by the World Bank, Japan, GCF, ADB, and the EU.

This report captures how much assistance was made available as of the end of Fiscal Year 2021. According to the data collected, the top three sectors with the most ODA received are the Infrastructure, Energy and Communications Sectors. The amount of ODA received for infrastructure is around \$496 million, energy at \$38.8 million, and communication at \$27.8 million. All three sectors have the World Bank as the largest fund source as of FY21.

The ODA invested into these sectors are not limited to cash grants only. Under this report, ODA includes cash grants, technical assistance, and in-kind assistance. Based on the data collected, ninety three percent of the total ODA received was in the form of cash grant, six percent for in-kind, and one percent as technical assistance.

Although Infrastructure had the most amount of cash grant received, the health sector had the most number of projects with a total count of 270 active projects. Followed by the Environment sector with 33 active projects, and infrastructure with 17 projects. This report defers to the total expenditure as of FY21 to determine if a project is active or inactive. According to the expenditure reports collected, the Health sector had the most expenditure of \$6.4 million, followed by the Education sector with \$1.9 million and finally Infrastructure with \$1.8 million.

As mentioned, the COVID19 pandemic greatly affected the inflow of ODA to the FSM. In FY21, twenty four percent (24%) of the total ODA received were for COVID19 related responses. This meant that the amount of ODA received for COVID19 response was greater than any other sector. During FY21, FSM received assistance from its bi-lateral partners, the International Financial Institutions, and from a number of its multilateral partners. Detailed in this report is how much assistance was made available for the FSM, how much FSM have expended, and a special component reporting on the ODA received for COVID19.

Grant Component: Distribution of ODA to the FSM

Section 1: Total Assistance by Donor

This section reports on the total amount of grant assistance received or available as of the end of FY21. Based on the data collected, the total non-compact sector assistance available to the FSM in FY21 is estimated at around \$334.7million USD of which approximately \$80.8 million USD was for COVID19 Response Assistance. Illustrated in **Table 1** below is the breakdown of assistance by fund source. As portrayed, the World Bank, the Government of Japan, the Republic of Korea, the United States of America, and the Asian Development Bank are the five largest partners for the FSM. It is important to note that the \$80 million grant amount recorded from the United States in the table does not include the assistance FSM receives through the Compact Sector Funds. These are primarily US federal assistance.

FY 21 Total ODA by Fund Source	
Fund Source	Sum of Total Grant Amount
Adaptation Fund	\$ 2,046,273.25
ADB	\$ 25,020,633.27
Australia	\$ 1,606,605.87
Canada	\$ 35,373.62
China	\$ 1,407,893.78
European Union	\$ 1,128,550.00
GCF	\$ 25,191,556.00
GEF	\$ 569,086.71
Japan	\$ 43,996,271.75
Korea	\$ 199,975.00
New Zealand	\$ 800,000.00
SPC	\$ 154,364.00
SPREP	\$ 40,000.00
UN	\$ 2,582,395.24
US	\$ 80,630,969.71
World Bank	\$ 149,320,000.00
Grand Total	\$ 334,729,948.20

Section 2: Total Assistance by Sector

Table 2 provides a breakdown of assistance available or received for each sector. This table does not include the assistance received for COVID19 response, hence the decrease in total amount to \$255 million USD. Based on the data collected, the sectors that have received the largest investments are the infrastructure, energy, communications, health, and climate change.

Sectors	Sum of Total Grant Amount	
Agriculture	\$	8,603,115.00
Climate Change	\$	18,620,906.45
Communications	\$	27,830,886.71
Culture	\$	961,260.97
Education	\$	11,201,646.00
Emergency	\$	128,727.00
Energy	\$	38,307,042.75
Environment	\$	3,210,296.13
Fisheries	\$	3,948,292.55
Gender Empowerment	\$	1,365,682.18
Governance	\$	11,513,176.64
Health	\$	21,216,165.30
Infrastructure	\$	96,818,482.14
Law & Justice	\$	35,373.62
Multi-Sector	\$	1,128,550.00
Security	\$	64,472.00
Transport	\$	10,011,102.00
Youth	\$	67,670.84
Grand Total	\$	255,032,848.28

Section 3: Top Seven Sectors & Donors

Chart 1 reports on the top fund sources for the seven sectors that have received the largest amount of ODA. Aside from the health sector, there are at least two main fund sources for the top seven sectors and these fund sources provide at least ninety percent (90%) of the total assistance received for each sector. The largest fund sources to the infrastructure sector are the World Bank and the Government of Japan. The assistance received from the World Bank was primarily for the Prioritized Road Investment and Management Enhancement Project (PRIME) and for the FSM Maritime Investment Project.

Pave the Nation Initiative is one of the six nation-wide endorsed ODA priorities. The objective of the Pave the Nation Initiative is to rehabilitate and upgrade existing road networks to be more climate resilient, extend paved road networks to expand access to economic opportunities, basic services, enhance standards of safety, strengthen capacity to manage, and maintain road networks. The \$40 million for the PRIME Project from the World Bank is one of the projects that feeds into the nation's Pave the Nation Initiative. The assistance received in FY-21 from the Government of

Japan was provided both in the form of grant assistance and in-kind. These assistances are for projects to be implemented in the States of Yap, Pohnpei, and Kosrae. The Japan funded Projects in Pohnpei includes the Pohnpei Port Expansion, the Project Construction of Nan Madol Visitor's Center, and the receiving of equipment for the Recovery of the Waterways in Kitti Municipality in Pohnpei. For Yap, Japan funded the project for Construction of Security Fence for Gagil Elementary School and a Gymnasium at St. Mary's Elementary School. Kosrae received assistance from Japan for the Utwe-Waclung Road Up Project. Furthermore, additional ODA that were made available to the infrastructure sector came from the People's Republic of China and Australia.

Infrastructure is not the only sector that received assistance from the World Bank. The World Bank has committed investments to the energy, communications, and governance sectors. The Sustainable Energy Development and Access Project for the energy sector, the Digital FSM for the communication sector and the Public Financial Management (PFM) reform for the governance sector. Under all three sectors, the contribution from the World Bank was the largest as of FY21.

The Climate Change sector received approximately \$18 million from the Green Climate Fund (GCF) and the Adaptation Fund. Over \$16 million was awarded by GCF to FSM for the "Climate Change Adaptation Solutions for Local Authorities in the FSM Project. The accredited entity for the Project is the Secretariat Pacific Community (SPC). The additional \$2 million was awarded by Adaptation Fund to The Pacific Regional Environment Programme (SPREP) for a project focused on Enhancing the Resilience of Vulnerable Coastal Communities in the FSM.

Chart 1 indicates that the contributions from the US are around \$29.6 million. One critical information to note is that the \$29.6 million under the health sector is specifically from Federal Funded Programs. The United States of America, aside from the large contributions received from Compact Sector Funds for the Health Sector and the Education Sector, has provided an estimate of \$29.6 million worth of assistance to over 200 Federal funded programs in the health sector alone. Factoring in the assistance from the Compact Sector grants, The United States is the FSM's biggest development partner for the Health and Education Sector.

Chart 1: Top Fund Source per Sector

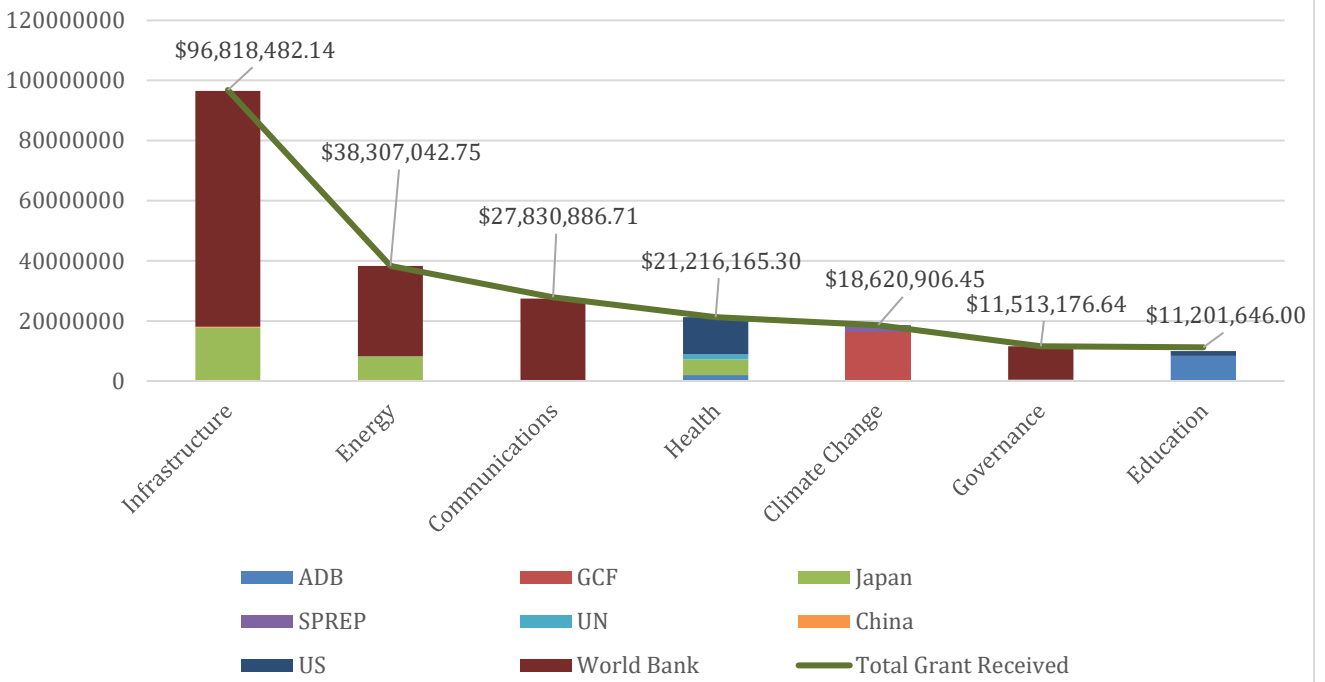


Chart 2: Top Fund Source for Remaining Sectors

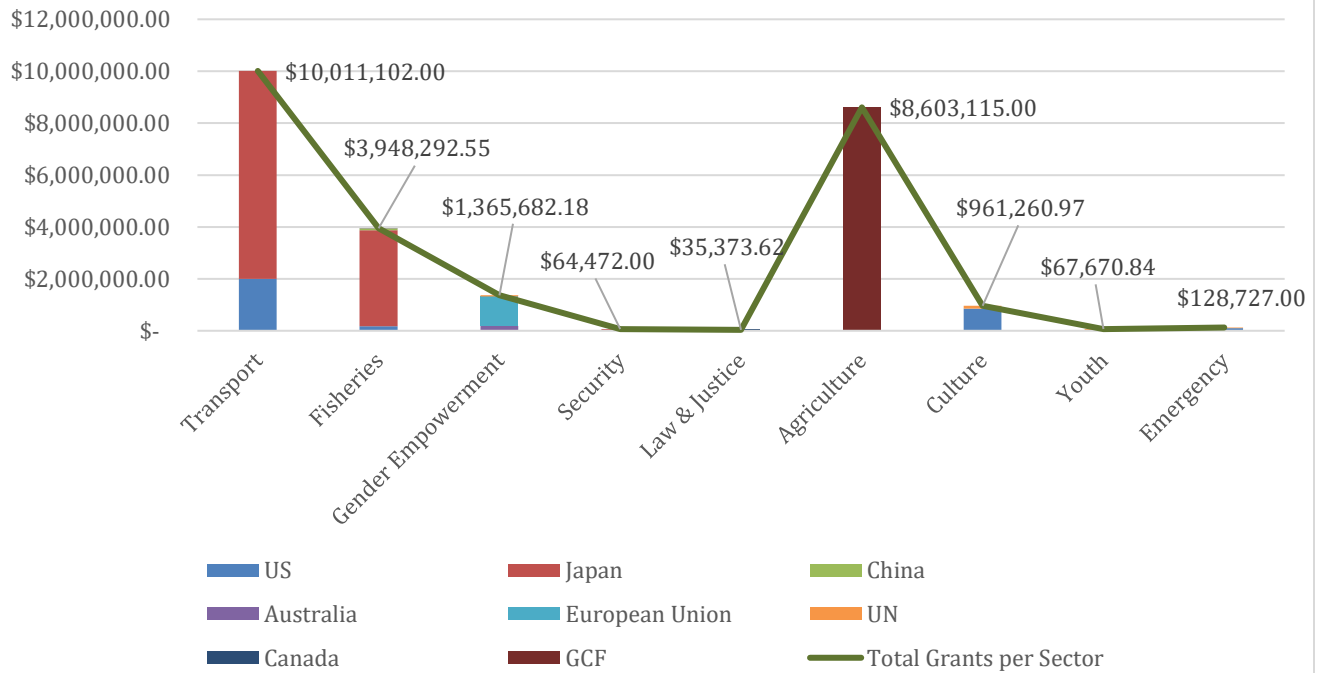


Chart 2 shows the top fund sources for the remaining sectors. Under this graph, Japan and the US are the main fund sources for the projects under the transport sector. Japan’s assistance under the transport sector came in the form of in-kind through the procurement of four small patrol boats, \$2.7 million worth of diesel fuel, and two garbage trucks for two municipal governments in Pohnpei. The ODA from the US for the transport sector were for the electrical improvement of the Kosrae airport and the design of Yap’s airport.

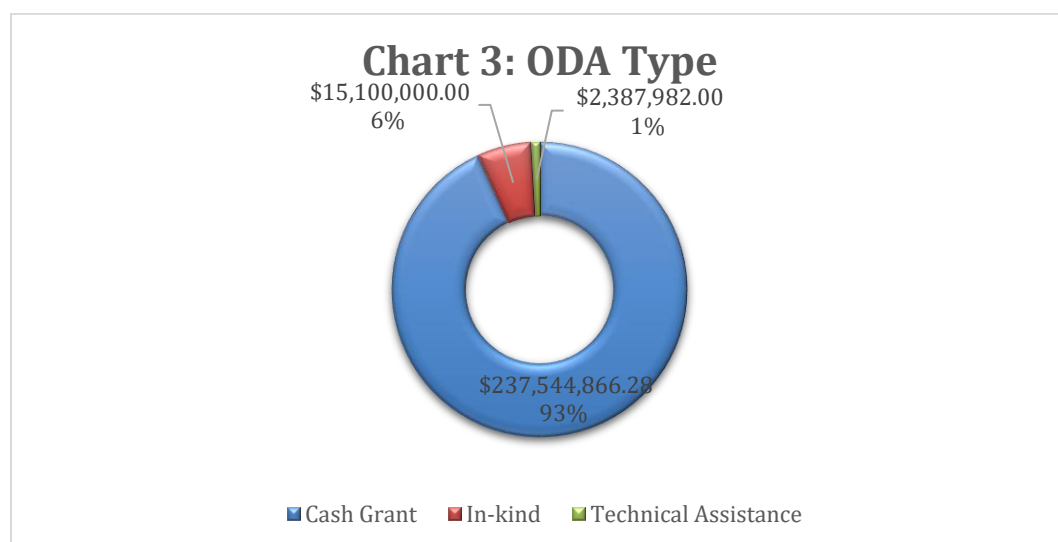
The ODA received for the Gender Empowerment Sector came from the European Union and Australia. The European Union under its 11th European Development Fund, awarded Micronesian Conservation Trust (MCT) about \$1million for a project on increasing the participation of women and Civil Society Organizations in the Energy Sector.

The assistance received from Australia was a combination of technical assistance and cash grant. The technical assistances received included a Women’s Economic Empowerment Coordinator, a Safe Space Adviser and Coordinator for Pohnpei, and a Family Protection Adviser to assist all four States.

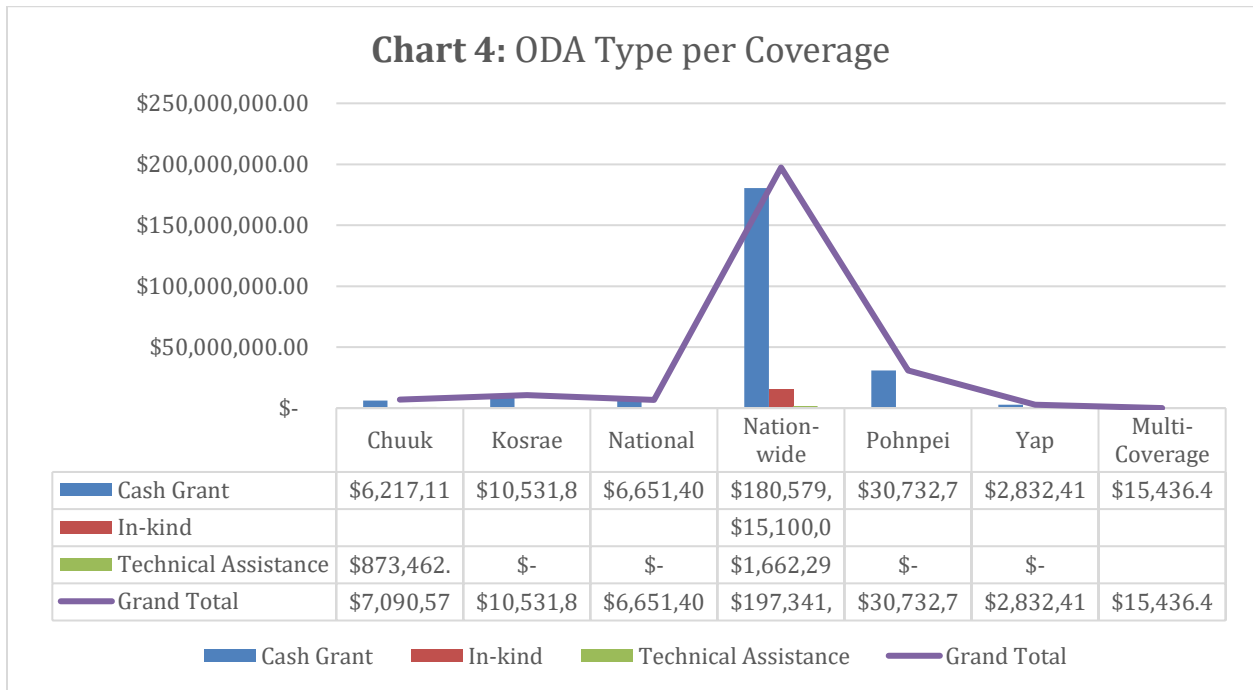
The Green Climate Fund was the largest financier for the Agriculture Sector. A total of \$8.6 million was awarded to the Micronesian Conservation Trust, the accredited entity for FSM’s project on “Climate resilient food security for farming households across the FSM”.

Section 4: Total Assistance by Aid Type and Coverage

Overseas Development Assistance to the FSM is received in various forms. In this report, all ODA recorded are categorized into three categories: Grant Assistance, In-Kind, and Technical Assistance. Grant assistance is defined as monetary assistance that requires no repayment. In-kind is a non-project aid scheme that is received in the form of tangible goods such as supplies, equipment, or facilities. In the following page, **Chart 3** summarizes the total ODA available as of FY21 into the three different aid types. The data collected showed that ninety three percent of the assistances available in FY 21 are Cash Grant, six percent in the form of in-kind and about one percent for technical assistance.



In **Chart 4**, the types of assistances are further distributed according to its coverage. Coverage is defined as the receiving government or the State where the ODA will be implemented and Chart 4 highlights the seven Coverage categories. The *Nation-wide Coverage* is a category for assistances provided for all four States while the *multi-Coverage* is for assistances that covers only two or three of the governments.

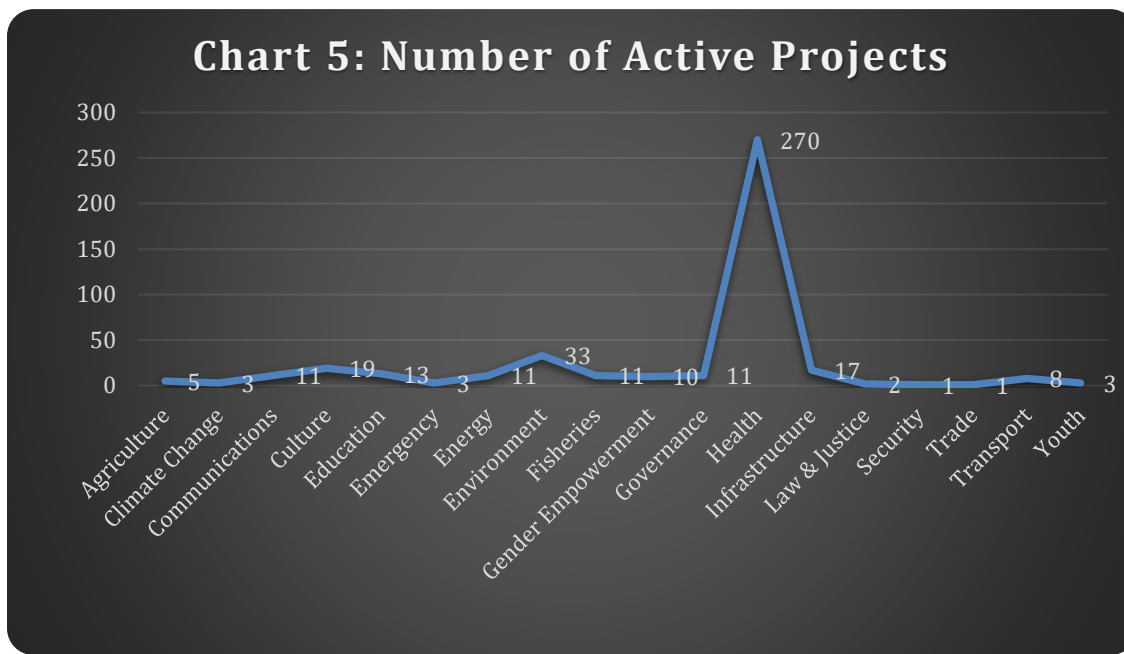


The data collected shows that a total of \$197,341,586.90 of assistance was made available for nation-wide initiatives, of which over \$180 million were in cash grant, over \$15 million in-kind assistance, and \$1,662,292 in technical assistance. Most of the assistances that went directly to each State were cash grants and the \$873,462 provided to Chuuk for Technical Assistance was from Japan for the Project of counter measuring the oil leakage from the World War II Wrecks in Chuuk’s lagoon.

Expenditure Component: Distribution of Expenditure by Sector

The expenditure component of this report captures how much ODA to the FSM was spent in Fiscal Year 2021. This section reports how much of the cash grants reported were expended by the end of FY 21. Similar to the reporting structure in the former section, this section reports on total expenditure per sector, number of projects with expenditures per sector, total expenditure per coverage, highest expenditure per coverage, donor expenditure per fund source, and lastly the top seven sectors by expenditure.

Section 1: Number of Projects per Sector

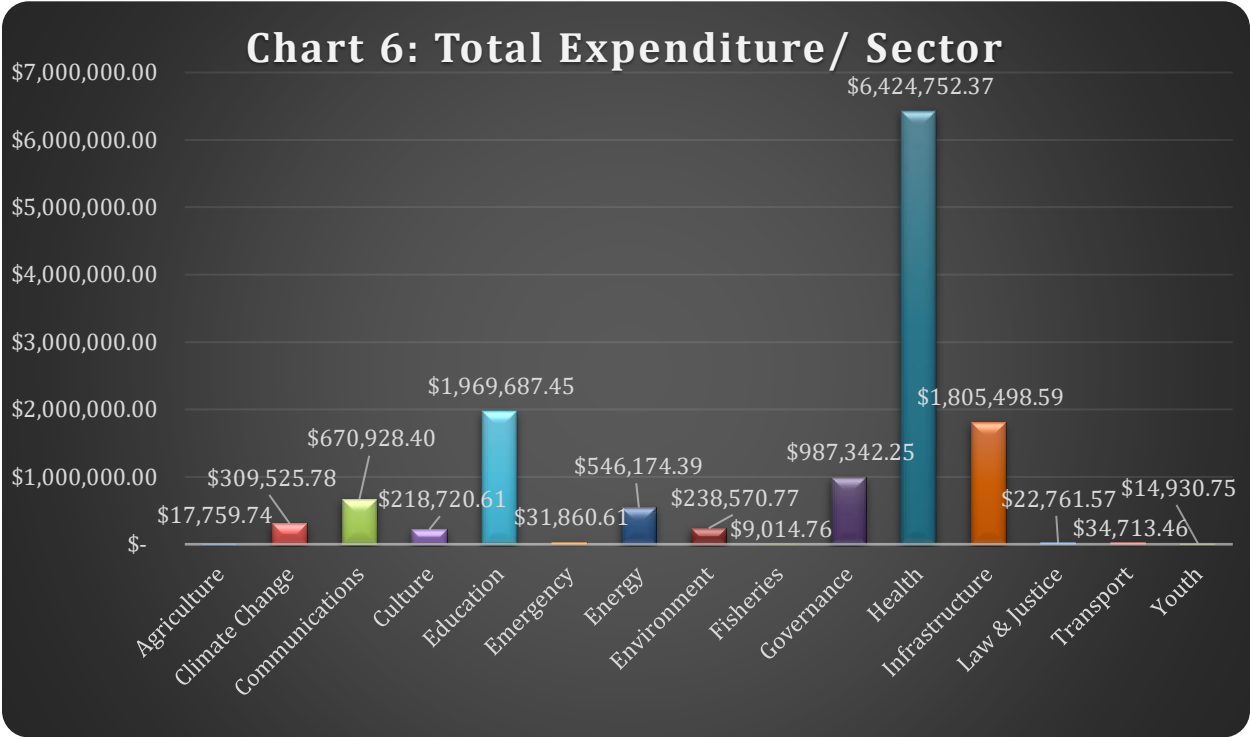


The number of active projects in **Chart 5** is determined by the number of projects that have recorded expenditures as of FY21. Based on the chart, the health sector holds the highest number, with a total of two hundred seventy (270) active projects. Most of these health-related projects are US Federal funded projects. The environment sector has the second highest number of active projects at thirty-three (33), the culture sector with nineteen (19) projects and infrastructure with seventeen (17). According to the data collected, trade and transport have only one active recorded project.

Section 2: Total Expenditure per Sector

In addition to chart 5 (Number of projects per sector), **Chart 6** further illustrates the amount of assistance expended within each sector. With the Health sector's 270 projects, the total expended for those projects is over \$6 million. A fact worth noting, the number of projects has no direct relation to the expenditure of each sector. The number of projects in a sector may be few, while the amount of money expended can be more. For instance, the energy sector has a total of eleven (11) projects but expended more than the environment sector. This is a similar instance to the education sector, which had less projects in comparison

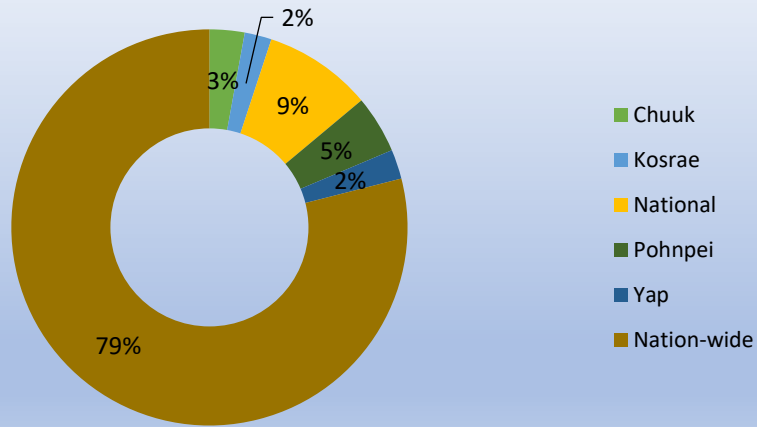
to the environment sector, however, it expended more assistance than the said sector. It is worth noting that there are multiple factors that influence the rate of each sector’s expenses. For instance, the cost of procuring and transporting the equipment needed in the infrastructure and energy sector is likely to be more than the cost of implementing an environment related project. Another common factor that affected almost all projects in every sector was the COVID19 pandemic. In response to the pandemic, the FSM borders were on lock down for almost two years. This impeded most of the projects because most projects required technical expertise that were not available in the FSM.



Section 3: Total Expenditure per Coverage

Chart 6 reported that the overall expenditure in FY21 for all projects in every sector amounted to an estimate of **\$43,559,553.72**. **Chart 7** shows the share of the overall expense that expended within each government. Nation-wide, which refers to assistance spent on all four States or FSM as a whole, totaled seventy nine percent (79%). Nine percent (9%) was expended on the National Government. Most of the major ODA funded projects target all four States, however, there are several projects that benefit one or two States. The reported expense in percentage for those single State projects are as follows: five percent (5%) to the state of Pohnpei, three percent (3%) to the state of Chuuk, and lastly, Yap and Kosrae split the remaining four percent of expended assistance in FY 2021.

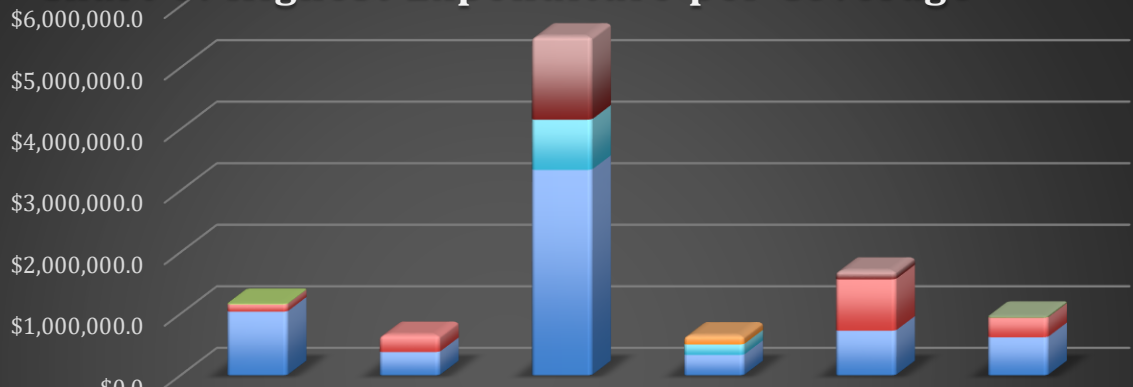
Chart 7: Total Expenditure per Coverage



Section 4: Highest Expenditure per Coverage (Top 3)

Chart 8 details the highest expenditure per coverage. The graph reports the three sectors with the highest expenditure for each coverage. The health sector reported the highest expenditure for all six coverages. Health and Education are the sectors with the highest expense report for the State governments, and the communications and governance sector are the additional two for the National Government. As for the nation-wide coverage, the two additional sectors to health are the infrastructure and governance sectors.

Chart 8: Highest Expenditure per Coverage



	Chuuk	Kosrae	Nation-wide	National	Pohnpei	Yap
Transport						\$24,511.50
Infrastructure			\$1,350,810.		\$138,315.36	
Communications				\$144,554.00		
Governance			\$816,489.25	\$170,853.00		
Energy	\$13,263.00					
Education	\$117,523.54	\$277,615.69			\$834,663.19	\$317,077.94
Health	\$1,034,325.	\$377,953.15	\$3,337,942.	\$330,866.48	\$724,968.77	\$618,695.73

COVID19 Component:

Section 1: ODA Received for COVID-19 Related Response

The influx of assistance to the FSM for COVID19 response has set apart FY-21 from any other year. As illustrated in **Chart 9**, the total ODA received for COVID19-related response was higher than all other sectors. The data reported an estimate of **\$80,825,649.92** COVID19 responses. However, the ODA received because of COVID19 was not solely for health-related matters. Globally, the repercussions of the pandemic left an impact in many other areas. The private sector faced a major set-back and people living in the low-income bracket felt a great pressure from the set-backs. This global issue resulted in the availability of assistance from development partners to least developing countries like the FSM, for vulnerable groups and the private sector.

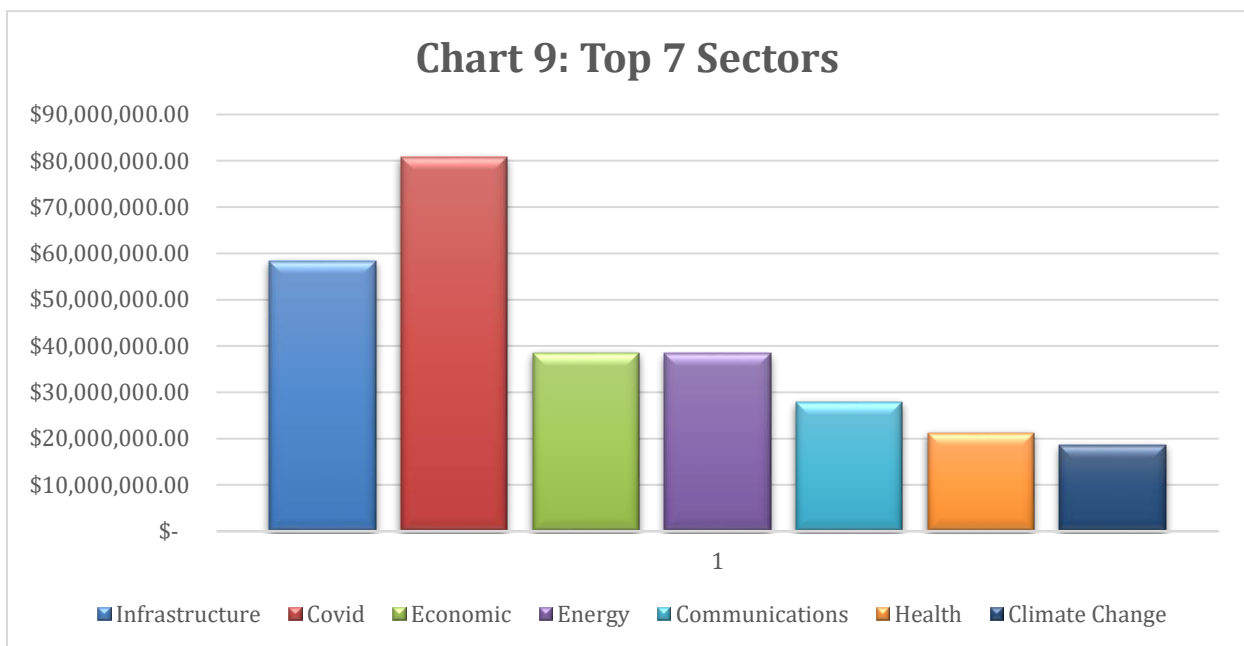
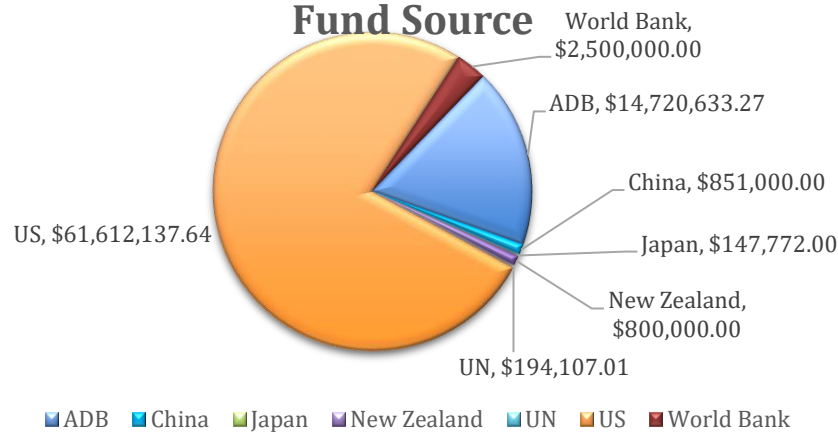


Chart 10: Distribution of COVID Assistance by Fund Source

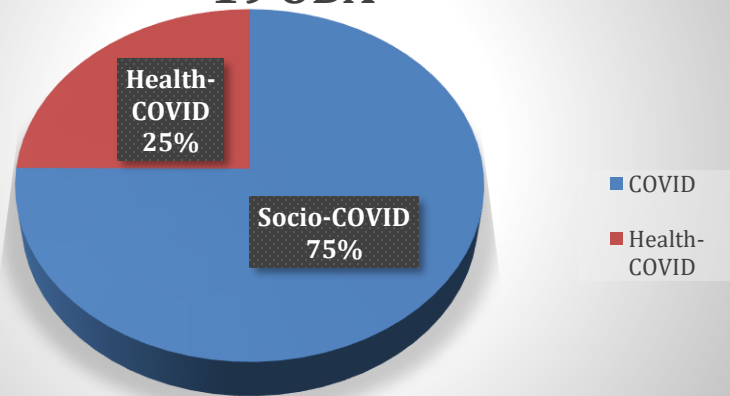


Section 2: Distribution of COVID-19 Assistance

Chart 10 distributes the total ODA received for COVID19 by fund source. Based on the data collected, most of the assistances received for COVID19 response came from the United States, the Asian Development Bank (ADB), and World Bank. The US offered \$61.6 million to FSM for COVID19 response, the Asia Development Bank (ADB) with \$14.7 million, and World Bank with \$2.5 million. Other bi-lateral and multilateral partners that provided support to the FSM included China, Japan, New Zealand, and several agencies from the United Nations.

Not all of the ODA received for COVID19 were focused primarily on health-related issues. In fact, 75 percent of the ODA received was to support the impacts COVID19 imposed on FSM’s economy and its society. **Chart 11** divides the ODA received into two categories: *Socio-COVID* and *Health-COVID*. The *Socio-COVID* category are assistances made available for socio-economic recovery or response and the *Health-COVID* category are assistances that support the nation’s Health sector.

Chart 11: Categories of COVID 19 ODA



Conclusion:

COVID-19 plays a significant role in the ODA narrative of FY-21. This report illustrates how different FY-21 was in terms of the flow of assistance received from the nation's development partners. As previously mentioned, while the inflow of assistance was higher than previous years, the progress of active projects were greatly hindered due to the unprecedented event of COVID-19. The total assistance made available to the FSM in FY-21 totaled **\$334,729,948.20**. Within this total assistance available, the amount expended in FY21 was **\$43,559,553.72**. Out of the total ODA received in FY-21, twenty-four percent (24%) which is estimated to be **\$80,825,649.92** is for COVID-19 related response.

Coordination between the Nation and its development partners has definitely improved since the establishment of the ODA policy in 2013. However, there is still a long way to go to ensure strengthened coordination and communication amongst all stakeholders, which includes NGOs, CSOs, and private sectors. The FSM should continue to lead the development process by ensuring that the government has full ownership over development strategies and their implementation to ensure that aid capitalizes the identified priorities and increases the efficiency, as well as reduce the overlap of donor assistance.

This report shows signs of alignment between some of the Nation's priorities and Development Partner's initiatives. However, fragmentation of aid continues to be an issue in the FSM and the challenges of compiling this report is evidence. This report only captured what was disbursed through all five governments and what was provided by the following development partners and implementing agencies: Japan, Australia, Micronesian Conservation Trust, the Pacific Secretariat (SPC). It is likely that not all ODA received was reflected in this report.

This report highlights the need to strengthen collaboration and partnership with donors, implementing agencies and partners to have a shared understanding and respect for the ODA policy and its key responsibilities for more effective and efficient communication flows