



Comprehensive Evaluation Report of the FSM Strategic Development Plan 2004 – 2023

September 2024

Executive Summary

The Federated States of Micronesia's (FSM) Strategic Development Plan (SDP) 2004-2023 has served as the cornerstone of the nation's development agenda for the past two decades. This comprehensive evaluation assesses the SDP's performance, impact, and lessons learned, with the aim of informing future strategic planning initiatives and enhancing the country's path towards sustainable development and self-reliance.

Methodology

The evaluation employed a rigorous, mixed-methods approach, encompassing document analysis, key informant interviews, stakeholder surveys, outcomes harvesting workshops, and quantitative data analysis. The assessment was structured around four key criteria: Relevance, Effectiveness, Impact, and Sustainability, providing a multifaceted examination of the SDP's implementation across all four FSM states and ten thematic areas.

Key Findings

1. **Relevance:** The SDP demonstrated significant alignment with national priorities and provided a comprehensive development framework. However, its practical implementation faced challenges due to FSM's complex federated structure and the evolving socio-economic landscape over the extended 20-year timeframe.
2. **Effectiveness:** The SDP's effectiveness varied considerably across sectors. Notable progress was achieved in environmental conservation, health service delivery, educational outcomes, and infrastructure development. Conversely, economic diversification and private sector growth remained constrained, highlighting areas for intensified focus in future planning.
3. **Impact:** The SDP has yielded both intended and unintended consequences. Positive impacts include substantial improvements in educational attainment, growth in the fisheries sector, and enhanced environmental protection measures. However, the evaluation also revealed negative effects, such as uneven development across regions and increased outmigration, underscoring the need for more balanced and inclusive growth strategies.
4. **Sustainability:** While certain institutional mechanisms have been established to support long-term sustainability, significant challenges persist. These include financial constraints, human capital limitations, and the absence of well-defined exit strategies from external support mechanisms, particularly in the context of the Compact of Free Association.
5. **Institutional Arrangements:** The dissolution of the central planning office (SBOC) created significant gaps in coordination and oversight, impeding effective SDP implementation, monitoring, and adaptive management. This underscores the critical need for robust institutional frameworks in future strategic planning efforts.

Key Recommendations:

1. Develop a more adaptive and flexible strategic planning framework that allows for periodic reviews and adjustments to align with changing national and global contexts.
2. Establish a permanent, high-level National Development Coordination Office to enhance oversight, facilitate inter-sectoral coordination, and ensure coherent implementation of the SDP across national and state levels.
3. Implement a standardized, comprehensive monitoring and evaluation system across all development initiatives to facilitate evidence-based decision-making and adaptive management.

4. Formulate and implement a targeted economic diversification strategy to reduce dependency on external funding and foster sustainable, locally-driven economic growth.
5. Develop a long-term human capital development plan that addresses critical skill shortages, enhances retention of skilled professionals, and aligns educational outcomes with national development priorities.
6. Establish formal mechanisms for improved coordination and communication between national and state-level governments to ensure cohesive policy implementation and resource allocation.
7. Mainstream environmental sustainability and climate change adaptation considerations across all sectors to enhance national resilience and align with global sustainable development agendas.

Future Outlook

The next iteration of the FSM's Strategic Development Plan should prioritize adaptive planning methodologies, enhanced inter-governmental coordination, localization of development efforts, environmental sustainability, data-driven decision making, and comprehensive stakeholder engagement. Key focus areas should include economic diversification, climate resilience, human capital development, and strengthened institutional capacity for effective planning and implementation.

This evaluation underscores the critical importance of strategic planning in guiding FSM's development trajectory. By addressing the identified challenges and building on the successes of the 2004-2023 SDP, FSM can chart a course towards a more resilient, sustainable, and prosperous future for all its citizens.

Acknowledgement

The evaluation of the FSM Strategic Development Plan (SDP) 2004-2023 represents a significant milestone as the first comprehensive review of FSM's twenty-year national development framework. As the Evaluation Advisor who led this important exercise, I would like to express my profound gratitude to the numerous individuals and organizations who contributed to its successful completion.

First and foremost, I extend my deepest appreciation to Mrs. Elina Akinaga, Secretary for Resources and Development, for her leadership and unwavering support throughout this evaluation process. Special recognition goes to Mr. Florian J. Yatilman, Assistant Secretary for Resources and Development, whose exceptional leadership as Interim Chair of the SDP Working Group and oversight of the project coordination was instrumental in achieving our objectives.

This evaluation would not have been possible without the dedicated effort of our core project team. I am particularly grateful to Ms. Avalon Edward, who stepped up to handle the project coordination with remarkable efficiency and dedication. Her coordination efforts were crucial in ensuring the smooth implementation of all evaluation activities.

The state-level implementation of this evaluation was greatly enhanced by our committed State SDP Coordinators: Mr. Douglas Kusto (Pohnpei State), Ms. Krystle Melander (Kosrae State), Mr. Randy Samuel (Chuuk State) and Ms. Elaine Chugen (Yap State). Their tireless efforts in organizing consultations, facilitating interviews, and coordinating stakeholder meetings were fundamental to our data collection process and the overall success of this evaluation. Their work not only contributed to the evaluation but also helped build evaluation capacity at the state level.

I would like to acknowledge the valuable contribution of the SDP Working Group members from all national and state government departments. Their active participation and guidance throughout the evaluation process ensured that our findings accurately reflected the diverse perspectives across FSM's governance structure.

Special thanks are due to The Pacific Community (SPC), particularly Mr. Kaita Sem and Ms. Kolianita Alfred, for conducting the MEL Training and Capacity Assessment, which significantly informed our evaluation approach. We also acknowledge the valuable contribution of Mr. Sam Brazys, whose economic review provided crucial insights for our evaluation.

We extend our appreciation to all government departments for sharing their sector review and conference reports, which provided valuable input to this evaluation. Our appreciation extends to all national and state government officials who participated in interviews and consultations; Private sector representatives who provided valuable insights; Civil society organizations who shared their perspectives; Development partners who contributed to the evaluation process; Community members who participated in our consultations; and all members of the various sector working groups who provided detailed input

This evaluation has not only documented the progress of FSM's development over the past two decades but has also built valuable capacity for future strategic planning and evaluation exercises. The collaborative spirit demonstrated throughout this process reflects the strong commitment of all stakeholders to FSM's development journey.

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September 2024

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Introduction

The Federated States of Micronesia (FSM) Strategic Development Plan (SDP) 2004-2023 has been the guiding framework for the nation's development efforts over the past two decades. As this crucial period comes to a close, a comprehensive evaluation of the SDP's performance, impact, and lessons learned is essential to inform future development strategies and improve the well-being of the FSM people.

Background on the FSM Strategic Development Plan (2004-2023):

The Government of the Federated States of Micronesia has been working with the United States and other development partners in the region since 2004 towards implementing its first 20-year development plan titled **'The Federated States of Micronesia's Strategic Development Plan 2004-2023: The Next 20 years: Achieving Economic Growth and Self Reliance'**, geared towards achieving sustainable, inclusive, and equitable development in the Federated States of Micronesia.

The SDP 2004-2023 is primarily aligned with the Compact of Free Association (COFA) Agreement between the American Government and the government of the Federated States of Micronesia¹. It is also consistent with Pacific regional frameworks such as the 2050 Strategy for the Blue Pacific Continent and the UN's Pacific Strategic Development Cooperation Framework 2023-2027. Internationally, the SDP contributes to the Sustainable Development Goals and other internationally agreed frameworks such as the Paris Agreement on Climate Change and other Biodiversity and environmental agreements for which the FSM government has been a partner. These international partnerships and frameworks help the FSM government access technical and financial assistance, coordinate regional initiatives, and align its national development efforts with global and regional priorities related to human rights, sustainable development, climate change, and environmental protection.

The Federated States of Micronesia (FSM) Strategic Development Plan 2004-2023 was designed with a 20-year timeframe to provide a long-term vision and framework for the country's economic and social development. A 20-year plan was chosen to allow sufficient time for the implementation and realization of the plan's strategic goals and objectives. This extended timeframe recognizes that sustainable development and meaningful changes in areas such as infrastructure, human capital, and economic diversification require a long-term, systematic approach. The 20-year horizon also provides stability and continuity, enabling the government to make decisions and investments that may take years to come to fruition. By taking a long-term perspective, the FSM can better chart a course for its future growth and prosperity, while also remaining adaptable to emerging challenges and opportunities over the decades.

The FSM government primarily implements its strategic development plan with the major support of the United States and other development partners in the region such as the European Union, Japan, Australia, and China, as well as international organizations including the United Nations, CROP agencies, the World Bank, and the Asian Development Bank all of whom contribute to national development priorities in the FSM SDP through the following modes of engagement: (i) advocacy and policy dialogue, (ii) capacity development, (iii) knowledge management, (iv) partnerships and coordination, and (v) service delivery. The **overall goal/vision** of the FSM SDP 2004-2023 is to achieve **sustained economic growth and self-reliance in the Federated States of Micronesia**.

To achieve this goal, the FSM SDP 2004-2023 follows a clear theory of change as outlined in **Annex A**, which demonstrates how all outputs contribute to the achievement of the SDP outcomes and the overall plan goal. The plan has ten thematic areas or outcomes with their corresponding strategic goals or outputs, strategic interventions and their specific activities as detailed in **Annex B** extracted from the last SDP Volume 2 - Strategic Planning Matrices. There are 10 key outcomes in the plan, 63 outputs, 399 strategic interventions and a total of 1113 activities as summarized in Table 1 below.

Table 1: Summary of SDP Sector Outputs Strategic Interventions and Activities

SDP Outcome Area	Total # of outputs	Total number of strategic interventions	Total number of activities
SDP Thematic Area 1: Private Sector Development	5	29	117
SDP Thematic Area 2: Public Sector Management	6	35	130
SDP Thematic Area 3: Agriculture	4	23	87
SDP Thematic Area 4: Fisheries	5	37	133
SDP Thematic Area 5: Tourism	11	48	108
SDP Thematic Area 6: Environment	9	58	172
SDP Thematic Area 7: Health	5	24	94
SDP Thematic Area 8: Education	4	33	45
SDP Thematic Area 9: Gender	9	72	144
SDP Thematic Area 10: Infrastructure	5	40	66
	63	399	1096

Source: FSM SDP 2004-2023 Volume 2 – Strategic Planning Matrices and Appendices

Purpose, objectives and scope of the evaluation:

Purpose

The purpose of the evaluation of the FSM SDP 2004-2023 is threefold. Firstly, it aims to foster accountability by reviewing and assessing the extent to which the previous SDP was implemented, identifying key successes, challenges, and lessons learned. This **accountability** purpose will provide valuable insights into the performance and outcomes of the 2004-2023 plan. Secondly, the evaluation has a **decisional** purpose, as its findings will directly inform the preparatory process for developing a revised national Strategic Development Plan to align with the successor Compact agreement. The lessons extracted from the current SDP will be crucial in guiding the design and implementation of the new plan for the post-Compact period. Finally, the review has a **learning and improvement** objective, whereby the evaluation will extract critical insights that can enhance the effectiveness of the future SDP. By systematically analyzing the strengths, weaknesses, and overall utility of the 2004-2023 plan, the review will generate recommendations to improve the next iteration of the FSM's strategic development framework.

Objectives

The overarching objective of this SDP review is to extract lessons learned from the implementation of the current SDP, and to subsequently inform the preparatory process for developing a revised national Strategic Development Plan to align with the successor Compact agreement.

The **specific objectives** of this Review are:

- i. To review and assess the extent to which the FSM SDP 2004-2023 has been implemented.
- ii. To identify the key successes, challenges, and lessons learned from the implementation of the previous SDP.
- iii. To develop informed recommendations to guide the preparatory process for a revised Strategic Development Plan for the 2023 Amended Compact period (2024-2043).

- iv. To analyze the strengths, weaknesses, and overall utility of the FSM SDP 2004-2023 to generate insights that can enhance the effectiveness of the future SDP.
- v. To provide strategic options and recommendations to improve the design, implementation, monitoring, review, and reporting of the successor Strategic Development Plan to ensure it is a living document that is easily referenced, practical, updateable, and implementable.

By addressing these specific objectives, the FSM SDP review will be able to leverage the lessons and evidence from the previous plan to inform and strengthen the development of the next iteration of the country's strategic development framework i.e. the SDP 2024-2044.

Scope

The evaluation of the FSM SDP 2004-2023 will cover the four states of the Federated States of Micronesia—Chuuk, Kosrae, Pohnpei, and Yap—along with their municipalities, local communities, and remote islands where interventions have been implemented. It will assess the progress, utility, and effectiveness across all ten thematic areas outlined in the SDP: Private Sector Development, Public Sector Management, Agriculture, Fisheries, Tourism, Environment, Health, Education, Gender, and Infrastructure. While a separate review focuses on project-level infrastructure developments, this evaluation will still cover infrastructure at the strategic level as outlined in the SDP Infrastructure Development Plan. The evaluation aims to cover the full 20-year period (2004-2023), using the 2004 baseline for comparison. However, where data is limited, it will focus more closely on the last decade (2013-2023) to provide a comprehensive analysis of trends, challenges, and progress, offering insights to guide future development efforts.

Overview of the evaluation process and timeline:

The evaluation of the FSM Strategic Development Plan (2004-2023) has been a comprehensive and multi-phased process, designed to thoroughly assess the plan's implementation, impact, and outcomes over its 20-year lifespan.

The process began with a crucial Project Initiation and Preliminary Research phase. During this initial stage, the evaluation team conducted an extensive document review to establish a solid foundation of understanding about the SDP and its context. This was followed by the development of a detailed stakeholder engagement plan, ensuring that all relevant voices would be heard throughout the evaluation. With this plan in place, the team proceeded to conduct initial stakeholder consultations, gathering preliminary insights and perspectives. These efforts culminated in the preparation and submission of an Inception Report, which laid out the roadmap for the entire evaluation process.

Building on this groundwork, the team then moved into the core evaluation phase of the FSM SDP (2004-2023). This phase was structured around two key deliverables: the Mid-Review Report and the Comprehensive Evaluation Report. The Mid-Review Report, submitted on August 30, 2024, represented a significant milestone in the evaluation process. Originally due on September 15, the submission date was extended due to various constraints and limitations, which were detailed in the report itself. This mid-point assessment was based on data collected from July to August 16, 2024, and included 14 key informant interviews, a sector stock take of activities and indicators from the original SDP 2004-2023 document, and a literature review of relevant documents. Additionally, 7 out of 10 sector update matrices were received and incorporated into this initial analysis.

Following the Mid-Review Report, the evaluation team embarked on a more intensive data collection and analysis phase to inform the Comprehensive Evaluation Report. This current phase significantly expanded the scope and depth of the evaluation. A crucial component of this phase was the successful completion of state

consultations, which included outcomes harvesting workshops and additional key informant interviews. These consultations were conducted across all four states of the FSM according to the following schedule: Kosrae State (August 19-23, 2024), Yap State (August 26-30, 2024), Chuuk State (September 2-6, 2024), and Pohnpei State (September 9-12, 2024). These on-the-ground engagements provided invaluable insights into the SDP's impact at the state level and helped capture diverse perspectives from local stakeholders.

Furthermore, two important surveys were implemented: one targeting development partners to gauge their views on the SDP's effectiveness and another focused-on government secretaries to understand the plan's impact on governance and policy implementation. The team also conducted a thorough analysis of quantitative data related to key performance indicators across all sectors covered by the SDP.

This comprehensive report you are now reading represents the culmination of the entire evaluation process. It synthesizes all the data and insights gathered from the inception phase through to the final data collection efforts. By incorporating information from both the Mid-Review Report and the subsequent in-depth research, including the state-specific consultations, this report offers a complete and nuanced assessment of the FSM Strategic Development Plan's performance, achievements, challenges, and lessons learned over its entire 20-year implementation period. The report also includes evidence-based recommendations for future strategic planning efforts, taking into account the evolving needs and priorities of the FSM, as well as the unique characteristics and challenges of each state.



Evaluation Framework and Methodology

Review Questions

The evaluation of the FSM SDP was guided by a comprehensive set of questions structured around four key criteria: Relevance, Effectiveness, Impact, and Sustainability. These criteria were selected by the FSM SDP Working Group to provide a thorough assessment of the SDP's performance and to align with international best practices in development evaluation, as outlined by the OECD DAC standard criteria².

The main review questions for each criterion were:

1. Relevance: To what extent has the FSM SDP 2004-2023 been aligned with the country's development priorities and the needs of the target beneficiaries?

² <https://www.oecd-ilibrary.org/docserver/dedc34d7-en.pdf?expires=1724843350&id=id&accname=guest&checksum=722E9051B0E0740A0498153AFFC9A9D9>

2. Effectiveness: To what degree have the intended objectives and results of the FSM SDP been achieved across the 10 thematic areas?
3. Impact: What have been the positive and negative, intended and unintended, long-term effects produced by the FSM SDP at the national and state levels?
4. Sustainability: To what extent are the benefits of the FSM SDP likely to continue after the end of the program period?

Each main question was supported by several sub-questions that delved deeper into specific aspects of the SDP's implementation, achievements, challenges, and lessons learned. These questions guided our data collection, analysis, and reporting processes throughout the evaluation. They were used to structure our desk review, inform the design of interview guides, and organize our findings and recommendations.

The full list of the main questions and their associated sub-questions is presented in Table 1 below. These questions were chosen to provide a comprehensive assessment of the SDP's performance, identify areas of success and challenges, and inform the development of the next SDP. They align with the threefold purpose of the evaluation: fostering accountability, informing decision-making for the next SDP, and facilitating learning and improvement.

Table 1: Review Questions and Sub Questions

<p>1. Relevance: To what extent has the FSM SDP 2004-2023 been aligned with the country's development priorities and the needs of the target beneficiaries?</p> <ul style="list-style-type: none"> How well have the FSM SDP's goals, objectives, and strategies aligned with the national and state-level development agendas and plans? How well are the institutional and functional arrangements for the FSM SDP aligned with the country's development priorities and the needs of target beneficiaries? To what extent do the current distribution of SDP-related responsibilities across government entities and their linkages with external partners support the effective implementation and coordination of the SDP?
<p>2. Effectiveness: To what degree have the intended objectives and results of the FSM SDP been achieved across the 10 thematic areas?</p> <ul style="list-style-type: none"> What have been the key achievements and progress made in each of the 10 thematic areas? To what extent have the FSM SDP's interventions contributed to the attainment of the planned outputs, outcomes, and impacts? What factors have facilitated or hindered the achievement of the FSM SDP's objectives in the different thematic areas and sectors? How effective have the institutional arrangements, coordination mechanisms, and monitoring systems been in supporting the implementation of the FSM SDP? What have been the major challenges and bottlenecks encountered during the implementation of the FSM SDP, and how have they been addressed?
<p>3. Impact: What have been the positive and negative, intended and unintended, long-term effects produced by the FSM SDP at the national and state levels?</p> <ul style="list-style-type: none"> What have been the significant developmental, socio-economic, environmental, and governance impacts of the FSM SDP? Have there been any unintended consequences, both positive and negative, resulting from the implementation of the FSM SDP? To what extent have the FSM SDP's strategies and interventions helped the country and its people cope with and recover from the impacts of natural disasters and the COVID-19 pandemic? What are the lessons learned from the FSM SDP's response to humanitarian crises, and how can they inform future development planning?

4. Sustainability: To what extent are the benefits of the FSM SDP likely to continue after the end of the program period?

- What institutional, financial, and operational mechanisms have been put in place to ensure the sustainability of the FSM SDP's achievements?
- What have been the key factors that have contributed to or hindered the sustainability of the FSM SDP's results?
- How well have exit strategies and transition plans been developed and implemented to ensure the sustainability of the FSM SDP's outcomes?
- What lessons can be learned to strengthen the sustainability of the next strategic development plan for the FSM?

Evaluation Approach

The evaluation of the FSM Strategic Development Plan (2004-2023) employed a comprehensive, multi-pronged approach. We combined theory-based, participatory, and mixed-method strategies to ensure a thorough assessment of the SDP's implementation and results. This approach also addressed the government's interest in clarifying the institutional and functional base for SDP coordination in the coming decades.

Theory-Based Approach

We began by using a theory-based approach, guided by the SDP's theory of change. This allowed us to systematically examine the causal links between inputs, activities, outputs, and outcomes. We developed a clear program logic model underpinning the FSM SDP and conducted contribution analysis to assess the extent to which SDP interventions contributed to observed outcomes and impacts. Throughout this process, we explored alternative explanations and contextual factors that may have influenced the SDP results, refining and strengthening the theory of change based on the evidence gathered.

Stakeholder Participation

Stakeholder participation was a key element of the evaluation. We involved a diverse range of stakeholders, including government officials, development partners, civil society organizations, and community representatives. The SDP Working Group, established through a Presidential Executive Order, played a crucial role in guiding the evaluation, validating findings, and developing recommendations. We used outcomes harvesting techniques, where stakeholders were involved in identifying, verifying, and making sense of the outcomes resulting from the SDP implementation. This collaborative approach fostered a shared understanding of the SDP's results and their implications.

Methodology

The evaluation employed a mix of qualitative and quantitative methods to provide a comprehensive assessment. This approach allowed us to triangulate data from different sources, enhancing the validity and reliability of our findings.

Desk Review

The evaluation began with a desk review, examining a wide range of key documents relevant to the FSM Strategic Development Plan 2004-2023. These included the original SDP document, yearly progress reports, sector-specific strategies, the FSM SDG Voluntary National Report, the FSM 2023 Action Plan, and the Agriculture Census Report 2016, among others. We conducted this review systematically, documenting findings in a structured matrix aligned with our evaluation questions. For a comprehensive list of all documents reviewed as part of this evaluation, please refer to **Annex C: List of Documents Reviewed**.

Key Informant Interviews (KII)

We conducted semi-structured interviews with key stakeholders to gather in-depth insights into the SDP's implementation, challenges, and perceived impacts. The SDP Working Group selected and approved the list of interviewees. As of the mid-review report, we had interviewed 14 individuals, including additional interviews conducted during the state and national leaders conference and the donor round table meeting. The final number of interviews for the comprehensive evaluation was 39. These interviews included national and state government officials, representatives from civil society organizations, development partners, and sector specialists. **Annex D** shows the list of key informants interviewed during the evaluation data collection phase. It also presents the KII tool developed during the design phase for this method.

Comprehensive Stock take

A comprehensive stock take of activities and indicators stated in the original SDP 2004-2023 was conducted. We shared a sector stock take table with national government leads for each SDP sector, including a list of outputs, strategic interventions, and activities planned for implementation, as well as indicators to track progress. The information submitted was then shared with state government staff in all four states for validation during the second round of consultations. This step was crucial for validating the national-level assessment, given that major implementation of the SDP occurs at the state level. **Annex B** shows the results of the stock take using a traffic light assessment system indicating activities that have been completed (green) over the last 20 years, those that are still ongoing (orange) and those that have not been completed (red).

Outcomes Harvesting (OH) Workshops

We conducted outcomes harvesting workshops in all four states of FSM: Yap, Chuuk, Pohnpei, and Kosrae. These half-day workshops brought stakeholders together to share their stories related to each outcome, providing a bottom-up approach to gathering evidence of the SDP's impact across different sectors and communities. **Annex E** summarizes the outcomes harvested in each state across various thematic areas, utilizing the OH facilitation guide and agenda, both of which were developed during the design stage."

Development Partner Survey

To capture input from development partners, we distributed an online survey via Google Form. The survey, titled "FSM Review of the Strategic Plan 2004-2023: Development Partner Survey," aimed to gather insights on the SDP, particularly in relation to the programs and projects implemented during this period. It covered various aspects including awareness of the SDP, reference to the SDP in programming, alignment with development priorities, and the effectiveness, impact, and sustainability of initiatives.

National Government Secretaries Survey

Following our return from the state consultations, the review team recognized a gap in data collection regarding input from the Secretaries of the eight FSM national government departments. Initially, only two out of the eight secretaries responded to requests for key informant interviews. Recognizing the importance of these leadership roles and the need to ensure comprehensive input, we implemented an additional data collection strategy. We commissioned an online survey specifically designed for the Secretaries to accommodate their busy schedules. This approach proved successful, with majority responding.

Data Analysis

Our data analysis process was rigorous, employing thematic analysis for qualitative data and descriptive statistical analysis for quantitative data. We cross-verified findings from different data sources to enhance the validity and reliability of our evaluation results.

Limitations and Mitigation Strategies

We encountered several limitations during the evaluation process, including incomplete historical data for some indicators, time constraints due to the extended timeline for the Mid-Review Report, geographic challenges posed by FSM's dispersed states, potential recall bias given the long timeframe of the SDP, and delays in receiving some important reports. We mitigated these limitations through triangulation of data sources and transparent reporting of data gaps.

Ethical Considerations

Throughout the evaluation, we adhered to strict ethical standards, obtaining informed consent from all participants, maintaining confidentiality of individual responses, and handling sensitive information with discretion. We remained impartial and objective, acknowledging potential biases and mitigating them through peer review and stakeholder validation.

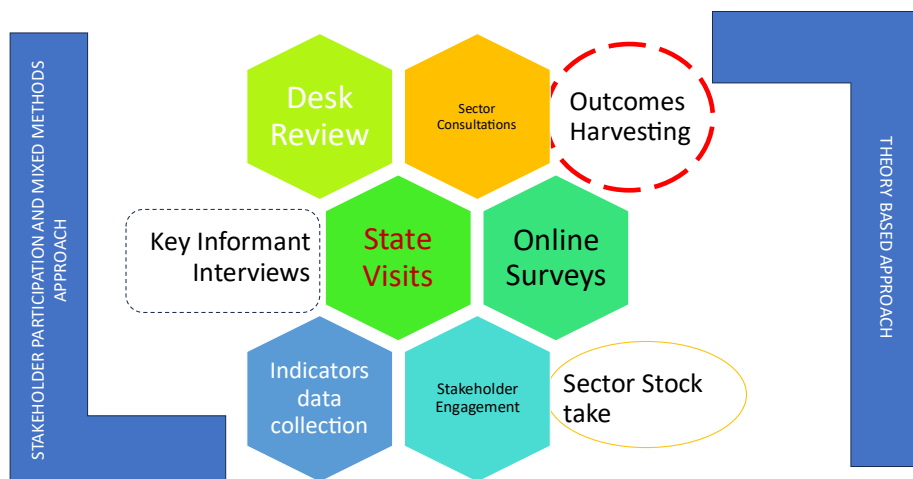
Quality Assurance and Validation

To ensure the quality and credibility of the evaluation, the review team presented the report to the SDP Working Group for discussion, validation, and feedback, ensuring that key stakeholders had the opportunity to review and contribute to the findings. The stock take assessments of SDP sector activities, initially conducted by national government staff in Palikir, were shared with state counterparts in their respective states during the second round of consultations.

We also engaged external experts for peer review of our methodology and findings. Throughout the process, we conducted regular internal reviews to maintain consistency and rigor. These multi-layered validation and data collection efforts enhanced the comprehensiveness and credibility of our evaluation, ensuring that perspectives from all levels of government and key stakeholders were incorporated into the final report.

This comprehensive methodology provided us with a thorough, balanced, and credible evaluation of the FSM Strategic Development Plan 2004-2023, offering valuable insights for future strategic planning and development initiatives in the Federated States of Micronesia.

FSM SDP EVALUATION APPROACH AND METHODOLOGY



Evaluation Matrix

To operationalize the review questions and ensure a systematic approach to data collection and analysis, we developed a comprehensive evaluation matrix. This matrix served as a crucial planning and implementation tool throughout the evaluation process. The evaluation matrix included the following components for each review question and sub-question:

- **Indicators:** Specific, measurable criteria used to assess the questions.
- **Data Sources:** The origins of information used to answer the questions.
- **Data Collection Methods:** Techniques employed to gather the necessary information.
- **Data Analysis Methods:** Approaches used to interpret the collected data.

The matrix ensured that all aspects of the evaluation were thoroughly covered and that there was a clear link between the review questions, data collection, and analysis. It also helped in identifying any gaps in data or methodology early in the process. For the complete evaluation matrix, please refer to **Annex F: Evaluation Matrix**. A simplified version of our evaluation matrix, focusing on the four key criteria is outline below.

Criterion	Key Question	Indicators	Data Sources	Preliminary Findings
Relevance	To what extent has the FSM SDP 2004-2023 been aligned with the country's development priorities and the needs of the target beneficiaries?	<ul style="list-style-type: none"> - Alignment with national and state-level development agendas - Stakeholder perceptions of SDP relevance 	<ul style="list-style-type: none"> - National and state policy documents - Interviews with government officials - Sector stock take matrix 	<ul style="list-style-type: none"> - Strong alignment in key sectors like health and education - Potential gaps in addressing emerging issues like climate change adaptation
Effectiveness	To what degree have the intended objectives and results of the FSM SDP been achieved across the 9 thematic areas?	<ul style="list-style-type: none"> - Progress on key sector indicators - Implementation rate of planned activities 	<ul style="list-style-type: none"> - Sector stocktake matrix - National statistics - Key informant interviews 	<ul style="list-style-type: none"> - Varied progress across sectors - Challenges in data availability for some indicators
Impact	What have been the positive and negative, intended and unintended, long-term effects produced by the FSM SDP at the national and state levels?	<ul style="list-style-type: none"> - Changes in socio-economic indicators - Stakeholder perceptions of SDP impact 	<ul style="list-style-type: none"> - National statistics - Outcomes harvesting workshops - Development partner survey 	<ul style="list-style-type: none"> - Positive impacts noted in education and health - Unintended consequences being explored through stakeholder consultations
Sustainability	To what extent are the benefits of the FSM SDP likely to continue after the end of the program period?	<ul style="list-style-type: none"> - Existence of exit strategies - Institutional capacity for continuity 	<ul style="list-style-type: none"> - Document review - Interviews with government officials - Development partner feedback 	<ul style="list-style-type: none"> - Varied sustainability measures across sectors - Need for strengthened institutional mechanisms identified

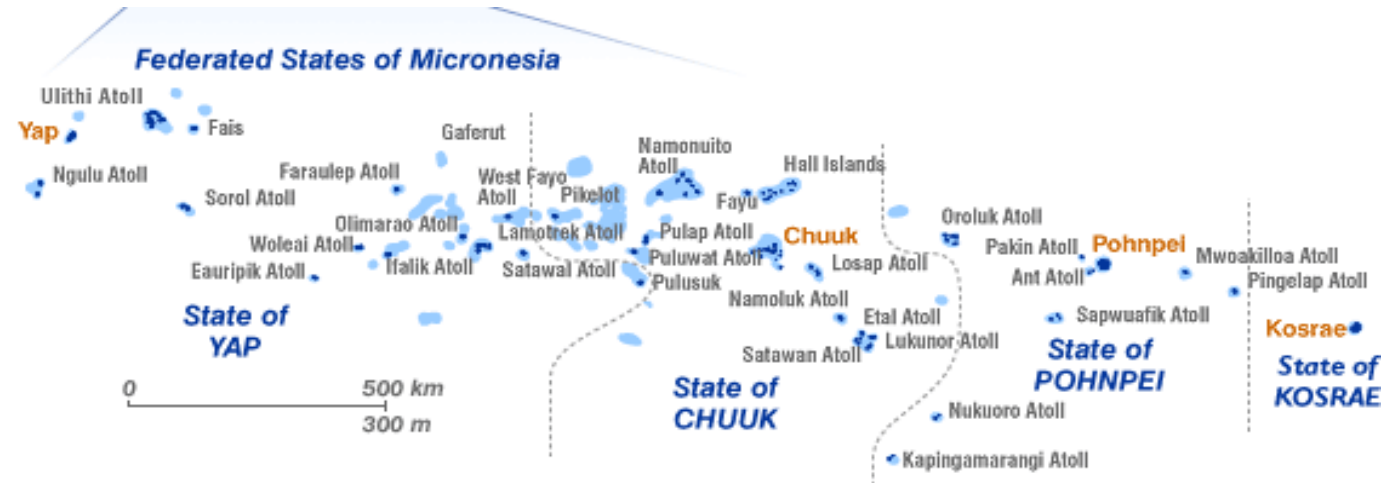
Context

The context section provides a comprehensive overview of the Federated States of Micronesia (FSM) throughout the implementation period of the Strategic Development Plan (SDP) 2004-2023. It examines the baseline conditions at the plan's inception and tracks key developments, significant events, and evolving political, economic, and social conditions over the two decades.

The Federated States of Micronesia (FSM) is a unique island nation located in the western Pacific Ocean, comprising four states: Yap, Chuuk, Pohnpei, and Kosrae. With a total land area of only 271 square miles spread across more than 600 islands, FSM faces distinctive challenges in governance, economic development, and service delivery. As of 2023, the country's population stands at approximately 112,000, predominantly Micronesian, with rich and diverse traditional cultures across its four states. Throughout the SDP period (2004-2023), FSM faced significant demographic changes, including a declining population due to outmigration, particularly to the United States. This trend had substantial impacts on the labor force and economic development efforts.



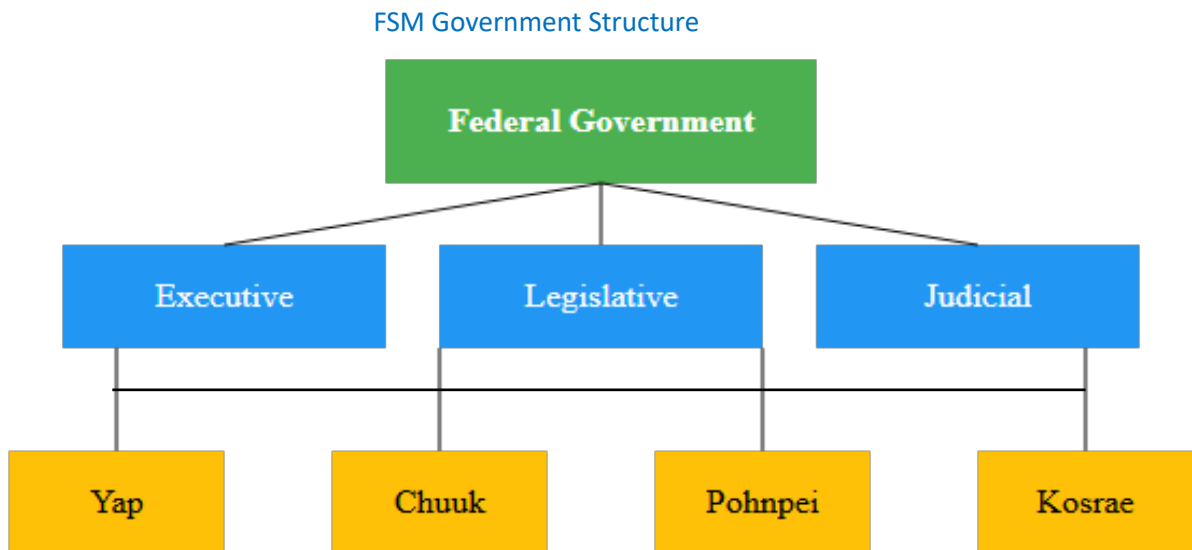
Map of the Federated States of Micronesia



Political Context

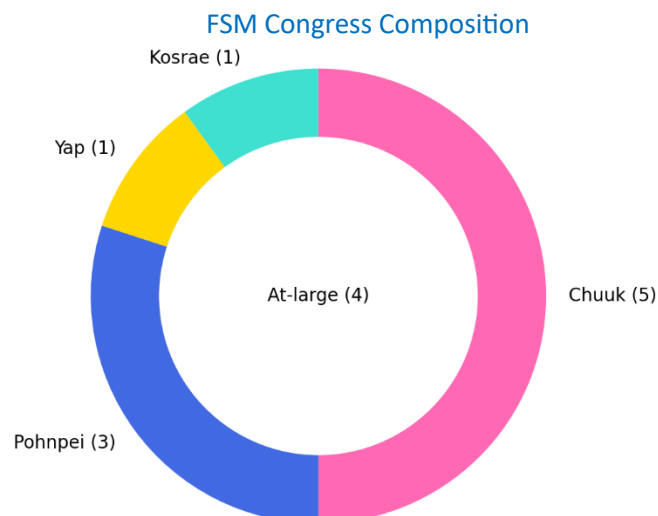
Governance Structure

The Federated States of Micronesia is a federal republic composed of four states: Yap, Chuuk, Pohnpei, and Kosrae. The country gained independence in 1986 after being part of a UN Trust Territory administered by the United States. FSM's governance is based on a constitutional government with three branches: executive, legislative, and judicial.



The federal government, led by the President, is responsible for foreign affairs, national defense, and other matters of national concern. Each state has its own constitution, elected governor, legislature, and court system, with significant autonomy in local affairs.

The National Congress (Legislature) of FSM is unicameral, consisting of 14 senators. Four senators (one from each state) serve four-year terms, while the remaining ten are elected for two-year terms, with seats apportioned by state population as shown below.



Political Climate in 2003 and Beyond

As the Strategic Development Plan (SDP) 2004-2023 was being formulated, the Federated States of Micronesia (FSM) found itself at a critical juncture in its political evolution. Under the leadership of President Leo A. Falcam, who had been in office since 1999, the nation was navigating a complex political landscape shaped by both domestic priorities and international relations. President Falcam's administration was particularly focused on fostering economic development and strengthening FSM's position on the global stage.

A pivotal issue dominating the political discourse in 2003 was the ongoing renegotiation of the Compact of Free Association with the United States. This updated agreement, set to take effect in 2004, was poised to significantly influence FSM's economic and political trajectory over the subsequent two decades. The negotiations reflected a broader push within FSM for greater self-reliance and a reduction in dependence on external aid, sentiments that would heavily influence the goals and strategies being outlined in the SDP.

The implementation of the amended Compact in 2004 marked a significant shift in FSM's relationship with the United States. Over the course of the SDP period, this relationship continued to evolve, with ongoing discussions about the future of the Compact beyond 2023. These discussions intensified in the latter part of the SDP period, influencing policy decisions and development strategies.

The political climate was further characterized by the perennial challenge of balancing the diverse interests of FSM's four states with overarching national priorities. This delicate equilibrium needed to be reflected in the SDP, which had to address both national development goals and state-specific needs. The federal structure of FSM, while providing local autonomy, necessitated careful consideration in formulating a cohesive national development strategy.

Throughout the SDP period, this balance between state and national interests remained a key political challenge. Several initiatives were undertaken to improve coordination and alignment, including the establishment of the FSM Development Partners Forum in 2012 and various state-level development planning efforts.

Environmental concerns, particularly regarding climate change and sustainability, were beginning to permeate political discussions, though they had not yet reached the forefront of the national agenda. These emerging issues would need to be factored into the long-term planning embodied by the SDP. Concurrently, FSM was actively engaging in regional forums such as the Pacific Islands Forum, recognizing the importance of regional cooperation in addressing shared challenges faced by Pacific Island nations.

As the SDP period progressed, climate change became an increasingly central issue in FSM's political landscape. The country became a strong advocate for climate action on the international stage, culminating in the ratification of the Paris Agreement in 2016 and the development of the FSM Climate Change and Disaster Risk Management Policy in 2013.

The political landscape in 2003 was underpinned by FSM's record of democratic stability since its independence. Regular, peaceful transitions of power had fostered a political environment conducive to long-term planning initiatives like the SDP. This stability provided a solid foundation for ambitious development goals, even as it highlighted the need for continued institutional strengthening.

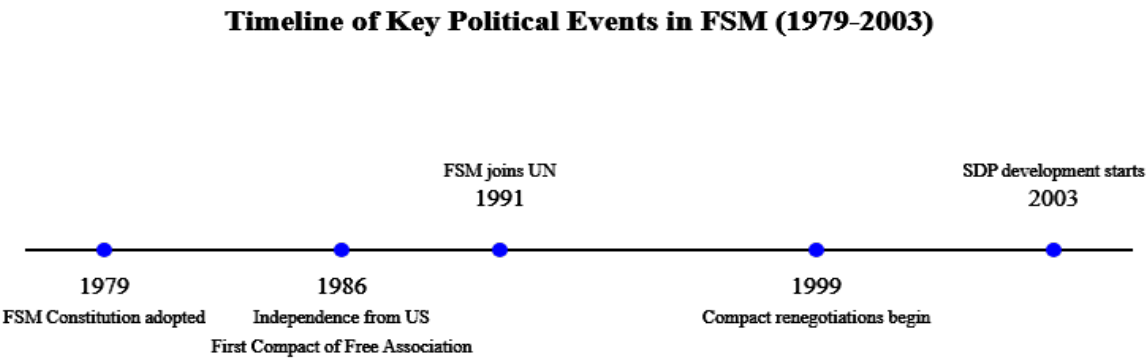
This tradition of democratic stability continued throughout the SDP period, with several peaceful transitions of power. Notable leadership changes included the presidencies of Joseph J. Urusemal (2003-2007), Emanuel Mori (2007-2015), Peter M. Christian (2015-2019), and David W. Panuelo (2019-2023). Each administration brought its own priorities and approaches to implementing the SDP, while maintaining overall consistency in the country's development trajectory.

Public sector reform was another key theme in the political discourse of the time. There was growing recognition of the need to improve efficiency and service delivery in government operations, a sentiment that would be reflected in the SDP's goals and strategies. This focus on governance improvement was seen as crucial for effective implementation of the ambitious development agenda being crafted.

Public sector reform remained an ongoing priority throughout the SDP period. Key initiatives included the Public Financial Management Reform Roadmap (2013) and various capacity-building programs supported by development partners. However, challenges in implementation persisted, influencing the effectiveness of SDP implementation.

As FSM stood on the cusp of this new era of strategic development planning, its political climate in 2003 was thus characterized by a blend of optimism and pragmatism. The nation faced the challenge of charting a course for the next two decades that would balance aspirations for greater self-reliance and sustainable development with the practical constraints and opportunities presented by its unique political structure and international relationships. It was in this context that the SDP 2004-2023 would emerge as a guiding document for FSM's development trajectory.

Looking back over the SDP period, FSM's political context was marked by both continuity and change. While the fundamental governance structure remained stable, the country faced evolving challenges and opportunities, particularly in areas such as climate change adaptation, economic diversification, and regional cooperation. The implementation of the SDP was influenced by these changing political dynamics, requiring ongoing adjustments and adaptations to meet the country's development goals.



From 1979 to 2003, FSM's political landscape was shaped by key events including independence in 1986, UN membership in 1991, and the election of President Leo A. Falcam in 1999. The early 2000s saw crucial Compact renegotiations, culminating in the development of the Strategic Development Plan (SDP) in 2003 and the implementation of the new Compact in 2004.

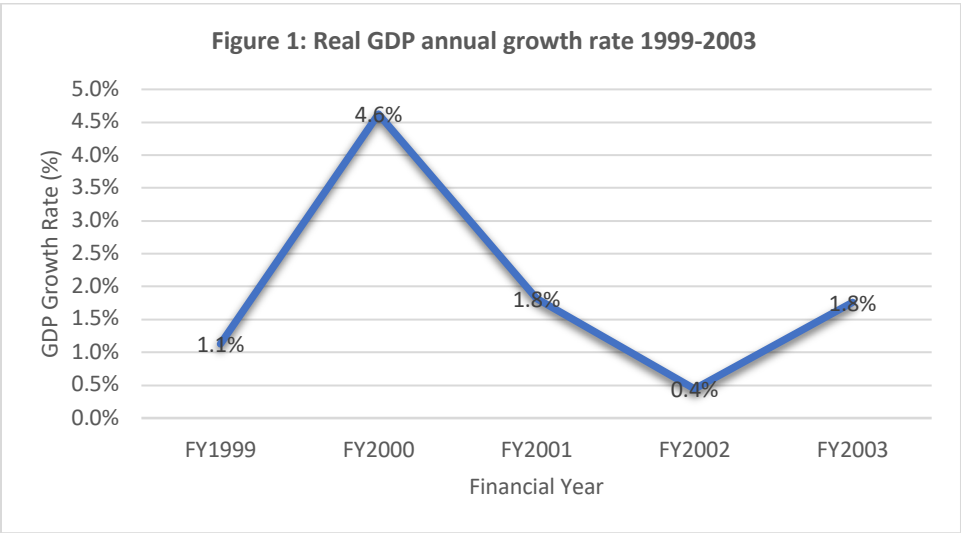
Building on this foundation, the SDP implementation period (2004-2023) witnessed further political evolution. Three presidential transitions occurred, each prioritizing different aspects of national development. FSM significantly increased its global presence, particularly in environmental leadership, ratifying the Paris Agreement and declaring a shark sanctuary. Domestically, governance structures were strengthened through new forums and policies. While the amended Compact continued to influence U.S. relations, FSM's brief withdrawal from the Pacific Islands Forum in 2021 signaled growing regional assertiveness. This era effectively balanced the pursuit of domestic development goals set out in the SDP with an increasingly active role in global affairs, especially regarding climate change.

Economic Context of the Federated States of Micronesia (2003)

As we examine the Strategic Development Plan (SDP) 2004-2023 of the Federated States of Micronesia (FSM), it is crucial to understand the economic landscape that existed at its inception. The year 2003 marked a pivotal moment for FSM, setting the stage for the ambitious goals outlined in the SDP. This section provides a comprehensive review of the economic context that shaped the nation's development trajectory.

Macroeconomic Overview

In 2003, FSM's economy presented a complex picture of stability and challenges. With a Gross Domestic Product (GDP) of approximately \$238 million and a GDP per capita of around \$2,000, the nation's economy was modest in size but carried significant importance for its population of roughly 107,000 spread across four states. The economic growth rate, averaging 1.6% annually during the previous Compact period, reflected an economy struggling to gain momentum.



This graph illustrates the slow but steady growth FSM experienced in the years leading up to the SDP. While the growth was positive, it was insufficient to meet the developmental needs of the nation, particularly in light of high unemployment rates.

Over the SDP period, FSM's economy experienced moderate growth. By 2023, the GDP had increased to approximately \$402 million, with GDP per capita reaching around \$3,700. However, economic growth remained volatile, averaging 1.8% annually from 2004 to 2023, slightly above the pre-SDP rate but still below the targeted levels.

Inflation remained relatively low, averaging between 2-3%, which provided some stability for consumers and businesses. However, the unemployment rate, estimated at 22%, posed a significant challenge. This high level of unemployment not only represented a substantial underutilization of human resources but also contributed to social challenges and outmigration, particularly among the youth.

Inflation rates remained relatively stable throughout the SDP period, averaging 2.5% annually. The unemployment rate saw a modest decrease, reaching 16% by 2023, but remained a significant concern, particularly for youth employment.

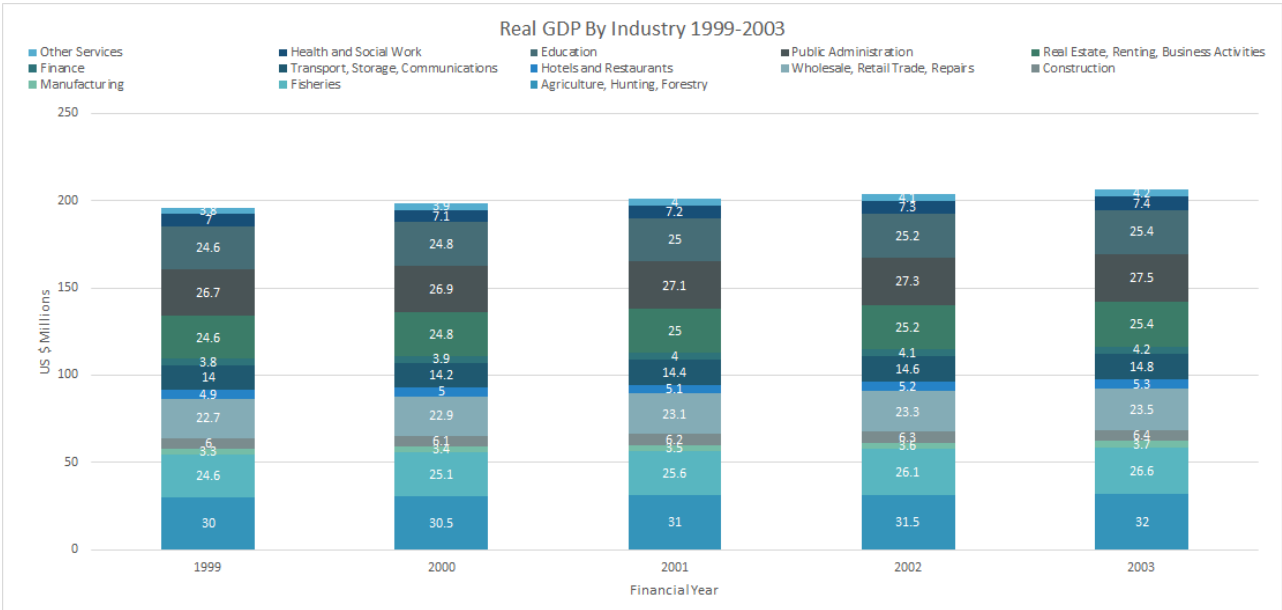
The trade balance of FSM in 2003 was characterized by a significant deficit, with imports far exceeding exports. This imbalance highlighted the nation's dependence on imported goods and the need for economic diversification and export development.

The trade deficit persisted throughout the SDP period, though some improvements were made. By 2023, exports had increased, particularly in the fisheries sector, but the economy remained heavily import-dependent. The trade deficit stood at approximately \$135 million in 2023, compared to \$120 million in 2003.

Economic Structure and Key Sectors

FSM's economy in 2003 was dominated by the public sector, a legacy of historical ties and the structure of aid relationships, particularly with the United States through the Compact of Free Association (COFA).

The economic structure of FSM evolved gradually over the SDP period. While the public sector remained significant, its share of GDP decreased from 38% in 2003 to 32% in 2023. The private sector's contribution increased from 28% to 35% over the same period, reflecting some success in economic diversification efforts.



From 1999 to 2003, the Federated States of Micronesia (FSM) saw steady economic growth across various sectors, with agriculture and fisheries showing consistent increases, reflecting their importance in subsistence and revenue generation. Manufacturing and construction sectors experienced gradual development, while wholesale, retail trade, and repairs remained stable, indicating the significance of trade. Public administration continued to play a dominant role, contributing significantly to the GDP. Tourism also grew during this period, with the “Hotels and Restaurants” sector increasing from 4.9 in 1999 to 5.3 in 2003, highlighting FSM’s appeal as a travel destination. Overall, FSM’s GDP at basic prices grew from 170.0 in 1999 to 176.0 in 2003, marking a period of consistent economic progress.

The private sector, crucial for long-term economic sustainability, remained underdeveloped up to 2003. This imbalance between public and private sectors posed a significant challenge for FSM's economic planners as they looked towards the future.

During the SDP period, private sector development showed progress, with notable growth in tourism and fisheries. Tourism's contribution to GDP increased from 2% in 2003 to 7% in 2023, while the fisheries sector's contribution grew from 10% to 15%. However, challenges in infrastructure and business environment continued to hinder more rapid private sector expansion.

Sectoral Context and Priorities Set

Private Sector Development: In 2003, the FSM's private sector faced significant challenges despite moderate growth during the Compact period. Growth was primarily in non-traded goods and services, with priority sectors like agriculture, fisheries, and tourism contributing only 5% to GDP. The sector, accounting for just under one-third of the economy, was hampered by high public sector wages, ease of outmigration, and land market constraints. While a Private Sector Development Program had been adopted, focusing on developing competitive markets, efficient transactions, and public administration, its implementation had been delayed due to protracted Compact re-negotiations. The regulatory environment was improving but still lacked key elements such as bankruptcy laws.

The SDP proposed several strategies to boost private sector development: 1) Creating a sound economic policy environment to support outward-oriented growth, including maintaining macroeconomic stability and adopting trade and tax policies to improve international competitiveness. 2) Improving competitiveness in factors of production by addressing distortions in labor, land, and finance markets. 3) Enhancing the environment for direct investment and expanding entrepreneurial support services. 4) Reducing the government's direct role in the economy to promote private sector growth. 5) Providing efficient and cost-effective economic infrastructure to support competitive private sector development, with a focus on keeping costs low for roads, ports, water, and power to enhance competitiveness.

Public Sector Management: In 2003, the FSM's public sector was one of the largest and most economically dominant in the Pacific Island region, reflecting substantial resources received under the Compact. By the mid-1990s, the FSM faced an uncertain future due to the distorted economy and disproportionately large public sector. A Public Sector Reform Program (PSRP) implemented in the late 1990s achieved significant reductions in staff numbers (23%) and wage bill costs (25%), though falling short of targets. Performance budgeting was introduced but had not yet become an effective management tool. Financial accountability standards were weak, with audits typically two years behind schedule. Public Sector Enterprises (PSEs) had grown significantly but were largely unprofitable, losing approximately \$8.5 million annually between FY97-FY01.

The SDP proposed six strategic goals for public sector management: 1) Implement responsible fiscal policies supporting financial stability and economic development, including adopting a Medium-Term Expenditure Framework and maintaining prudent external debt levels. 2) Adopt best practices in fiscal transparency, including clear government roles and public availability of fiscal information. 3) Enhance public sector accountability through improved financial management, reporting, and monitoring. 4) Improve public sector management and resource allocation by enhancing performance budgeting and introducing performance audits. 5) Build public sector capacity through long-term, comprehensive efforts and development of modern, efficient public service systems. 6) Transform Public Sector Enterprises by reducing government involvement in commercial activities, encouraging private sector growth and competition, improving service quality, and reducing the fiscal burden of PSEs.

Agriculture: In 2003, the FSM's agriculture sector was characterized by increasing reliance on subsistence farming, particularly among less educated populations. The 2000 census showed a threefold increase in women engaged in subsistence agriculture. Commercial agriculture had some success in niche export markets, but government-involved products often failed or required subsidies. Recent policies favored commercial development, neglecting subsistence and semi-subsistence farming systems. Traditional foods were largely

replaced by imports, and support services didn't target traditional agriculture. The sector faced challenges including limited internal marketing infrastructure, insufficient access to affordable capital, and minimal government budget allocation (only 1.8% in 2004). The Cooperative Research and Extension Service, affiliated with the USDA Land Grant Program, provided the main technical support but spent over 97% of its budget on staff salaries.

The SDP recognized the need for a shift in agricultural policy to reflect the realities of traditional agriculture and the needs of those relying on the sector for food, livelihood, and employment. Key strategies included: 1) Developing community-based approaches to improve traditional agriculture performance. 2) Addressing nutritional deficiencies, particularly vitamin A, through promotion of traditional foods rich in beta-carotene. 3) Adapting agricultural practices to accommodate sociocultural demands, such as funeral obligations. 4) Exploring alternatives for the coconut industry in outer islands, including in-situ oil extraction. 5) Focusing on diverse, small niche markets for different crops, recognizing market volatility. 6) Redefining roles: government to provide an enabling environment (policy, infrastructure, R&D, quarantine services), private sector to manage market relationships, and farmers to meet market quality and quantity requirements. 7) Establishing regular dialogue between government, private sector, and farmers. 8) Considering the impact of continued out-migration on agricultural labor and planning accordingly.

Fisheries: In 2003, the FSM's fisheries sector was divided into two main components: coastal/near-shore fisheries and oceanic fisheries. Coastal fisheries, with estimated catches of 80,000-100,000 tons per year (valued up to \$24.5 million), were increasingly focused on resource management and sustainability rather than commercial development. Oceanic fisheries, particularly tuna, showed high variability in catches due to fishing efforts, species migration, and climatic events. Access fees from foreign vessels were the largest and most consistent contributor to the economy, totaling nearly \$200 million from 1990-2003. However, government investments in fishing vessels and infrastructure (estimated at \$100-\$130 million in the early 1990s) had resulted in high debt levels and financial losses. The sector's full potential remained unrealized due to limited accountability in policy implementation and lack of political will, particularly at the state level.

The SDP recognized the need for distinct strategies for coastal and oceanic fisheries. For coastal fisheries, the focus was on preserving resources for subsistence and small-scale fisheries to provide protein, contribute to dietary health, and maintain rural lifestyles. Aquaculture development was considered but with caution. For oceanic fisheries, key strategies included: 1) Removing government from business operations while potentially retaining ownership. 2) Attracting large-scale investment partners to revitalize the sector. 3) Improving accountability and political will in policy implementation. 4) Addressing the underutilization of existing infrastructure. 5) Enhancing returns from access fees while also promoting domestic fishing, value-added processing, and related services. 6) Developing a clear, concerted strategy to deal with development issues and constraints. 7) Aiming to increase the sector's contribution to potentially \$100 million per annum. 8) Emphasizing sustainable resource management alongside economic utilization. 9) Investing in human capital to efficiently implement policies across all areas of the fisheries sector.

Tourism: In 2003, the FSM's tourism sector was significantly underperforming, with tourist arrivals 3% lower than in 1996, contrary to global and regional growth trends. The country received only 17,300 visitors, far below the target of 100,000 set by the 1st Economic Summit. The sector was trapped in a "closed circle" of poor marketing, inadequate infrastructure, and low product awareness, resulting in insufficient demand to justify new investments. This led to stagnant quality and often negative visitor impressions, perpetuating weak demand. The number of true leisure tourists was particularly low. Despite these challenges, the FSM had potential in specialized markets such as diving and special interest tourism, offering pristine environments and safety as key attractions. However, the sector suffered from a lack of real political will and commitment to its development at both national and state levels.

The SDP recognized tourism as one of the FSM's best chances for economic development and proposed several key strategies: 1) Establishing a well-funded and appropriately-staffed national organization, the FSM Visitors Authority (FSMVA), to lead all aspects of sector development. 2) Passing legislation to establish the FSMVA and developing its skills base. 3) Focusing on "high end, low impact" tourism to align with social and environmental constraints. 4) Securing firm political and budgetary support at both national and state levels. 5) Improving coordination between national and state tourism bodies. 6) Enhancing infrastructure while recognizing its broader benefits beyond tourism. 7) Prioritizing tourism-specific training and education through institutions like the College of Micronesia. 8) Developing a coordinated action plan to maximize inter-sectoral links and local retention of tourist expenditure. 9) Improving marketing and promotion efforts, particularly through the FSMVA. 10) Implementing quality assurance schemes and public awareness initiatives. 11) Encouraging the supply of local goods and services to the sector. 12) Establishing a supportive legislative environment for tourism development. The SDP emphasized the need for simultaneous action across all policy and development areas to break the "closed circle" and stimulate tourism demand.

Environment: By 2003, the FSM had made substantial progress in environmental conservation since the 2nd Economic Summit. The number of protected areas doubled from 15 in 1999 to 31 in 2003. The Micronesia Conservation Trust was established in 2002 to improve funding in the conservation sector. States, particularly Kosrae and Pohnpei, led innovative environmental education programs. The National Government increased NGO involvement in policy development and projects. Regulatory improvements included updates to Kosrae's Island Resource Management Plan and Pohnpei's joint law enforcement agreement with municipal governments. The FSM Sustainable Development Council was revitalized, and environment became one of six focal sectors in the new Compact of Free Association negotiations. However, environmental degradation continued due to population growth, over-harvesting of resources, human activities, natural hazards, and invasive species. Challenges persisted in technical capacity, financial resources, monitoring programs, and outdated laws and policies.

The Environment Sector Strategic Plan in the SDP outlined nine strategic goals to guide policy and fund allocation: 1) Mainstream environmental considerations in national policy and planning. 2) Improve waste management and pollution control. 3) Reduce energy use and convert to renewable energy sources. 4) Make genetic resources accessible and ensure equitable benefit-sharing. 5) Manage and protect natural resources across marine, freshwater, and terrestrial ecosystems. 6) Improve environmental awareness, education, and citizen involvement. 7) Establish effective biosecurity programs to protect biodiversity from invasive species. 8) Create sustainable financing mechanisms for environmental initiatives. 9) Enhance in-country technical capacity to support environmental programs. The plan emphasized a holistic approach to conserving and protecting the natural environment, promoting sustainable resource management. It called for developing, adopting, and enforcing policies and regulations to achieve these goals, reducing environmental degradation, adapting to climate change, protecting biodiversity, establishing conservation areas, and improving environmental infrastructure. The strategy also stressed increased involvement of citizens and traditional leaders in environmental protection efforts.

Health: In 2003, the FSM's health sector faced significant challenges, with poor quality being the key issue in both primary and secondary health care services. The country was experiencing a double burden of communicable diseases typical of developing countries and an increasing incidence of non-communicable diseases (NCDs) related to lifestyle changes. NCDs, including obesity, diabetes, cardiovascular diseases, and cancers, had become major causes of morbidity and mortality. The primary health care (PHC) system was deteriorating, with inadequate drugs, medical supplies, and equipment in dispensaries and health centers. Secondary health care in the four state hospitals was hampered by shortages of medical professionals, lack of ongoing training, and poor management systems for supplies and drugs. Environmental health programs were

minimal, with only 41% of the population having access to clean water sources in 2000. The health sector was also weakened by the absence of data-based decision-making practices and limited community involvement in health matters.

The Health Sector Development Strategy in the SDP outlined five strategic goals to address these challenges: 1) Improve primary health care services by enhancing supervision, supply, and training of health service providers. 2) Improve secondary health care services through workforce development and implementation of a National Drug Policy to optimize drug procurement and management. 3) Prioritize health promotion and services for major health problems, including the development of a minimum package of essential health services and revitalizing the National Food and Nutrition Commission. 4) Develop a sustainable health care financing mechanism, exploring options such as health insurance, user fees, and earmarked taxes, while addressing the unsustainable cost of out-of-country referrals. 5) Improve capacity and accountability systems by introducing a uniform health information and management system across all states. The strategy emphasized the need for multi-sectoral action and increased community responsibility for health. It also stressed the importance of aligning with the amended Compact's requirements for performance-based budgeting and reporting. The plan aimed to guide policymakers in allocating resources to achieve these strategic goals and measure identified outcomes, with a focus on improving the overall quality and sustainability of health services in the FSM.

Education: In 2003, the FSM education sector faced significant challenges, with widespread agreement that student learning and achievement levels were low and needed improvement. The National Standardized Test (NST) results from 1995 to 2000 showed only limited progress. Key issues included a lack of focus on elementary and early childhood learning, inadequate data collection and analysis for decision-making, insufficient monitoring and evaluation of programs, a shortage of textbooks and learning materials (especially in FSM languages), low community involvement in schools, and poor physical conditions of classrooms. Teacher capacity and quality were also limiting factors, with many teachers lacking content knowledge and qualifications. The FSM was experiencing a concerning trend of language shift and potential loss of local languages. The education system, modeled on the U.S. system, struggled to balance preparing students for careers ranging from subsistence living to highly technical fields. The impending loss of U.S. federal program eligibility (except for Special Education and PELL grants) under the amended Compact and its replacement with the Supplemental Education Grant (SEG) posed additional challenges.

The Education Sector Development Strategy in the SDP outlined several key policy areas to address these challenges: 1) Promote learning and achievement by prioritizing early childhood and lower elementary education, improving access to textbooks and learning materials, enhancing data-driven decision-making, increasing community involvement, and developing comprehensive plans for facilities improvement. 2) Improve teaching quality through full implementation of a revised Teacher Certification System, introducing performance-based contracts, and enhancing professional development programs. 3) Promote FSM languages by establishing a National Language and Cultural Institute, implementing the FSM Language Policy, and increasing teacher competence in local languages. 4) Implement the SEG by merging all programs into a single comprehensive system aligned with national and state priorities. 5) Develop a unified definition of "education as a priority" that recognizes the need for adequate resources. 6) Promote a more relevant education system by improving career education programs and providing vocational and technical training for out-of-school youth and adults. The strategy also emphasized the need to establish a National Department of Education and recognize education as a productive sector crucial for developing the FSM's human resources. These initiatives aimed to create a more effective, relevant, and sustainable education system that could support the FSM's economic growth and social development.

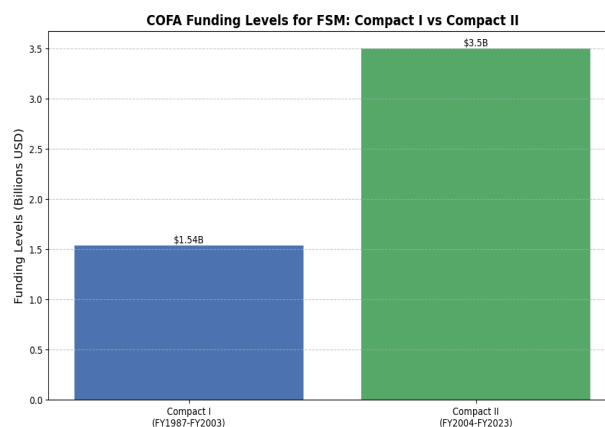
Gender: In 2003, the FSM's gender sector faced significant challenges despite some progress since the establishment of the Women's Interest Program (WIP) in 1992. While achievements included the creation of the National Women Advisory Council (NWAC), adoption of a gender policy matrix, and ratification of CEDAW, many issues remained unresolved. The 2000 FSM Global Platform for Action (GPA) National Implementation Report highlighted underperformance in most critical areas of concern. The first gender policy matrix, adopted in 1999, remained largely unimplemented by 2003. The Women and Development Unit (WDU) received low priority, with unchanged staffing, budget, and office requirements since pre-1999 levels. Women were severely underrepresented in senior-level policy and decision-making structures, contributing to persistent gender inequalities. There was a lack of ongoing women's development programs at the grassroots level across the FSM. Access to resources, markets, training, and technical services for women entrepreneurs remained limited due to complex loan lending practices and cumbersome application processes.

The Gender Strategic Planning Matrix (GSPM) in the SDP outlined several key strategies to address these challenges: 1) Empower women, youth, senior citizens, and disabled persons to become self-reliant and productive members of FSM society. 2) Enhance leadership commitment and political will by implementing the GSPM, providing adequate core gender budgets, and establishing a Commission on the Status of Women (CSW). 3) Improve the credibility, image, and profile of FSM gender empowerment mechanisms. 4) Enhance women's leadership capacity and management roles. 5) Strengthen gender policy and mainstream gender skills. 6) Adopt gender empowerment policies and programs for youth, senior citizens, and disabled persons. 7) Engender the development agenda, institutions, and decision-making processes to ensure more equitable and just development. 8) Secure sustainable budgetary allocations for comprehensive gender mainstreaming programming and operations. 9) Increase women's representation in power structures and decision-making. 10) Improve access to and control over resources for women, particularly in small micro-enterprise development and home-based businesses. The strategy emphasized the need to operationalize the GSPM by approving a new Office or Division on Gender and Social Affairs (GENSA), establishing the CSW, allocating core gender budgets, and adopting gender empowerment policies and action plans. These initiatives aimed to create a more inclusive and equitable society that recognizes and leverages the contributions of women to national development.

The economic landscape and sectoral priorities described above represent the situation in 2003 and the goals set by the Strategic Development Plan for 2004-2023. The progress made towards these goals, challenges faced during implementation, and outcomes achieved over the course of the SDP period will be thoroughly examined in the findings section of this evaluation, specifically under the effectiveness and impact criteria. This approach allows for a comprehensive assessment of the SDP's performance against its initial objectives and the evolving economic context of FSM.

The Compact of Free Association: A New Chapter

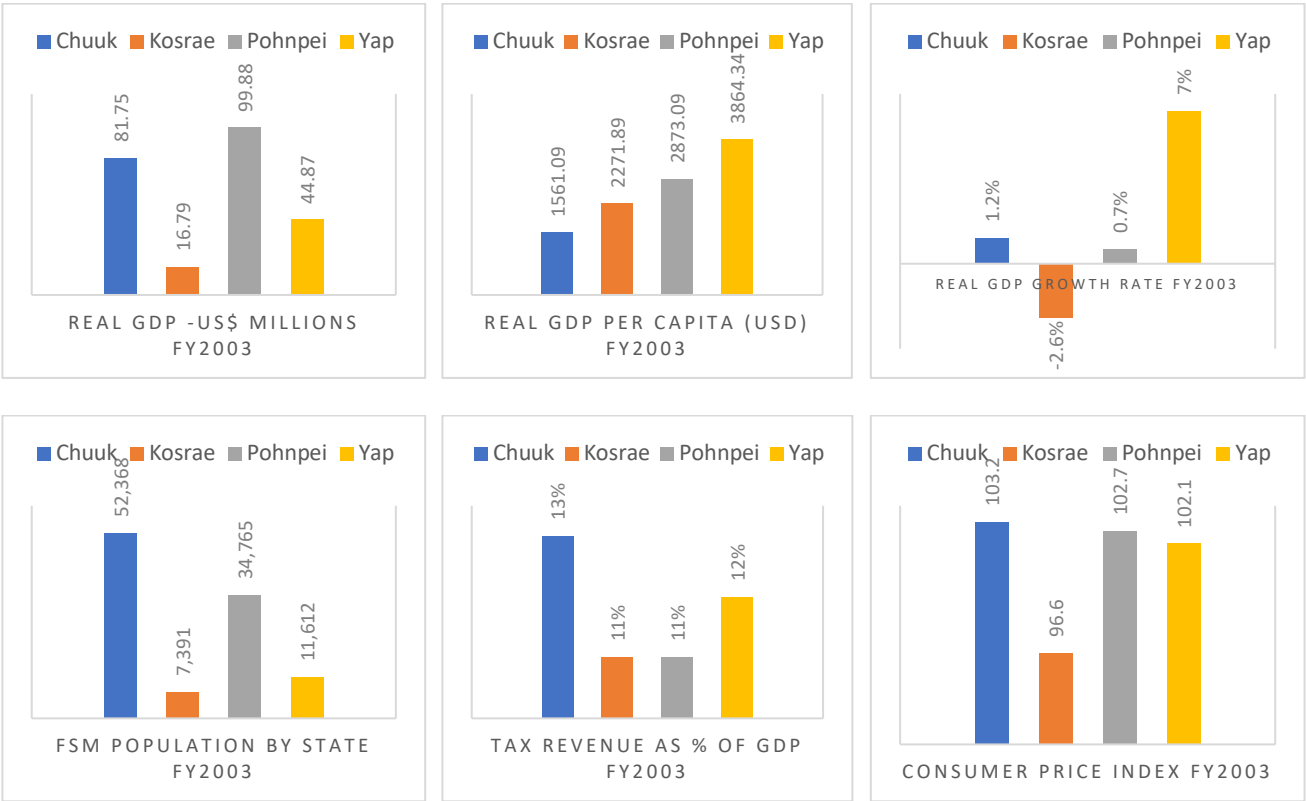
The year 2003 was particularly significant due to the amendments made to the Compact of Free Association with the United States. These amendments provided for \$3.5 billion in funding for FSM and the Marshall Islands over the next 20 years, marking a new era in FSM's fiscal landscape. This graph below illustrates the substantial increase in funding provided by the amended Compact. While this funding offered stability and opportunities for investment, it also underscored the ongoing economic dependence of FSM on external support. The challenge for the upcoming SDP would be to leverage these funds effectively to build a more self-reliant and diversified economy.



State-Level Economic Disparities

The following analysis focuses on FY2003 data, as this period was crucial in shaping the FSM's Strategic Development Plan (2004-2023). Understanding the economic landscape at this time provides essential context for the development strategies that followed.

Key Economic Indicators by FSM States for FY2003



Source: FSM National Statistics Office

The economic landscape of the Federated States of Micronesia in FY2003 reveals significant disparities among its four states: Chuuk, Kosrae, Pohnpei, and Yap. Pohnpei emerges as the economic powerhouse of the federation, with the highest real GDP at \$99.88 million, followed closely by Chuuk at \$81.75 million. However, when considering real GDP per capita, Yap takes a substantial lead with \$3,864.34, while Chuuk lags behind at \$1,561.09, highlighting the impact of population size on economic output.

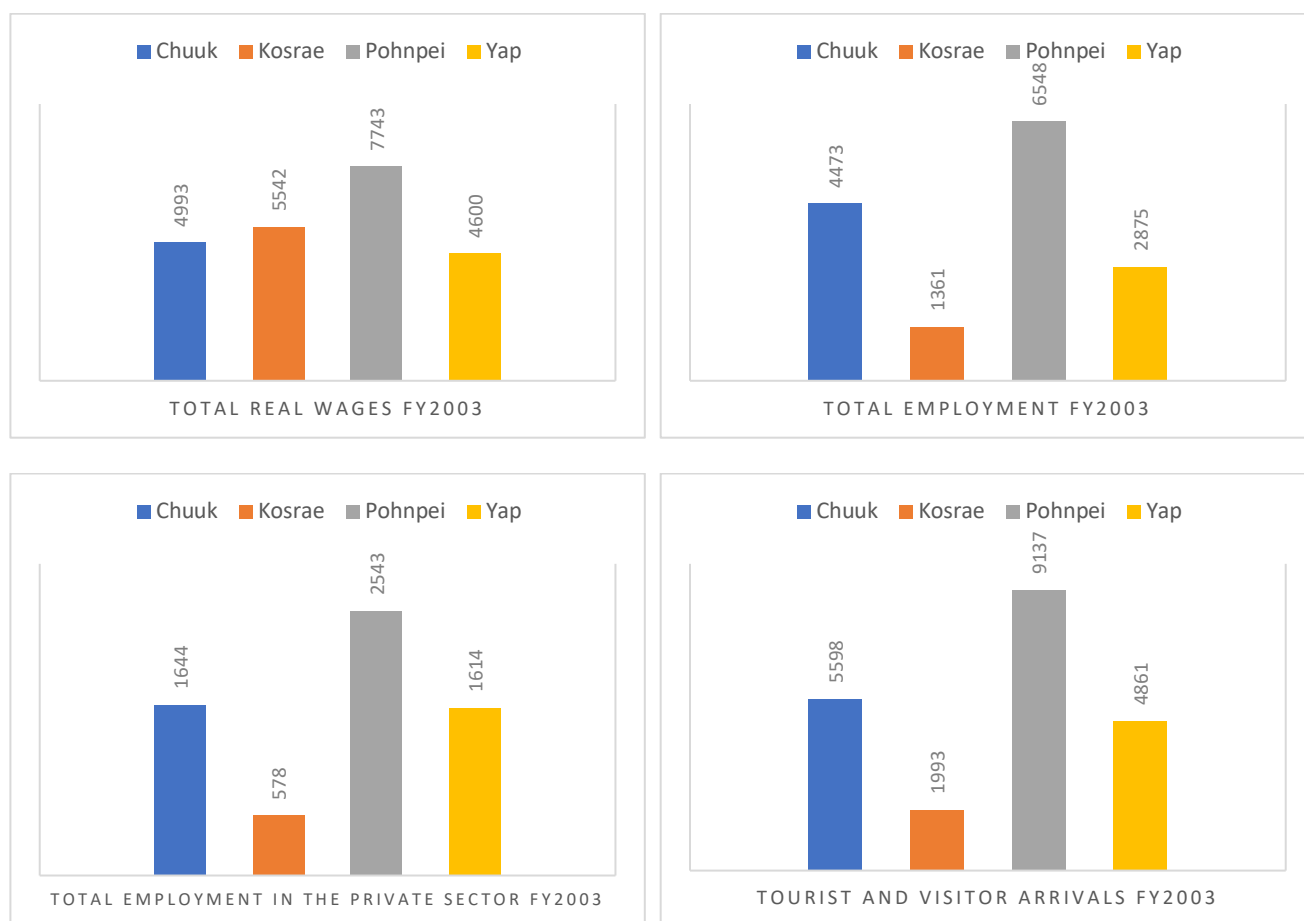
By 2023, these disparities largely persisted, though with some shifts. Pohnpei maintained its position as the economic leader, while Yap continued to lead in GDP per capita. Despite improvements, Chuuk remained the lowest in terms of GDP per capita, indicating ongoing challenges in economic development relative to its population size.

Interestingly, Yap shows the highest real GDP growth rate at 7%, indicating strong economic momentum. Chuuk and Pohnpei show positive but lower growth rates at 1.2% and 0.7% respectively, while Kosrae faces challenges with a negative growth rate of -2.6%. Chuuk is the most populous state with 52,368 inhabitants, while Kosrae has the smallest population at 7,391, factors that significantly influence their respective economies.

Over the SDP period, growth rates across the states showed varying trends. Yap's initially high growth rate moderated, while Kosrae's economy rebounded from its earlier contraction to achieve positive growth. Chuuk and Pohnpei maintained relatively stable growth rates throughout the period.

The tax revenue as a percentage of GDP is relatively similar across the states, ranging from 11% to 13%, with Chuuk having the highest at 13%. The Consumer Price Index (CPI), which measures the average change in prices over time that consumers pay for a basket of goods and services, shows some variation. Chuuk has the highest CPI at 103.2, indicating a higher cost of living, and Kosrae the lowest at 96.6, suggesting lower prices for consumer goods and services.

Key Economic Indicators by FSM States for FY2003



Employment and wage patterns further illustrate the economic differences. Pohnpei leads in both total real wages (\$7,743) and total employment (6,548), reinforcing its position as the economic center of FSM. Kosrae, with the smallest population, shows the lowest total employment at 1,361, but interestingly has higher total real wages (\$5,542) than Yap (\$4,600), despite Yap's higher employment numbers in 2003.

Over the course of the Strategic Development Plan period, these employment and wage patterns evolved. While Pohnpei maintained its lead in total employment and wages, other states saw varying degrees of growth. Kosrae and Yap, in particular, experienced shifts in their employment and wage dynamics, reflecting the impact of development initiatives and changing economic structures.

The private sector's role and tourism impact vary significantly across the states. Yap shows strong private sector engagement relative to its size, with 1,614 employed in the private sector. Pohnpei again leads in private sector employment (2543) and tourist arrivals (9137), indicating a more diverse and dynamic economy. In contrast, Kosrae has the lowest private sector employment (578) and tourist arrivals (1993), suggesting potential areas for economic development and diversification.

Throughout the SDP implementation, efforts were made to boost private sector growth and tourism across all states. The impact of these efforts varied, with some states showing more significant improvements than others. Tourism, in particular, saw fluctuations due to external factors such as global economic conditions and, in later years, the COVID-19 pandemic.

These disparities underscore the complex economic realities within the FSM, where geographic, demographic, and structural factors contribute to varied economic performances across the states. The data suggests a need for targeted economic policies that address the unique challenges and leverage the specific strengths of each state. The Strategic Development Plan would need to account for these disparities, aiming to promote more balanced development across the federation while capitalizing on each state's unique potential for growth.

As the SDP progressed, efforts to address these disparities yielded mixed results. While some gaps narrowed, others persisted or evolved in new ways. The effectiveness of targeted policies and the extent to which each state capitalized on its unique strengths varied, highlighting the ongoing challenges of promoting balanced economic development in a geographically dispersed nation with diverse economic conditions.

Challenges and Opportunities

As the Federated States of Micronesia (FSM) embarked on its Strategic Development Plan (SDP) 2004-2023, it confronted several critical challenges, including infrastructure deficiencies in transportation and utilities that impeded economic growth and private sector development. The nation was also highly vulnerable to natural disasters and climate change impacts, posing ongoing risks to economic stability. Additionally, the underdeveloped private sector struggled to generate employment and sustainable growth, contributing to high unemployment rates, particularly among youth, which in turn led to brain drain and social issues. The significant trade deficit underscored the need for export development and economic diversification. Despite these challenges, FSM also had several opportunities. The amended Compact of Free Association (COFA) provided a stable funding base for long-term planning and investment. The country's rich marine resources offered potential for sustainable fisheries development, while its unique cultural heritage and natural beauty presented opportunities for tourism growth. Furthermore, regional cooperation in the Pacific opened possibilities for economic partnerships and shared development strategies.

Looking Ahead: Economic Projections 2004 -2023

As the Federated States of Micronesia (FSM) prepared to implement its Strategic Development Plan (SDP) 2004-2023, economic projections suggested the potential for modest growth, contingent upon the effective utilization of Compact of Free Association (COFA) funds and successful private sector development initiatives. A graph illustrating projected GDP growth scenarios from 2004 to 2023 highlighted the varying outcomes based on different implementation strategies, emphasizing the critical importance of effective policy execution and the SDP's potential impact on FSM's economic trajectory.

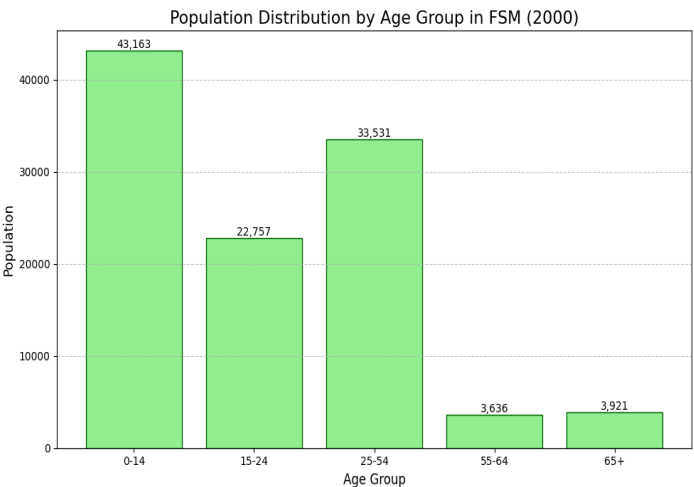
In 2003, FSM faced a complex economic landscape characterized by heavy reliance on public sector spending and external aid, alongside underdeveloped private sector and infrastructure deficiencies. These challenges necessitated a strategic plan aimed at sustainable growth and increased self-reliance. The amended COFA offered a unique opportunity for long-term planning and investment, but the SDP's success would hinge on

leveraging these resources effectively, fostering private sector development, addressing disparities among states, and building resilience against environmental and economic vulnerabilities.

As FSM prepared to embark on its Strategic Development Plan 2004-2023, economic projections indicated potential for modest growth, contingent on effective use of COFA funds and successful private sector development initiatives. As we proceed to evaluate the outcomes of the SDP 2004-2023, it is essential to keep this 2003 baseline in mind. The journey from this starting point would determine FSM's progress towards its goals of sustainable development, economic diversification, and improved living standards for its people.

Social Context

As the Federated States of Micronesia (FSM) stood at the threshold of implementing its Strategic Development Plan in 2003, the nation faced a complex social landscape. With a population of 107,008 people (Source: FSM 2000 Census), FSM was characterized by its remarkably youthful demographic and a delicate balance between traditional Micronesian values and the pressures of modernization. The country's population structure in 2000, which formed the basis for projections and planning in 2003, reflected this youthful demographic.



Source: FSM 2000 Census

As shown in the bar graph above, the population was predominantly young, with 40.3% under the age of 15 and another 21.3% between 15-24 years old. Combined, this meant that an overwhelming 61.6% of the population was under 25 years of age. This youthful population structure presented both opportunities and challenges for the nation's development.

The working-age population (25-64 years) comprised 34.7% of the total, indicating a relatively low dependency ratio but also suggesting potential pressure on job creation and economic opportunities. The small proportion of the population aged 65 and over (3.7%) reflected both the country's youthful structure and potential challenges in elderly care and social support systems.

The population growth was modest, hovering around 0.3% annually (Source: World Bank Development Indicators, 2003). This slow growth masked an underlying dynamic of high fertility rates counterbalanced by significant out-migration, particularly to the United States and its territories. This phenomenon of outward migration, while providing opportunities for some, posed challenges for the nation's human capital development. Many of FSM's educated youth were seeking prospects abroad, leading to concerns about "brain drain" and its potential long-term impacts on the country's development.

Over the course of the SDP period, outmigration continued to affect labor force availability and social structures. The population grew from 107,008 in 2000 to an estimated 104,468 in 2023 (Source: FSM Statistics Office), reflecting the ongoing challenge of retaining human capital.

The youthful population structure also had implications for education, healthcare, and social services. The large proportion of children and young adults necessitated significant investment in education and youth development programs. At the same time, the relatively small older population meant that traditional family-

based elder care systems were still prevalent, but might face pressure as the population aged and migration patterns continued.

Throughout the SDP period, education outcomes showed improvement, with increased high school completion rates. However, challenges remained in higher education access. Health indicators demonstrated mixed progress, with improvements in maternal and child health but persistent challenges in non-communicable diseases.

Geographically, FSM's population was spread across its four states: Chuuk, Pohnpei, Kosrae, and Yap. Each state had its unique demographic challenges, with varying levels of urbanization, migration patterns, and economic opportunities. This diversity within the nation added another layer of complexity to population management and development planning.

During the SDP implementation, gender equality initiatives gained momentum, including the passage of the Gender Equality Law in Kosrae in 2018. Climate change impacts became more pronounced, affecting livelihoods and traditional ways of life. In response, cultural preservation efforts intensified, including language revitalization programs.

As FSM moved forward with its Strategic Development Plan in 2003, addressing the needs of its youthful population while preparing for future demographic shifts would be crucial. Balancing economic development, education, healthcare, and cultural preservation in the context of this demographic reality would be key to FSM's sustainable development in the coming years.

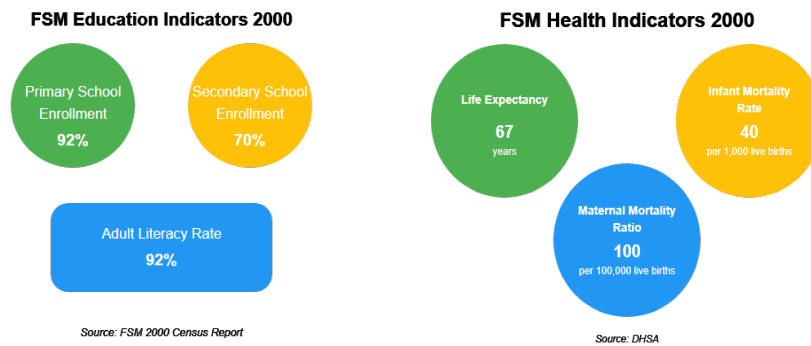
Human Development Index

In 2003, the Federated States of Micronesia (FSM) was classified within the medium human development category on the Human Development Index (HDI) by the United Nations Development Programme. This classification reflected FSM's progress in key areas such as health, education, and standard of living, while also highlighting the challenges that remained. FSM's Human Capital Index of 0.526 surpassed some regional counterparts, indicating significant investments in education and health sectors. However, the nation still faced challenges common to small island developing states, including geographic isolation, limited resources, and vulnerability to climate change.

The inclusion of FSM in the UN Global E-government Survey of 2003 signaled efforts to modernize governance and public services, an important factor in overall human development. While specific gender-related data for 2003 is not available, FSM's subsequent inclusion in Gender Development Index reports suggested a growing recognition of gender equality as a critical development component. This context provided a baseline for FSM's human development status in 2003, offering key insights for the Strategic Development Plan. The medium HDI categorization represented both the progress made and the substantial work that lay ahead, underscoring the importance of the Strategic Development Plan in charting a course for FSM's future development across key areas including education, health, economic opportunities, and gender equality.

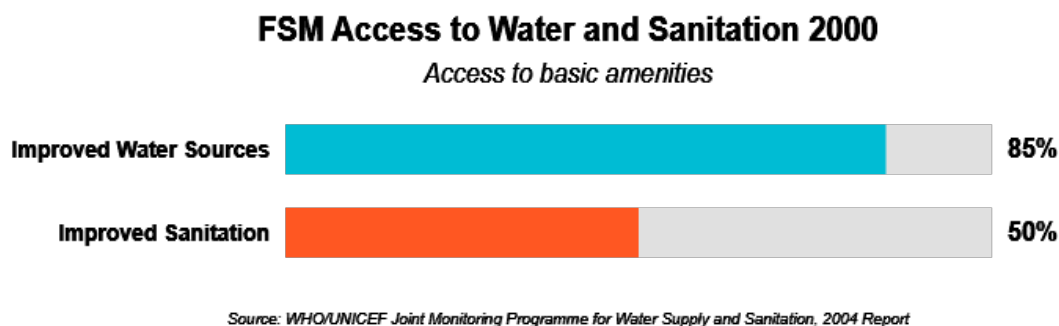
Education and Literacy

Education in FSM is a story of both achievement and ongoing struggle. The following chart illustrates the education indicators across FSM states in 2003. As shown, primary school enrollment stood as a bright spot, with about 92% of children attending elementary schools across the nation. This high rate of primary education was a foundation upon which FSM could build. However, the picture grew more complex at the secondary level, where only about 70% of eligible students were enrolled. This drop-off between primary and secondary education pointed to systemic challenges that would need addressing in the coming years. Adult literacy, estimated at 92%, was relatively high, yet disparities between urban and rural areas hinted at uneven development and access to educational resources across the nation.



The health landscape in FSM in 2003 presented a mixed picture that underscored both progress and areas needing urgent attention. The following graph shows the trend of key health indicators from 2003 to 2023, providing context for the 2003 baseline:

In 2003, life expectancy stood at approximately 67 years, a figure that, while showing improvement over previous decades, still lagged behind many developed nations. The infant mortality rate of about 40 per 1,000 live births and a maternal mortality ratio of around 100 per 100,000 live births were stark reminders of the challenges facing the healthcare system, particularly in rural and outer island areas (Source: FSM Department of Health and Social Affairs, Annual Report 2003). Access to basic amenities painted a similarly nuanced picture, as illustrated in the following chart:



While about 85% of the population had access to improved water sources, a significant achievement for a small island developing state, access to improved sanitation facilities lagged considerably, with only about half the population having adequate access. This disparity not only affected public health but also highlighted infrastructural challenges that would need addressing in the coming decades.

As the FSM looked towards implementing its Strategic Development Plan for 2004-2023, several key challenges and opportunities were apparent. According to the FSM Strategic Development Plan 2004-2023, rapid urbanization, particularly in Pohnpei, was straining urban infrastructure and services, creating a dichotomy between urban and rural development. The FSM Gender Policy of 2003 highlighted that gender disparities persisted, with women facing barriers in education, employment, and political participation. Furthermore, the FSM Department of Health and Social Affairs' NCD Strategic Plan 2003-2007 noted that the rise of non-communicable diseases, including obesity, diabetes, and cardiovascular diseases, was emerging as a major health concern, signaling a need for both preventive healthcare and lifestyle interventions.

Yet, amidst these challenges, FSM also possessed significant strengths and opportunities. The country's young population, if properly educated and employed, offered the potential for a demographic dividend. FSM's rich

cultural diversity and strong traditional social structures presented opportunities for cultural tourism and community-based development initiatives. The newly amended Compact of Free Association with the United States provided crucial resources for social sector development, though it also underscored the need for FSM to develop sustainable, self-reliant economic strategies for the long term.

As the Federated States of Micronesia entered the new millennium, poverty and income inequality remained significant challenges for the young nation. According to the Asian Development Bank's 2004 report on "Poverty and Hardship in the Federated States of Micronesia," approximately 30% of the FSM population was estimated to be living below the national poverty line in 2003. This high poverty rate was not uniformly distributed across the four states of the federation, highlighting regional disparities that posed ongoing challenges for policymakers. Chuuk, in particular, was noted to experience higher rates of poverty compared to the other states, though specific percentages for individual states were not provided in the available data.

These economic disparities between states underscored the complex nature of poverty in the FSM, reflecting differences in economic opportunities, infrastructure development, and access to resources across the island nation. The situation in 2003 pointed to the urgent need for targeted poverty reduction strategies and equitable development initiatives that could address the unique challenges faced by each state while working towards overall national economic improvement. The persistence of such high poverty levels, despite ongoing international aid and compact agreements, indicated the deep-rooted nature of economic challenges in the FSM, tied to factors such as limited economic diversification, geographical isolation, and the ongoing transition from traditional subsistence lifestyles to a more cash-based economy.

As FSM embarked on its Strategic Development Plan, the social context of 2003 set the stage for a period of significant transformation. The coming decades would test the nation's ability to leverage its strengths, address its challenges, and chart a course towards sustainable and equitable development for all its citizens.

4.4 Environmental Context

Geographic Features

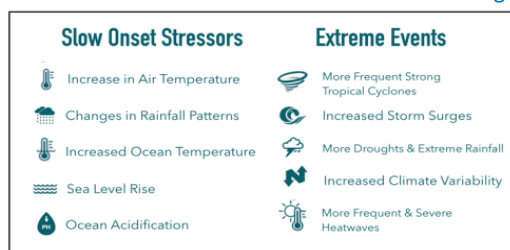
FSM consists of 607 islands spread across more than 1 million square miles of the Western Pacific Ocean. This vast and dispersed geography presents both opportunities and challenges. The country's extensive marine territory offers rich fishing grounds and potential for sustainable ocean resource management. However, the scattered nature of the islands also poses significant logistical challenges for governance, infrastructure development, and service delivery.

Throughout the SDP period, FSM made efforts to leverage its geographic features for economic development. The establishment of the FSM National Oceanic Resource Management Authority (NORMA) in 2002 and its subsequent strengthening led to improved management of fisheries resources. By 2023, FSM had significantly increased its revenue from fishing licenses, contributing to economic growth.

Climate Change and Natural Disasters

As a small island developing state, FSM is particularly vulnerable to the effects of climate change and natural disasters, ranking as the third most at-risk country in the Pacific region. The nation faces a range of climate stressors and extreme events, as illustrated in Figure 1 below.

Figure 1: Climate stressors and extreme events affecting FSM³



Source: GCF – FSM NDA

Figure 3: Climate change risks for FSM



Source: GCF – FSM NDA

These climate stressors include slow onset challenges like rising sea levels, increasing air and ocean temperatures, and ocean acidification. These threaten coastal communities, infrastructure, and marine ecosystems. Changing precipitation patterns impact agriculture and freshwater resources, while the country is also exposed to more frequent and intense tropical cyclones, which can cause severe damage to infrastructure and disrupt economic activities.

From 2004 to 2023, the impacts of climate change became increasingly evident. Sea level rise accelerated, with an average increase of 5.3 mm per year, significantly higher than the global average. This led to increased coastal erosion and saltwater intrusion into freshwater lenses, particularly affecting outer islands.

Notable events during the SDP implementation period include Typhoon Sudal in 2004, which caused extensive damage in Yap, and Typhoon Maysak in 2015, which affected Chuuk and Yap, wiping out up to 90% of key agricultural products. More recently, Typhoon Wutip in 2019 caused significant damage across thirty islands, leaving over 11,000 people food-insecure. These events underscore the need for robust disaster preparedness and climate adaptation strategies. The impacts of these climate changes pose significant risks to FSM, as shown in Figure 3 above.

The frequency and intensity of extreme weather events increased over the SDP period. Between 2004 and 2023, FSM experienced 12 major tropical cyclones, compared to 7 in the previous two decades. This trend led to the development and implementation of the FSM National Disaster Response Framework in 2016, enhancing the country's disaster preparedness and response capabilities.

Climate change presents numerous risks to FSM. These include threats to basic necessities such as water and food security, as well as the overall habitability of the islands. The nation faces potential health crises, damage to infrastructure, and the possible submergence of low-lying areas. Marine life and coastal ecosystems are at risk, which could lead to biodiversity loss. These environmental changes may trigger economic decline, disrupt livelihoods, and erode cultural cohesion within communities. Together, these factors paint a challenging picture for FSM's future in the face of ongoing climate change.

Over the course of the SDP, the impacts of climate change on biodiversity became more pronounced. Coral bleaching events increased in frequency and severity, with a major event in 2016 affecting over 80% of coral reefs in some areas. This led to the establishment of the FSM Protected Areas Network in 2018, aiming to conserve critical marine and terrestrial ecosystems.

The FSM's greenhouse gas emissions, while low globally, are primarily from the energy sector, accounting for 78.64% of total emissions in 2000. Recognizing the urgency of the situation, the FSM government is actively

³ Source: Green Climate Fund (2023). Federated States of Micronesia Country Programme: Programming Cycle 2024-2027.

working on adaptation and mitigation strategies. The country has committed to ambitious climate action, targeting net-zero GHG emissions by 2050 and increasing its renewable energy penetration. The development of a National Adaptation Plan and participation in regional and international climate initiatives demonstrate FSM's commitment to addressing these pressing issues.

FSM made significant strides in renewable energy adoption during the SDP period. The share of renewable energy in the total energy mix increased from less than 1% in 2004 to approximately 19% by 2023, primarily through solar and wind projects. The country also became increasingly active in international climate negotiations, playing a key role in advocating for small island states in forums such as the UNFCCC COP meetings.

A full list of all natural disasters that have occurred in the FSM can be found in the FSM Department of Environment resource link: [FSM Environment, Climate Change and Disaster Risk Management Data Portal | Building resilience through increased access to information \(sprep.org\)](#)

4.5 Regional and International Context

Regional Cooperation

FSM is an active member of several regional organizations, including the Pacific Islands Forum and the Secretariat of the Pacific Community. These affiliations provide platforms for cooperation on shared challenges such as climate change, fisheries management, and economic development. Regional cooperation also enhances FSM's capacity to engage with larger international partners and access technical assistance.

During the SDP period, FSM's regional engagement significantly expanded. In 2011, FSM became a founding member of the Micronesia Challenge, a conservation initiative aimed at effectively conserving at least 30% of near-shore marine resources and 20% of terrestrial resources across Micronesia by 2020. By 2023, FSM had exceeded these targets, demonstrating its commitment to regional environmental cooperation.

FSM also played an increasingly active role in the Pacific Islands Forum, particularly in advocating for climate action. The country's leadership was instrumental in the development and adoption of the 2018 Boe Declaration on Regional Security, which recognized climate change as the single greatest threat to the livelihoods, security, and wellbeing of Pacific peoples.

International Relations

While FSM's international relations are dominated by its special relationship with the United States through the COFA, the country has been diversifying its partnerships. FSM has been engaging more actively with countries in the Asia-Pacific region and international organizations, seeking to broaden its diplomatic and economic ties.

The period from 2004 to 2023 saw significant diversification in FSM's international relations. While maintaining strong ties with the United States, FSM established diplomatic relations with several new countries, including India (2019) and Israel (2019). The country also strengthened its relationships with regional powers such as China, Japan, and Australia.

In 2015, FSM joined the Asian Infrastructure Investment Bank (AIIB), expanding its access to development financing. By 2023, FSM had secured several AIIB-funded projects, particularly in renewable energy and climate resilience infrastructure.

The renegotiation of the COFA with the United States was a key focus in the latter part of the SDP period. Negotiations began in 2022, with FSM advocating for increased financial assistance and extended migration rights for its citizens.

On the global stage, FSM has ratified several international human rights instruments and enacted legislation to promote gender equality and the empowerment of women. The country is also committed to the implementation of the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. However, significant challenges remain in fully realizing these commitments, particularly in addressing gender-based violence, enhancing women's political participation, and ensuring the inclusion of persons with disabilities in all aspects of society.

FSM made notable progress in its international commitments during the SDP period. In 2016, FSM ratified the Paris Agreement, becoming one of the first countries to do so. The country submitted its first Voluntary National Review on SDG implementation in 2020, highlighting progress and challenges in achieving the global goals.

Gender equality saw some improvements, with the passage of the National Gender Policy in 2018. However, women's representation in parliament remained low, with no women elected to the national congress as of 2023.

FSM's engagement with the United Nations system deepened over the years. In 2017, the country established its first Permanent Mission to the UN in New York, enhancing its ability to participate in global diplomacy and advocate for small island developing states.

This complex and evolving context provides the backdrop against which the Strategic Development Plan 2004-2023 was implemented. The plan's strategies and outcomes must be evaluated in light of these political, economic, social, and environmental factors, which have both shaped and been influenced by the development process over the past two decades. As FSM looks to the future, the review of the SDP will be crucial in informing the development of the renewed SDP for 2024 and beyond, ensuring it remains a responsive and effective guide for the country's sustainable development in the face of ongoing challenges and emerging opportunities.

Findings of the FSM SDP 2004-2023 Evaluation

Relevance

Overall Finding on Relevance

Main Question 1: To what extent has the FSM SDP 2004-2023 been aligned with the country's development priorities and the needs of the target beneficiaries?

The FSM SDP 2004-2023 has demonstrated a mixed level of alignment with the country's development priorities and the needs of target beneficiaries. While the SDP has shown strengths in its comprehensive coverage of national development priorities, its practical relevance and implementation have faced significant challenges due to the unique federated structure of FSM and the evolving nature of development needs over its 20-year timeframe.

Strengths in Alignment:

- ❖ **Comprehensive Coverage:** The SDP provides a broad framework that theoretically addresses a wide range of national development priorities, allowing for reference to various development initiatives.
- ❖ **Sector-Specific Alignment:** Certain sectors, such as fisheries and utilities, have shown strong alignment with national priorities. Some government departments, like Education and Health & Social Affairs, reported good alignment between the SDP and their sector-specific plans.
- ❖ **Recent Efforts for Improvement:** The ODA office's work in collecting and validating national priorities, along with the creation of a donor map, demonstrates ongoing efforts to enhance alignment with country needs and available resources.

Challenges in Alignment:

- ❖ **National vs. State-Level Priorities:** The federated structure of FSM has created significant challenges in aligning national priorities with state-level needs and plans. Each state's semi-autonomous nature has led to misalignments between the SDP and state-specific development agendas.
- ❖ **Implementation Gap:** While the SDP is comprehensive in theory, there is a notable disconnect between its goals and actual implementation. Many stakeholders, particularly at the state level, reported limited awareness or use of the SDP in day-to-day operations.
- ❖ **Evolving Relevance:** The long-term nature of the SDP (20 years) has made it challenging to maintain relevance in the face of changing economic and environmental conditions. Some sectors, like fisheries, have evolved in importance in ways that were not foreseen when the SDP was developed.
- ❖ **Beneficiary Needs:** There are indications that the SDP's high-level goals often fail to translate into tangible benefits for the target population, as evidenced by ongoing issues in areas such as student transportation, school lunch programs, and healthcare accessibility.
- ❖ **Cultural Considerations:** The SDP's alignment with cultural considerations, particularly in states like Yap with strong traditional governance structures, could be improved to enhance its relevance and effectiveness.

In conclusion, while the FSM SDP 2004-2023 has provided a comprehensive framework for development, its alignment with the country's development priorities and beneficiary needs has been inconsistent. The plan's theoretical coverage of national priorities is strong, but its practical relevance and implementation at both national and state levels have faced significant challenges. Moving forward, there is a clear need for a more dynamic and responsive strategic planning process that can better accommodate the diverse needs of both national and state-level stakeholders, while maintaining relevance in the face of changing conditions and more effectively translating high-level goals into tangible benefits for the target beneficiaries.

Specific Findings

Sub Question 1.1: How well have the FSM SDP's goals, objectives, and strategies aligned with the national and state-level development agendas and plans?

The Strategic Development Plan (SDP) of the Federated States of Micronesia (FSM) has shown varying degrees of alignment with national and state-level development agendas and plans. The interviews conducted reveal a complex landscape characterized by both strengths and challenges in this alignment.

Comprehensive Coverage but Limited Practical Application

One of the SDP's strengths is its comprehensive nature. As one key informant noted, "The good thing about the SDP is that it's so comprehensive. It's a document, you know, the sector groups make sure that everything is in there. So anything you want to do, you can find reference to it in the SDP." This breadth of coverage suggests that the SDP has, at least in theory, attempted to address a wide range of national development priorities. However, state inputs reveal that this comprehensiveness may not translate to practical relevance at the state level. Many stakeholders indicated limited awareness or use of the SDP in day-to-day operations, suggesting a disconnect between the plan's theoretical coverage and its practical application.

However, the interviews also revealed a significant disconnect between the SDP's comprehensive nature and its practical application in governance and decision-making. Another interviewee pointed out, "I think, for example, external partners, I think we probably refer to it more than the government, like the partners, the ownership." This statement suggests that while the SDP may theoretically align with development priorities, its relevance to day-to-day governance is limited.

Challenges in Aligning National and State-Level Priorities

A recurring theme in the interviews was the challenge of aligning national priorities with state-level needs in FSM's federated system. One high-ranking official highlighted this issue, stating, "Our situation is a little bit different. We have five governments in a very loose federation, where each of the states actually have their own. They are autonomous or kind of semi-autonomous. And so they pretty much dictate what they want." This decentralized structure impacts the implementation of the SDP and creates challenges in addressing national-level issues. State inputs strongly reinforced this finding, providing specific examples of how this misalignment manifests in practice:

- Chuuk emphasized the need for more focus on basic infrastructure development, which may not be adequately addressed in the national SDP.
- Pohnpei highlighted the importance of balancing economic development with cultural preservation, an aspect that may be overlooked in broader national priorities.
- Yap stressed the need for initiatives that respect traditional governance structures, highlighting a unique cultural consideration not prominently featured in the national plan.
- Kosrae pointed out the relevance of climate change adaptation strategies specific to their geographical challenges, which may require more tailored approaches than those outlined in the national SDP.

Another interviewee emphasized the misalignment between national and state-level economic development frameworks: *"The framework for encouraging economic development at the state and national level are not aligned. They do not align with the vision for this country."* This suggests a need for the SDP to better articulate a vision that encompasses the perspectives of various stakeholders, including states, national government, businesses, educators, donors, and partners.

The survey responses from government secretaries further highlight this challenge. The Department of Foreign Affairs, for instance, indicated a need for more involvement with states and municipalities, suggesting room for improvement in the distribution of responsibilities and alignment of priorities across different levels of government.

Sector-Specific Alignment and Relevance

The interviews revealed that certain sectors, such as fisheries and utilities, have shown strong alignment with national priorities. For instance, in the fisheries sector, one interviewee noted, *"I think fisheries is way ahead of the other sectors. So I think that's where using the SDP, we can align with the other sectors."* Similarly, in the utilities sector, the critical role of energy, water, and sanitation in supporting other development areas was emphasized. However, state inputs provided a more nuanced perspective on sector-specific relevance:

- Fisheries initiatives were noted as particularly relevant in states with larger marine resources.
- Agricultural development was seen as more pressing in states with greater land resources.
- Tourism development relevance varied based on each state's tourism potential and infrastructure.

This variation in sector priorities across states suggests that while the SDP may align well with some national priorities, it may not fully capture the diverse needs and potentials of individual states.

However, the relevance of some sectors has evolved over time, challenging the SDP's long-term alignment. As one interviewee pointed out, *"Nobody could foresee, probably in 2002, 2003, 2004, when they were putting together that SDP, that fisheries would become such a lifeline for the FSM."* This highlights the difficulty in maintaining the SDP's relevance over its 20-year timeframe.

The survey responses from government secretaries provide additional insights into sector-specific alignment. The National Department of Education reported that the SDP goals matched well with their Education Sector Strategic Development Plan (ESSDP). Similarly, the Department of Transportation, Communications and Infrastructure noted good alignment between SDP goals and their infrastructure development objectives. The Department of Health & Social Affairs also mentioned close alignment between SDP strategic goals and their department's objectives. These responses suggest that at least for some key sectors, there is strong alignment between the SDP and departmental plans.

Gap Between Planning and Implementation

Several interviewees highlighted a gap between the SDP's goals and actual implementation. One former high-ranking official noted a shift from planning to action during their administration: *"We were just in the planning mode and I was very impatient, looking at the road, looking at the infrastructures, looking at the education and health facilities and so forth. Looking at projects... So instead of sticking to the strategic plan, I just said, let's go to the action plan."* This suggests that while the SDP was in place, it wasn't effectively guiding development or addressing immediate needs. Inputs from the states inputs strongly emphasized this implementation gap, providing specific examples:

- Lack of transportation for students in some areas
- Absence of school lunch programs - Inaccessible healthcare services in certain communities

These ground-level examples illustrate how the SDP's high-level goals often fail to translate into tangible benefits for the population. State inputs also highlighted capacity constraints at the state level as a significant factor contributing to these implementation difficulties.

Stakeholder Engagement and Cultural Considerations

State inputs revealed a critical aspect not fully captured in the initial mid-term review: the varying levels of SDP awareness and engagement across different states and stakeholder groups. Many state-level stakeholders reported limited familiarity with or use of the SDP in their day-to-day operations, indicating a significant gap in the plan's relevance to on-the-ground implementers.

Furthermore, cultural considerations emerged as a crucial factor in the SDP's relevance, particularly in states like Yap. The need to align development initiatives with traditional governance structures and cultural practices was emphasized, suggesting that the SDP's relevance could be enhanced by more explicitly incorporating these cultural elements into its framework.

Efforts to Improve Alignment

Recent efforts have been made to improve alignment between the SDP and development priorities. The ODA office has been actively working to collect and validate national priorities, demonstrating a commitment to ensuring development efforts align with the country's needs. The creation of a donor map by the ODA office is a significant step towards better alignment, serving as a valuable tool for matching development priorities with available resources.

While the FSM SDP 2004-2023 has provided a comprehensive framework for development, its alignment with national and state-level development agendas and plans has been inconsistent. The federated structure of FSM presents unique challenges in coordinating priorities across national and state levels. Moving forward, there is a clear need for a more dynamic and responsive strategic planning process that can better accommodate the evolving needs of both national and state-level stakeholders, while maintaining relevance in the face of changing economic and environmental conditions.

Sub Question 2: How well are the institutional and functional arrangements for the FSM SDP aligned with the country's development priorities and the needs of target beneficiaries?

The alignment of institutional and functional arrangements for the FSM Strategic Development Plan (SDP) with the country's development priorities and beneficiary needs presents a complex picture characterized by both challenges and efforts towards improvement.

Challenges in the Federated System

A significant challenge in aligning the SDP with development priorities stems from FSM's unique federated structure. As one high-ranking official pointed out, "Our situation is a little bit different. We have five governments in a very loose federation, where each of the states actually have their own. They are autonomous or kind of semi-autonomous. And so they pretty much dictate what they want." This decentralized structure creates inherent difficulties in implementing a unified national strategy while respecting state-level autonomy.

The misalignment between national and state-level frameworks was emphasized by multiple interviewees. One noted, "The framework for encouraging economic development at the state and national level are not aligned. They do not align with the vision for this country." This disconnect suggests that the institutional arrangements for the SDP have not fully succeeded in bridging the gap between national objectives and state-level priorities.

Comprehensive Coverage vs. Practical Implementation

The SDP itself is recognized for its comprehensive coverage of development priorities. As one interviewee stated, "The good thing about the SDP is that it's so comprehensive. It's a document, you know, the sector groups make sure that everything is in there. So anything you want to do, you can find reference to it in the SDP." However, this comprehensiveness has not necessarily translated into effective implementation or alignment with beneficiary needs.

Several interviewees highlighted a significant disconnect between the plan and its actual implementation within government operations. One official noted, "I think, for example, external partners, I think we probably refer to it more than the government, like the partners, the ownership." This suggests that while the SDP may theoretically align with development priorities, its practical relevance to day-to-day governance and decision-making is limited.

Sector-Specific Alignment

The alignment of the SDP varies across different sectors. In some areas, such as fisheries and utilities, there appears to be strong alignment with national priorities. An interviewee from the fisheries sector stated, "*I think fisheries is way ahead of the other sectors. So I think that's where using the SDP, we can align with the other sectors.*" Similarly, in the utilities sector, the critical role of energy, water, and sanitation in supporting overall development was emphasized.

However, the relevance of sectors has evolved over time, challenging the long-term alignment of the SDP. As one interviewee noted, "Nobody could foresee, probably in 2002, 2003, 2004, when they were putting together that SDP, that fisheries would become such a lifeline for the FSM." This highlights the need for more flexible institutional arrangements that can adapt to changing priorities over time.

The survey responses from government secretaries provide additional nuance to this sector-specific alignment. While some departments reported good alignment with the SDP, there were also indications of areas needing improvement. For instance, some departments suggested the need for more frequent reviews of the SDP and better alignment of departmental actions with SDP goals. This suggests that while the SDP may cover relevant sectors, the institutional arrangements for ensuring ongoing alignment and implementation could be strengthened.

Gap Between Planning and Beneficiary Needs

Several interviewees highlighted a significant gap between high-level planning and the actual needs of beneficiaries. A representative from civil society emphasized this disconnect, stating, "When governments make decisions alone, do they really know the impact of those decisions on your everyday life?" This suggests that the institutional arrangements for the SDP may not adequately incorporate ground-level perspectives and needs.

Examples of misalignment with beneficiary needs were provided, including lack of transportation for students, absence of school lunches, and inaccessible healthcare services. These issues indicate that the SDP's institutional arrangements may not be effectively translating high-level goals into tangible benefits for the population.

The survey responses from government secretaries also highlighted this gap, with several departments emphasizing the need for better integration of the SDP into day-to-day governance and decision-making. This suggests that while the SDP may theoretically align with development priorities, its practical relevance to ongoing governance and implementation could be improved.

Efforts Towards Improvement

Despite these challenges, there are ongoing efforts to improve alignment. The Official Development Assistance (ODA) office has been actively working to collect and validate national priorities, demonstrating a commitment to ensuring development efforts align with the country's needs. The creation of a donor map by the ODA office is a significant step towards better alignment, serving as a valuable tool for matching development priorities with available resources.

There's also an evident effort to balance national and state-level priorities, as exemplified by the process of selecting six nationwide priorities while also considering two unique priorities for each state. This approach aims to ensure relevance at both national and sub-national levels.

While the FSM SDP provides a comprehensive framework for development, its institutional and functional arrangements have shown mixed alignment with the country's development priorities and beneficiary needs. The federated structure of FSM presents unique challenges in coordinating priorities across national and state levels. Moving forward, there is a clear need for more adaptive and inclusive institutional arrangements that can better bridge the gap between national planning and state-level implementation, while remaining responsive to the evolving needs of beneficiaries.

Sub Question 1.3: To what extent do the current distribution of SDP-related responsibilities across government entities and their linkages with external partners support the effective implementation and coordination of the SDP?

The current distribution of SDP-related responsibilities across government entities in the Federated States of Micronesia (FSM) and their linkages with external partners present a complex picture that both supports and challenges the effective implementation and coordination of the Strategic Development Plan (SDP).

Federated Structure and Responsibility Distribution

The FSM's unique federated structure significantly impacts the distribution of SDP-related responsibilities. As one high-ranking official noted, "The work really is done by the states. But what we do is we try to facilitate assistance to the states." This decentralized approach allows for state-level autonomy while the national government provides support and coordination. However, this structure also creates challenges for coordinated national planning and implementation.

The constitutional division of powers, which places economic development primarily under state jurisdiction, further complicates the situation. As one interviewee stated, "Under the constitution, economic development is primarily the domain of individual states, which creates challenges for coordinated national planning." This division can lead to fragmentation in development efforts and potential misalignment between national and state-level priorities.

Coordination Mechanisms and Challenges

The interviews reveal that while there were initial plans for robust coordination mechanisms, these have not been fully realized. One respondent mentioned, "They talked about forming sectoral coordination groups after the SDP was formalized, so that they can continue to follow up... I don't know what happened. There's no sectoral working groups." This lack of follow-through on coordination mechanisms likely hampers the effective implementation of the SDP.

The survey responses from government secretaries provide additional insight into these coordination challenges. Several departments indicated that while the SDP helped facilitate inter-departmental collaboration to some extent, there's significant room for improvement. The need for better data management systems, more involvement at the state level, and improved coordination between national and state agencies were highlighted as areas requiring attention.

The dismantling of the Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC) has further complicated coordination efforts. As one official noted, this has led to "challenges in information flow and coordinated decision-making across government

departments." The resulting fragmentation has necessitated cross-departmental work to collect and validate data, indicating inefficiencies in the current system.

Recent MEL Assessment Evidence (2024)⁴

The coordination challenges identified above are further substantiated by the 2024 MEL capacity assessment and training findings, which reveal that:

- ❖ Participation in MEL activities is limited primarily to national government staff, with notable gaps in state-level representation
- ❖ The training needs assessment revealed that 88.89% of participants were not familiar with the Pacific MEL project (PacMEL), and 96.30% were unfamiliar with the Pacific MEL Capacity Strengthening Rebbilib
- ❖ There is uneven representation across sectors, with some key departments (such as Education) absent from MEL capacity building initiatives
- ❖ While planning processes are centralized at the national level in Pohnpei, the assessment indicates significant capacity gaps in basic MEL functions, with only 11.11% of respondents reporting use of any manual/tools to help staff access or use M&E systems in their organizations

External Partnerships and Their Impact

External partnerships play a crucial role in SDP implementation and coordination. The relationship with the United States through the Compact of Free Association is particularly significant, with one interviewee stating, "Our relationship with the United States is by far the most important relationship this country has for strategic and economic reasons and for geopolitical reasons." The Compact provides nearly 50% of operational funding, particularly in education and health.

Other important external partners include international organizations such as the World Bank, Asian Development Bank (ADB), European Union (EU), and regional bodies like the Pacific Community (SPC). These partnerships have led to significant improvements in securing grants, as evidenced by one sector official who noted, "When I started seven years ago, we had about 8 million in grants. As of today, we have over 70 million for water and power from ADB, from World Bank, from EU, from PFAT."

However, the coordination of these external partnerships presents its own challenges. As one interviewee pointed out, "Nobody really knows what everyone's doing. I wish there was a centralized database we could all go to and list all the projects, all the grants, all the partners." This lack of centralized information hampers effective coordination and potentially leads to duplication of efforts.

The Government Cabinet survey responses also touched on the importance of balancing external partnerships with internal capacity building. The Department of Health & Social Affairs, for instance, stressed the importance of focusing on producing mandatory departmental reports rather than prioritizing those for external donors. This suggests a need to align external partnership activities more closely with internal departmental priorities and capacities to ensure sustainable implementation of the SDP."

Civil Society Engagement

The current distribution of responsibilities appears to underutilize civil society organizations (CSOs). One interviewee strongly advocated for better partnerships between the government and CSOs, stating, "We need to partner. So, going forward, what would be your recommendations? Well, number one, we need to be

⁴ Refer to **Annex G** for the full MEL Capacity Assessment conducted by SPC under the SDP Project Letter of Agreement with the FSM Government.

engaged. Right. We need to be directly involved." This suggests that there is room for improvement in engaging non-governmental stakeholders in SDP implementation.

Recommendations for Improvement

Several interviewees proposed solutions to enhance the effectiveness of SDP implementation and coordination. One suggestion was the creation of a high-level Sustainable Development Council representing various branches of government, the private sector, and NGOs. As the proponent stated, "It should be a council comprised of them. So that they can report directly to the President and Congress on a regular basis."

While the current distribution of SDP-related responsibilities and external partnerships has facilitated some progress, significant challenges remain in coordination, information sharing, and stakeholder engagement. Addressing these issues could greatly enhance the effective implementation and coordination of the SDP across the FSM.

Effectiveness

Overall Finding on Effectiveness

Main Question 2: To what degree have the intended objectives and results of the FSM SDP been achieved across the 10 thematic areas?"

The FSM Strategic Development Plan 2004-2023 has demonstrated varied levels of effectiveness across its 10 thematic areas, with some sectors showing substantial progress while others face persistent challenges. Overall, the SDP has contributed to significant advancements in several key areas, but full achievement of its intended objectives remains a work in progress.

Key Achievements:

- ❖ **Environment:** Substantial progress has been made, particularly in climate change adaptation and biodiversity conservation. The implementation of the 2013 Nationwide Disaster Risk Management and Climate Change Policy, passage of the Climate Change Act of 2014, and establishment of Marine Protected Areas covering 14.7% of the Federation's reef areas demonstrate significant commitment to environmental protection.
- ❖ **Health:** The sector has seen substantial improvements, with notable decreases in maternal mortality rates and increases in contraceptive prevalence. Swift action in response to public health challenges like COVID-19 and measles immunization campaigns further highlight progress in this area.
- ❖ **Education:** Significant strides have been made, with early childhood education enrollment increasing from 34% in 2005 to 85% in 2019, and the proportion of teachers with college degrees rising from 62.5% in 2009 to 90% in 2019.
- ❖ **Infrastructure:** Access to electricity and safely managed sanitation services has significantly improved, contributing to better living conditions across the federation.
- ❖ **Public Sector Management:** The accession to the United Nations Convention against Corruption and implementation of public financial management reforms indicate progress in governance and transparency.

Areas of Limited Progress:

- ❖ **Private Sector Development:** While there has been some reduction in unemployment, economic diversification remains limited, with only slight increases in manufacturing value added as a proportion of GDP.
- ❖ **Tourism:** Despite the designation of UNESCO Biosphere Reserves, progress in developing tourism as a leading sustainable economic activity has been limited.
- ❖ **Agriculture:** While 95% of households grow crops for consumption, barter, and sale, there's still significant reliance on imported food products, indicating room for improvement in food security and agricultural productivity.

Factors Influencing Effectiveness:

Facilitating Factors:

- ❖ Strong leadership and coordination efforts at both national and state levels
- ❖ Successful integration of policies, particularly in climate change and disaster risk management
- ❖ Partnerships with external entities and NGOs, providing crucial funding and support
- ❖ Innovative approaches in sectors like education and energy

Hindering Factors:

- ❖ Resource constraints, particularly in funding and skilled human resources
- ❖ Challenges in coordination between national and state levels due to FSM's federal structure
- ❖ Lack of systematic data collection and weak monitoring systems
- ❖ Land-related issues impeding infrastructure and renewable energy projects
- ❖ Limited government support for civil society organizations

Institutional Arrangements and Coordination:

The effectiveness of institutional arrangements and coordination mechanisms has been mixed. The dismantling of the Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC) has created a vacuum in centralized planning and coordination. While efforts have been made to improve coordination, such as through state national leadership conferences, their effectiveness remains limited.

Monitoring Systems:

Monitoring systems for SDP implementation have been largely ineffective or non-existent, hindering the ability to track progress and make informed decisions. The lack of a dedicated entity for SDP monitoring and the absence of a centralized database have been significant issues.

In conclusion, while the FSM SDP 2004-2023 has contributed to substantial progress in areas such as environment, health, education, and infrastructure, it has fallen short of fully achieving its intended objectives across all 10 thematic areas. The effectiveness of the plan has been hampered by challenges in coordination, resource constraints, and weak monitoring systems. Moving forward, addressing these challenges through improved institutional arrangements, enhanced coordination mechanisms, and robust monitoring systems will be crucial for increasing the effectiveness of future development planning and implementation in FSM.

Specific Findings

Sub Question 2.1: What have been the key achievements and progress made in each of the 10 thematic areas?

The Federated States of Micronesia's journey through its Strategic Development Plan 2004-2023 has been marked by both significant strides and persistent challenges across various sectors. As we have already passed the conclusion of this two-decade plan on 31 December 2023, it's crucial to reflect on the progress made, the obstacles encountered, and the lessons learned to inform future development strategies.

As of 16 August 2024, 7 out of 10 sectors submitted their first draft of their sector stock take table to the SDP Review team for reflection in this mid review report. The same information was presented to the SNLC on 12 August 2024. An updated assessment of the achievements made in the sectors (post SNLC) is presented below. However, it's important to note that state inputs have provided additional, often more nuanced perspectives on these achievements, highlighting the varied progress and challenges across different states.

1. *Environment*

In the realm of environmental stewardship, the FSM has made notable advancements. With a 36% completion rate across 189 planned activities, the nation has demonstrated a growing commitment to protecting its natural resources. New laws and policies have been enacted to safeguard the environment and promote sustainable resource management. However, state inputs reveal that the effectiveness of these measures varies across states. For instance, some states reported challenges in implementing these policies due to limited local capacity and resources. Additionally, states like Yap emphasized the need to consider traditional conservation practices in environmental management strategies.

One interviewee highlighted the tangible results of these efforts, noting, "Right now, you see a lot of marine protected areas, you know, terrestrial protected areas on land." This observation underscores the visible impact of conservation initiatives. The passage of the Climate Change Act in 2013 further solidified the FSM's commitment to addressing global environmental challenges. However, the sector still grapples with limited funds, coordination issues, and data gaps, emphasizing the need for continued focus and resource allocation.

2. Public Sector Management

The public sector has seen improvements in governance and management practices, achieving a 36.2% completion rate of planned activities. Key successes include the establishment of fiscal management frameworks and enhanced public service delivery mechanisms. These initiatives have laid a foundation for more transparent and accountable governance. However, resource constraints and capacity limitations continue to hinder full implementation of reforms. The experience has highlighted the critical importance of investing in training and development for public sector employees to effectively execute governance reforms.

3. Education

Education emerges as a sector with significant progress, boasting a 57.8% completion rate of planned activities. The successful integration of early childhood education programs and the establishment of a revised teacher certification system have contributed to improved educational outcomes. However, state inputs highlight significant disparities in educational progress across states. Some states reported ongoing challenges in areas such as special needs education and standardizing practices. For example, outer islands in particular face difficulties in attracting and retaining qualified teachers, impacting the overall effectiveness of educational initiatives.

An interviewee from the education sector proudly reported, "The percentage of high school graduates going to college increased from 32% to 47% over three years." This statistic reflects the tangible impact of educational reforms. However, challenges persist, particularly in providing adequate resources for special needs education and standardizing practices across different states.

The survey responses from government secretaries provide additional insights into the achievements in the education sector. The National Department of Education highlighted significant progress in early childhood education, improvements in literacy and numeracy, and upgrades in vocational education. These achievements align with and further substantiate the reported 57.8% completion rate of planned activities in the education sector.

4. Health

The health sector, while showing a lower completion rate of 7.4%, has made important strides in improving healthcare delivery. The establishment of a nursing school in 2006 and the comprehensive training of Health Assistants in crucial public health topics have strengthened the healthcare workforce. State inputs, however, reveal significant disparities in healthcare access and quality across different states and between urban centers and outer islands. Some states reported persistent challenges in retaining healthcare professionals and maintaining adequate medical supplies, particularly in remote areas.

All state hospitals now implement quality assurance measures, indicating a commitment to improving healthcare standards. An interviewee noted, "I think there has been significant strides in strengthening the service delivery both in health and education." However, the sector faces ongoing challenges, including limited resources and infrastructure issues, which continue to impact service delivery.

Survey responses from the Department of Health & Social Affairs corroborate and expand on these findings. The department noted improvements in child mortality rates and the development of various health policies and programs. These achievements, while not fully captured in the reported 7.4% completion rate, indicate significant progress in key health indicators and policy development.

5. Agriculture

In the agriculture sector, progress has been minimal, with only 2 out of 81 planned activities completed. Despite this low completion rate, important foundational steps have been taken, including the establishment of an

agreed policy framework and improved stakeholder engagement, as evidenced by the signing of the FSM Agriculture sector policy 2012-2016 and implementation by representatives from all states. The sector recognizes the need for more structured monitoring and evaluation to track progress effectively.

6. Tourism

The tourism sector, despite its low 2.8% completion rate, has laid important groundwork for future development. The creation of a tourism sector development framework plan in 2016 and the establishment of the National Tourism unit under the department of resources and development, with each state having set up their respective State Visitors Bureau are significant steps towards structuring the industry for growth. However, resource constraints and inconsistent marketing effort and transportation issues have hindered more substantial progress.

7. Fisheries

In the fisheries sector, while only 8.3% of planned activities have been completed, important initiatives have been launched. The integration of fisheries education into school programs and the development of community-based fisheries management plans show a commitment to long-term sustainability of this crucial resource. An interviewee highlighted a significant achievement in this sector, stating, "We've become a flag state," referring to the FSM's progress in domesticating its fishing fleets.

8. Private Sector Development

Over the past two decades, the Federated States of Micronesia (FSM) has made significant strides in developing its private sector. Key achievements include the establishment of a sound economic policy-making environment, with improved fiscal accountability and financial stability. The FSM has successfully implemented a secured transactions registry, operational on an FSM-wide basis, which has enhanced the functioning of the financial sector. The corporate regulatory environment has been improved, notably with the updated FSM Registry Law. Efforts to attract foreign investment have progressed, with amendments to foreign investment laws in some states and ongoing consultations on foreign investment regimes. The government has actively engaged in investment promotions through events abroad and FSM embassies. Support for local businesses has been evident through annual trade fairs and the development of a comprehensive FSM Investment Guide, with a second version planned for 2025. The country has also made progress in infrastructure development, with the adoption of Infrastructure Development Plans (IDPs) and the establishment of Project Management Units. While challenges remain, such as the need for further tax reform and the establishment of one-stop centers for business information, the overall trend shows a commitment to creating a more supportive environment for private sector growth and competitiveness.

9. Gender

The FSM has made significant progress in advancing gender equality and empowering women, youth, senior citizens, and persons with disabilities. Key achievements include the adoption and implementation of a nationwide gender policy, which is now up for review. The establishment of the Division of Social Affairs and Gender Program has strengthened institutional capacity for gender mainstreaming. There's been a notable increase in women's representation in leadership, management, and elected positions, although there's room for further improvement. Gender-based stereotypes and discriminatory practices have been decreasing, thanks to ongoing community awareness efforts. The country has also made strides in improving women's economic capacity and commercial networks. In the youth sector, a national youth policy was adopted and is currently being updated for 2023. For persons with disabilities, several states have adopted disability laws, and there's increasing recognition of their positive contributions to society. While some goals, such as establishing a Commission on the Status of Women and creating a national senior citizens' office, are still in progress or not yet achieved, the overall trend shows a commitment to gender equality and social inclusion. The FSM has also improved its capacity in information and communication technology related to gender issues, including the establishment of a Digital Gender program. These achievements demonstrate the FSM's ongoing commitment

to creating a more inclusive and equitable society, though there's acknowledgment that continued efforts are needed in several areas.

Infrastructure

Over the past two decades, the FSM has made significant strides in infrastructure development, despite facing challenges. Key achievements include improvements in transportation infrastructure, with the completion of circumferential roads in some states, runway improvements and extensions in Pohnpei and ongoing work in Yap. The utilities sector has seen progress, with new power plants developed in Pohnpei, Weno, Kosrae, and Tonoas, and efforts towards cost recovery in Chuuk and Yap. Water supply systems have been improved and expanded in principal islands. In the education sector, new high schools have been constructed in Pohnpei and Kosrae, with ongoing upgrades to elementary and secondary schools. Health infrastructure has also been enhanced, with improvements to state hospitals and the ongoing construction of a new hospital in Kosrae. The telecommunications sector has seen the most progress in terms of privatization and regulatory reform. While not all goals set in the Strategic Development Plan have been fully realized, there's been a marked improvement in management capabilities at various levels of government, increased engagement with the private sector, and efforts to establish regulatory mechanisms and building codes. The implementation of the Infrastructure Development Plan and the establishment of Project Management Units have contributed to better coordination and execution of infrastructure projects. However, areas such as solid waste management, environmental regulations, and comprehensive impact assessments of infrastructure projects remain areas for further improvement.

Cross-Cutting Achievements

Cross-cutting achievements have been noted across sectors. Improvements in gender equality, particularly in women's political participation, and enhanced awareness of gender-based violence issues represent important social progress. However, state inputs provide a more nuanced picture of these cross-cutting achievements. While progress has been made, many states reported ongoing challenges in fully implementing gender equality initiatives and addressing gender-based violence. Cultural norms and traditional practices in some states continue to impact the effectiveness of these efforts. The implementation of the Family Health Safety Survey further demonstrates the nation's commitment to addressing critical social issues.

Financial management has seen notable improvements, with one interviewee pointing out, "We've cleared all our audit citations, both at the national and state level." The establishment of the MRA scheme and the FSM Trust Fund have contributed to increased government revenue and financial stability.

In the energy sector, significant progress has been made in improving technical efficiency and implementing renewable energy projects. An interviewee from the sector proudly stated, "We've improved our technical efficiency. We've reduced our power loss from 18% down to under 10%." This improvement, coupled with an increase in grant funding from \$8 million to over \$70 million for utilities, demonstrates substantial progress in this critical infrastructure sector.

As the FSM looks towards the future, several key lessons emerge from this two-decade journey. The importance of stakeholder engagement, capacity building, and flexible implementation strategies has been underscored across all sectors. The need for robust monitoring and evaluation systems is evident, particularly given the high number of unreported or unassessed activities in some sectors.

In conclusion, while the FSM has made significant strides in various areas of its Strategic Development Plan, challenges persist. The varying completion rates across sectors highlight the need for targeted efforts and resource allocation in lagging areas. State inputs have revealed that the effectiveness of the SDP varies considerably across states and sectors. While national-level data shows progress in many areas, state-level

realities often present a more complex picture. Moving forward, it will be crucial to address the specific challenges faced by each state, particularly in terms of resource allocation, capacity building, and aligning national strategies with local needs and cultural contexts. Additionally, improving communication and awareness about the SDP at the state level will be essential for enhancing its overall effectiveness. As the nation moves forward, leveraging the lessons learned from this period will be crucial in crafting and implementing future development strategies that can build on these achievements while addressing ongoing challenges.

Sub Question 2.2: To what extent have the FSM SDP's interventions contributed to the attainment of the planned outputs, outcomes, and impacts?

Assessing Contributions to FSM SDP Planned Outputs, Outcomes, and Impacts

The Federated States of Micronesia (FSM) Strategic Development Plan (SDP) 2004-2023 set forth an ambitious vision for the nation's development. This evaluation assesses the extent to which the SDP's interventions have contributed to the attainment of its planned outputs, outcomes, and ultimate goal of economic growth and self-reliance. Our findings reveal varied progress across the ten key outcome areas, with significant achievements in some sectors and ongoing challenges in others. Refer to Annex A for the FSM SDP 2004-2023 Theory of Change.

Methodology

The FSM SDP 2004-2023 is guided by a comprehensive Theory of Change (ToC) that outlines the country's path towards achieving economic growth and self-reliance. This ToC forms the basis of our evaluation, focusing on ten key outcomes and their corresponding outputs.

Our evaluation methodology incorporated multiple data sources, including SDP implementation data, the 2020 Voluntary National Review (VNR) report, interviews across all four FSM states, outcomes harvesting information, and economic indicators. We assessed each outcome and output, rating their progress and analyzing their alignment with the United Nations Sustainable Development Goals (SDGs).

FSM SDP 2004-2023 Theory of Change



Summary of overall Progress

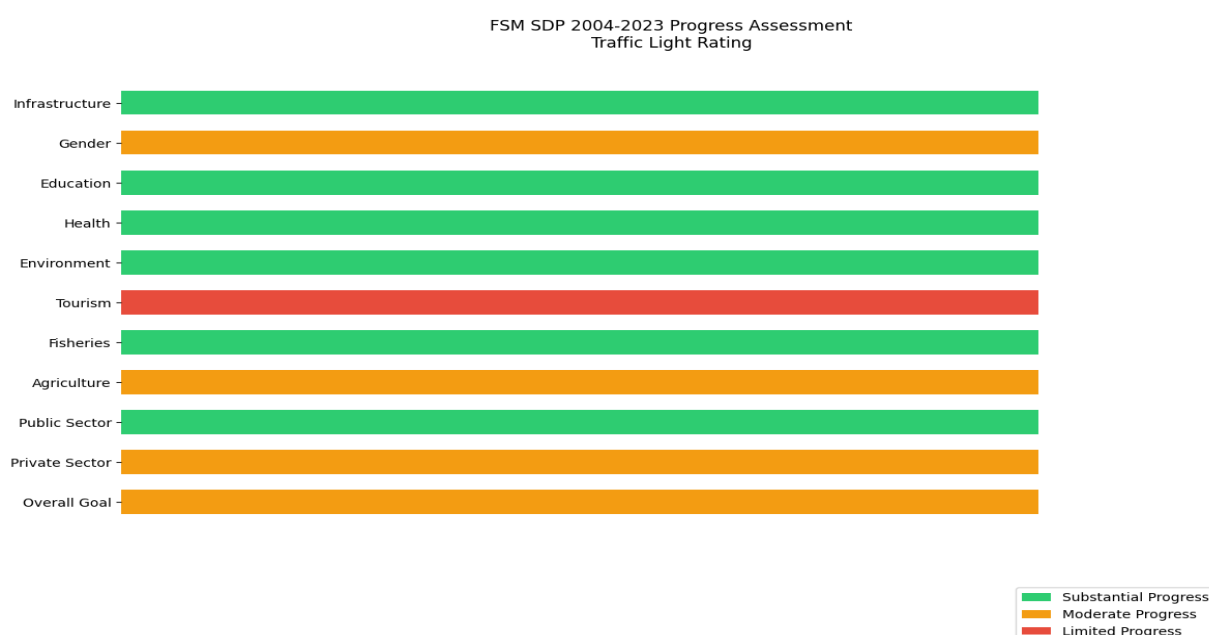
The FSM SDP 2004-2023 traffic light assessment reveals varied progress across the ten key sectors. Looking at areas of substantial progress (green), six sectors demonstrated significant achievements. The Public Sector Management showed marked improvements in governance and financial management systems. The Fisheries sector excelled through enhanced marine resource management and increased economic benefits. Environmental initiatives demonstrated strong commitment through climate change policies and biodiversity protection. The Health sector made notable strides in improving healthcare delivery and health outcomes. Education showed remarkable progress in teacher qualifications and early childhood enrollment. Infrastructure development advanced significantly, particularly in electricity access and sanitation services.

Moving to sectors showing moderate progress (orange), we find four key areas. Private Sector Development, while showing some improvement in employment rates, still faces challenges in economic diversification. Agriculture made steady progress in food security but continues to grapple with import dependence. Gender initiatives advanced through policy frameworks but require further work in economic participation and decision-making roles.

Tourism emerged as the only sector showing limited progress (red), highlighting significant challenges in developing this potential economic driver despite the country's natural and cultural assets.

When synthesizing these sectoral achievements to assess the overall goal of economic growth and self-reliance, the evaluation indicates moderate progress (orange). This rating reflects the mixed performance across sectors - while FSM has made substantial progress in social services and governance (as evidenced by the six green-rated sectors), challenges remain in economic diversification and private sector growth. The moderate overall rating acknowledges both the significant achievements made and the remaining work needed to fully realize FSM's vision of economic self-reliance.

This balanced progress suggests that while FSM has built strong foundations in many areas, particularly in social and environmental sectors, future strategic planning should focus on strengthening economic sectors to achieve comprehensive and sustainable development.



Overall Progress Towards the SDP Goal

The Federated States of Micronesia's Strategic Development Plan 2004-2023 set an ambitious overarching goal: to achieve economic growth and self-reliance. As we assess the nation's journey over nearly two decades, we find a landscape of both notable achievements and persistent challenges.

On the economic front, FSM has made steady, albeit modest, progress. The nation has rebounded from economic contraction, with real GDP growth improving from a concerning -4% in 2013 to a more promising 2% by 2017. This growth has translated into tangible benefits for the population, as evidenced by the rise in GDP per capita from \$3,015 in 2013 to \$3,568 in 2019. Perhaps most encouragingly, the unemployment rate has seen a significant decrease, falling from 22% in 2005 to 16% in 2019. These improvements suggest that economic opportunities are gradually expanding for FSM's citizens.

In terms of self-reliance, FSM has taken important steps towards securing its financial future and reducing external dependence. The establishment of the FSM Trust Fund stands out as a critical measure to enhance long-term fiscal resilience. This forward-thinking initiative aims to provide a sustainable source of revenue for the nation beyond 2023, when direct financial assistance under the Compact of Free Association with the United States is scheduled to end.

Furthermore, FSM has made strides in leveraging its natural resources for economic benefit, particularly through increased domestic revenue from fishing license fees. This not only contributes to the national coffers but also demonstrates FSM's capacity to capitalize on its marine resources in a sustainable manner.

The nation's progress is not limited to financial metrics. Significant improvements in education and health outcomes contribute to human capital development, a crucial factor for long-term self-reliance. By investing in its people, FSM is laying the groundwork for a more skilled and productive workforce, capable of driving future economic growth and innovation.

However, the path to economic growth and self-reliance is not without its hurdles. FSM continues to grapple with a high degree of economic dependence on external sources. The reliance on foreign aid, particularly from the United States through the Compact of Free Association, remains substantial. Similarly, while fishing license fees provide valuable revenue, they also represent a form of external dependence that could be vulnerable to fluctuations in global markets or changes in marine ecosystems.

Economic diversification remains a significant challenge. The limited increase in manufacturing value added as a proportion of GDP (from 1.528% in 2016 to 1.529% in 2017) underscores the difficulties FSM faces in developing a robust and diverse private sector. This lack of diversification leaves the economy vulnerable to external shocks and limits opportunities for sustainable, broad-based growth.

Moreover, as a small island developing state, FSM faces unique challenges related to its geography and climate vulnerability. The threat of climate change looms large, with potential impacts on key sectors such as agriculture, fisheries, and tourism. These environmental risks pose significant challenges to long-term economic stability and self-reliance.

In conclusion, FSM's progress towards its SDP goal of **economic growth and self-reliance** can be characterized as moderate, with clear signs of improvement tempered by ongoing challenges. The nation has made commendable strides in certain areas, particularly in fiscal management, human capital development, and leveraging its natural resources. However, the journey towards true economic self-reliance is far from complete. Addressing the challenges of economic diversification, reducing aid dependence, and building resilience to external shocks and climate change will be crucial as FSM moves forward. The nation's ability to build on its

successes while tackling these persistent issues will determine its capacity to fully realize the vision set forth in the Strategic Development Plan.

Detailed Assessment of SDP Outcomes and Outputs

Private Sector Development

SDP Outcome 1: Enabled competitive and growing private sector

Output 1.1: Improved business environment, access to finance, and entrepreneurship support

Rating: Moderate Progress

Achievements:

- Unemployment rate decreased from 22% to 16% (2005-2019), aligning with SDG 8 (Decent Work and Economic Growth).
- Implementation of the Coconut for Life program (C4Life) to support community-based production.
- Slight increase in manufacturing value added as a proportion of GDP (from 1.528% in 2016 to 1.529% in 2017), contributing to SDG 9 (Industry, Innovation, and Infrastructure).

Challenges:

- Limited diversification of the economy.
- Continued reliance on public sector employment.

Recommendation: Intensify efforts to attract foreign direct investment and support local entrepreneurship through targeted policies and capacity-building programs.

Public Sector Management

SDP Outcome 2: Achieved good governance and effective, efficient public services

Output 2.1: Strengthened public financial management, transparency, and service delivery

Rating: Substantial Progress

Achievements:

- Accession to the United Nations Convention against Corruption (UNCAC) in 2012, supporting SDG 16 (Peace, Justice, and Strong Institutions).
- Establishment of a Division of Anti-Human Trafficking.
- Implementation of public financial management reforms.
- Became a State party to the United Nations Convention against Corruption (UNCAC) in 2012.

Challenges:

- Ongoing need for capacity building in public administration.
- Disparities in service delivery across states.

Recommendation: Continue efforts to enhance transparency and accountability, with a focus on state-level capacity building.

Agriculture

SDP Outcome 3: Provided food security, livelihoods, and market opportunities through sustainable agriculture

Output 3.1: Increased productivity, diversification, and sustainability in agriculture

Rating: Moderate Progress

Achievements:

- 95% of households in FSM grow crops for consumption, barter, and sale, contributing to SDG 2 (Zero Hunger).
- The proportion of the population experiencing food poverty declined by nearly 5% since 2005.
- Implementation of initiatives to improve small-scale agricultural production.
- Kosrae State implemented greenhouse initiatives for vegetable gardening, improving household income and self-sufficiency.

Challenges:

- Continued reliance on imported food products.
- Vulnerability of agriculture to climate change impacts.

Recommendation: Invest in climate-resilient agricultural practices and promote local food production and consumption.

Fisheries

SDP Outcome 4: Ensured sustainable management and maximum economic/social benefits from marine resources

Output 4.1: Increased productivity, diversification, and sustainability in fisheries

Rating: Substantial Progress

Achievements:

- Establishment of Marine Protected Areas covering 14.7% of the Federation's reef areas, aligning with SDG 14 (Life Below Water).
- Implementation of the Pacific Regional Oceanscape Program (PROP) to sustainably increase benefits from coastal fisheries.
- Passed legislation to protect local artisanal fisheries by closing off areas to commercial fishing.
- Kosrae State legislature passed the 12-mile extension resolution for marine protection.

Challenges:

- Balancing economic benefits from fishing with sustainable resource management.
- Addressing illegal, unreported, and unregulated fishing.

Recommendation: Strengthen monitoring and enforcement capabilities for marine protected areas and continue to develop sustainable fishing practices.

Tourism

SDP Outcome 5: Developed tourism as the leading sustainable economic activity and premium destination

Output 5.1: Developed tourism products, services, and marketing

Rating: Limited Progress

Achievements:

- Designation of three UNESCO Biosphere Reserves, contributing to SDG 11 (Sustainable Cities and Communities) and potential tourism attractions.
- Implementation of community improvement projects through the C4Life initiative, indirectly supporting tourism infrastructure.

Challenges:

- Limited data on specific tourism development initiatives.

- Underdeveloped tourism infrastructure and marketing strategies.

Recommendation: Develop a comprehensive sustainable tourism strategy, focusing on eco-tourism and cultural experiences that align with FSM's natural and cultural assets.

Environment

SDP Outcome 6: Protected natural environment and achieved sustainable resource development

Output 6.1: Enforced environmental regulations, promoted green practices, and built climate resilience

Rating: Substantial Progress

Achievements:

- Implementation of the 2013 Nationwide Disaster Risk Management and Climate Change Policy, supporting SDG 13 (Climate Action).
- Passage of the Climate Change Act of 2014.
- Establishment of a Council on Climate Change and Sustainable Development.
- Commitment to unconditionally reduce greenhouse gas emissions by 28% below 2000 levels by 2025.
- Updated the National Biodiversity Strategy and Action Plan (NBSAP) in 2018, contributing to SDG 15 (Life on Land).

Challenges:

- Ongoing vulnerability to climate change impacts, particularly for coastal communities.
- Balancing development needs with environmental protection.
- Recommendation: Continue to mainstream climate resilience into all sectors of development and strengthen capacity for environmental regulation enforcement.

Recommendation: Develop and implement an integrated climate resilience and sustainable development strategy that encompasses all sectors, strengthens environmental regulation enforcement, and balances economic growth with ecological preservation.

Health

SDP Outcome 7: Established a holistic health care system that promotes optimal quality of life

Output 7.1: Upgraded health infrastructure and services, and promoted healthy lifestyles

Rating: Substantial Progress

Achievements:

- Maternal mortality ratio declined from 161/100,000 live births in 2010 to 43/100,000 live births in 2016, aligning with SDG 3 (Good Health and Well-being).
- Contraceptive prevalence rate increased from 49.5% in 2009 to 51.3% in 2017.
- Swift action taken to respond to COVID-19 and implementation of a national measles immunization campaign.
- Pohnpei State established a Domestic Violence Unit within its police force.

Challenges:

- Persistent high rates of non-communicable diseases.
- Disparities in health service access across states.
- Recommendation: Focus on preventive healthcare measures and continue to improve healthcare infrastructure and service delivery across all states.

Recommendation: Implement a comprehensive, nationwide health improvement strategy focusing on preventive care, equitable access to services across all states, and targeted interventions to address non-communicable diseases.

Education

SDP Outcome 8: Delivered quality, sustainable basic education system aligned with local and global needs

Output 8.1: Enhanced curriculum, teacher training, TVET, and education governance

Rating: Substantial Progress

Achievements:

- Early childhood education enrollment increased from 34% in 2005 to 85% in 2019, contributing to SDG 4 (Quality Education).
- The proportion of teachers with college degrees increased from 62.5% in 2009 to 90% in 2019.
- Adoption of UNICEF's Water, Sanitation and Hygiene program (WASH) in schools.
- Kosrae and Pohnpei had the highest proportion of teachers with college degrees.

Challenges:

- Aligning education with local labor market needs and global standards.
- Ensuring equitable access to quality education across all states.

Recommendation: Continue to invest in teacher training and curriculum development, with a focus on STEM education and vocational skills aligned with economic needs.

Gender

SDP Outcome 9: Empowered women, youth, seniors, and disabled as self-reliant, productive members of society

Output 9.1: Increased promotion of gender equality, social inclusion, and community empowerment

Rating: Moderate Progress

Achievements:

- Endorsement of the first comprehensive National Gender Policy in 2018, supporting SDG 5 (Gender Equality).
- Implementation of the Elimination of Violence against Women (EVAW) policy.
- Increased women's participation in leadership roles in civil society and some government positions.
- Chuuk State has two female State Senators, and Pohnpei State has three women serving as Legislators in the State Legislature.

Challenges:

- Persistent gender disparities in economic participation and decision-making roles.
- Limited data on the inclusion of seniors and persons with disabilities.

Recommendation: Implement targeted programs to promote economic empowerment of women, youth, seniors, and persons with disabilities, and strengthen data collection on social inclusion indicators.

Infrastructure

SDP Outcome 10: Modernized and integrated national infrastructure, enhanced inter-government coordination, and supported telecommunications and education development

Output 10.1: Increased investment in transport, energy, water, ICT, and institutional coordination

Rating: Substantial Progress

Achievements:

- Access to electricity increased from 60.8% in 2012 to 76.4% in 2013/2014, contributing to SDG 7 (Affordable and Clean Energy).
- The proportion of the population using safely managed sanitation services increased from 43% in 2005 to 88% in 2015, aligning with SDG 6 (Clean Water and Sanitation).
- Approval and implementation of the Infrastructure Development Plan 2016-2025.
- Yap State installed the first wind turbines in FSM.

Challenges:

- Disparities in infrastructure development across states.
- High costs associated with infrastructure development in a geographically dispersed nation.

Recommendation: Continue to prioritize infrastructure investments, with a focus on renewable energy, climate-resilient infrastructure, and improved inter-island connectivity.

Synthesis of Findings and Recommendations

Our evaluation reveals that the FSM SDP 2004-2023 has contributed significantly to progress across multiple sectors, although the extent of impact varies across the ten outcome areas.

Key Successes:

- Substantial improvements in education and health outcomes (Outcomes 7 and 8).
- Significant progress in environmental protection and climate change resilience (Outcome 6).
- Advancements in governance and public sector management (Outcome 2).
- Notable improvements in infrastructure and basic services (Outcome 10).

Persistent Challenges:

- Limited economic diversification and private sector growth (Outcomes 1 and 5).
- Disparities in development progress across states (cross-cutting issue).
- Ongoing vulnerability to external economic shocks and climate change impacts (cross-cutting issue).

Recommendations:

- ✓ **Economic Diversification:** Develop a comprehensive strategy to promote economic diversification, focusing on sectors with high growth potential such as sustainable tourism and value-added agriculture.
- ✓ **State-Level Capacity Building:** Implement targeted capacity-building programs at the state level to address disparities in development outcomes and service delivery.
- ✓ **Climate Resilience:** Continue to prioritize climate change adaptation and mitigation efforts, integrating these considerations into all aspects of development planning.
- ✓ **Data Collection and Monitoring:** Strengthen national and state-level data collection systems to better track progress across all SDP outcomes and outputs, as well as SDGs.
- ✓ **Regional Cooperation:** Enhance collaboration with other Pacific Island nations to address common challenges and share best practices.

Conclusion

The FSM SDP 2004-2023 has served as a crucial guiding framework for the nation's development efforts. While significant progress has been made towards the goal of economic growth and self-reliance, challenges remain. The varied progress across the ten outcome areas highlights the complex nature of development in a small island developing state.

As FSM looks towards the future, it will be essential to build upon the successes achieved, particularly in areas such as education, health, and environmental protection. Addressing persistent challenges, especially in economic diversification and private sector development, will be crucial for achieving long-term self-reliance.

The alignment between the SDP outcomes and the SDGs has positioned FSM well to continue its sustainable development journey. By leveraging this alignment and addressing the recommendations outlined in this evaluation, FSM can enhance its resilience, promote inclusive growth, and work towards a more prosperous and sustainable future for all its citizens.

Sub Question 2.3: What factors have facilitated or hindered the achievement of the FSM SDP's objectives in the different thematic areas and sectors?

The Federated States of Micronesia's journey in implementing its Strategic Development Plan (SDP) 2004-2023 has been marked by a complex interplay of facilitating and hindering factors. This narrative explores these elements, drawing on insights from key stakeholders across different sectors.

Facilitating Factors

One of the primary facilitators of progress has been the emphasis on coordination and engagement. A high-ranking environmental official highlighted the importance of "coordination with states to identify common priorities," particularly in the environmental sector. This approach has fostered a sense of shared purpose and alignment between national and state-level objectives. In the education sector, a senior education administrator noted the positive impact of "engagement with parents and community," underscoring the importance of grassroots involvement in achieving educational goals.

Policy integration has also played a crucial role in advancing the SDP's objectives. The environmental official pointed to the "successful integration of climate change and disaster risk management policies" as a key achievement. This integration has allowed for a more holistic approach to environmental challenges, addressing interconnected issues simultaneously.

Strong leadership, both at national and state levels, has been instrumental in driving progress. The education administrator emphasized the importance of "strong leadership at the state level" in education, while a national-level official highlighted "strong leadership and decision-making at the national level" as critical facilitators. This leadership has been particularly effective when coupled with innovative approaches. The national-level official noted the success of "action-oriented planning" and "successful partnerships with external entities," citing the example of collaboration with Japan for the MRA scheme.

Partnerships and funding have been vital in supporting various initiatives. A former government official acknowledged the significant role of "NGO involvement in environmental initiatives." The importance of external funding was underscored by a conservation expert, who noted that a prominent conservation trust "managed \$4-6 million annually for environmental activities, surpassing the compact funding for the environment sector." This influx of resources has enabled more comprehensive and sustained efforts in environmental conservation.

Innovative approaches have also facilitated progress in several areas. In education, the implementation of performance-based contracts for teachers was highlighted as a positive step. In the energy sector, officials pointed to "innovative approaches to land leases (benefit share)" as a way to overcome land-related obstacles to development projects.

Survey responses from various government departments provide additional insights into factors that have facilitated the achievement of SDP objectives. Several departments indicated that the SDP helped facilitate inter-

departmental collaboration, suggesting that the plan has served as a unifying framework for cross-sector cooperation. This collaborative approach has likely contributed to the progress observed in various sectors.

Hindering Factors

Despite these positive elements, several factors have significantly hindered the achievement of the SDP's objectives. Resource constraints remain a persistent challenge across sectors. The environmental official highlighted the "limited resources allocated to the environmental sector" as a major obstacle. In infrastructure, an energy sector representative noted "limited port facilities" as a hindrance to development.

The complex federal structure of FSM has posed significant challenges to coordination and uniform implementation. Multiple officials across different sectors identified this as a hindering factor. A senior finance official elaborated on this challenge, stating, "If we are serious about advancing true sustainable development of this nation, I think it has to be more than just an exercise." He emphasized the difficulties posed by the two-level government structure in coordination and implementation.

Data and monitoring issues have also impeded progress. Both environmental and education sector representatives pointed to the "lack of systematic data collection and analysis" as a significant hindrance. This gap has made it difficult to track progress effectively and make informed decisions.

Perhaps most critically, the lack of clear ownership and advocacy for the SDP within the government has emerged as a major hindering factor. A former government official provided a poignant observation: "For me, when I was in the government, I would be referring to, like, you know, this is hard, but most cabinet members, then and even now, they pretty rarely refer to it. So, the ownership of it is very, very, can be strengthened." This lack of ownership has led to a disconnect between the SDP's objectives and day-to-day governance.

Land issues and disputes have also hindered progress, particularly in sectors like renewable energy. Energy sector officials noted "government reluctance to provide roof space for solar panels" as an example of how land-related challenges can impede development projects.

The lack of government support for civil society organizations has further limited the potential for collaborative development efforts. A CSO representative emphasized this issue, stating, "We get zero. The private sector gets annual funding, and they have money for personnel, and they have office space, all provided by the government." This lack of support has constrained the capacity of CSOs to contribute effectively to SDP implementation.

Structural challenges have also played a role in hindering progress. A source familiar with national planning pointed out the absence of a centralized planning and coordination office (like the former SBOC) as a significant issue. This absence has led to fragmented development efforts and inefficient use of resources. The same source noted that the "absence of a current, well-known SDP has made it challenging to align priorities and projects with overarching national goals."

Given that the FSM has made strides in certain areas of its SDP implementation, the interplay of these facilitating and hindering factors has significantly influenced the overall effectiveness of the plan. The insights provided by these key stakeholders underscore the need for a more coordinated, resource-efficient, and government-owned approach to development planning and implementation. As FSM looks towards future development strategies, addressing these challenges – particularly in terms of coordination, resource allocation, data management, and government ownership – will be crucial for enhancing the effectiveness of its development efforts.

Survey responses from government secretaries highlighted additional challenges that have hindered the full achievement of SDP objectives. These include the need for better data management systems, which echoes the

concerns about data and monitoring issues mentioned earlier. Additionally, departments emphasized the need for more involvement at the state level, further underscoring the challenges posed by FSM's complex federal structure. The need for improved coordination between national and state agencies was also highlighted, aligning with the previously mentioned difficulties in inter-governmental coordination.

Sub Question 2.4: How effective have the institutional arrangements, coordination mechanisms, and monitoring systems been in supporting the implementation of the FSM SDP?

The Federated States of Micronesia's efforts to implement its Strategic Development Plan have been significantly impacted by the effectiveness - or lack thereof - of its institutional arrangements, coordination mechanisms, and monitoring systems. The interview data reveals a complex picture of well-intentioned efforts hampered by structural challenges and implementation difficulties.

Institutional Arrangements

The institutional landscape for SDP implementation appears to be fragmented and lacking clear ownership. A former government official pointed out a critical issue: "Because even if today you ask who's in charge of planning, people say R&D, but then if you talk to [another official], she'd be like, you know, and it's been four years." This uncertainty about the locus of planning responsibility is a significant hindrance to effective SDP implementation.

The dismantling of the Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC) has created a vacuum in centralized planning and coordination. As one interviewee noted, "I think that the last time that a government entity was owning the planning function is when SBOC existed." This lack of a central planning entity has led to fragmentation in information flow and coordinated planning efforts.

The current arrangement, with the Office of Overseas Development Assistance (ODA) under the President's office, while potentially providing high-level oversight, has required a period of adjustment. As one official noted, there's been a need for "clarification of roles and functions," suggesting potential inefficiencies as the office defines its place within the broader government structure.

Coordination Mechanisms

The interview data consistently highlights significant challenges in coordination, particularly between national and state levels. A high-ranking official emphasized this difficulty: "It's one of the toughest to harmonize the state and national, or among the states. They have different language, and they have different cultures. But they have one common needs."

While coordination mechanisms exist, such as state national leadership conferences, their effectiveness is questionable. As one former official noted, "The mechanisms already exist. What I think needs to happen is the technical support and professional input to raise the quality of the decisions coming out of this. Also, mechanism for implementing decisions."

Attempts have been made to improve coordination, such as the creation of the Joint Risk Management Network (JIRM). A senior environmental official described it as "fun" and efficient, but also noted the challenge of maintaining such efforts over time.

The lack of a centralized information system has been a significant barrier to effective coordination. Multiple interviewees expressed a desire for a centralized database. As one energy sector official put it, "Nobody really knows what everyone's doing. I wish there was a centralized database we could all go to and list all the projects, all the grants, all the partners."

Survey responses from government departments provide a nuanced perspective on coordination mechanisms. While several departments indicated that the SDP helped facilitate inter-departmental collaboration, they also noted that there's significant room for improvement. This suggests that while the SDP has provided a framework for coordination, the effectiveness of these mechanisms remains limited and requires further enhancement.

Monitoring Systems

The interview data suggests that monitoring systems for SDP implementation have been largely ineffective or non-existent. The lack of a dedicated entity for SDP monitoring has been a significant issue. As one official familiar with national planning noted, the absence of a current, well-known SDP has made it challenging to align priorities and projects with overarching national goals.

The fragmentation resulting from the dismantling of SBOC has created gaps in information flow and coordinated planning, which directly impacts the ability to effectively monitor SDP implementation. Efforts are being made to address these issues. The ODA's involvement in supporting the SDP review process and attempts to create a data repository system and website indicate recognition of the need for improved monitoring mechanisms.

The survey responses from government secretaries further highlight the challenges in monitoring and evaluation. The reported need for better data management systems across departments underscores the limitations of current monitoring systems. This aligns with the earlier observation about the lack of robust M&E systems and reinforces the need for significant improvements in this area to support effective SDP implementation.

Recent MEL Assessment Evidence (2024)⁵

The challenges in monitoring and evaluation effectiveness are further substantiated by recent capacity assessments conducted in 2024, which reveal significant gaps in MEL capabilities across the government.

<p>Technical Capacity Constraints</p> <ul style="list-style-type: none">- Only 3.70% of staff feel 'very confident' in raising awareness on M&E- Just 33.33% feel confident in developing outputs/outcomes/indicators- The majority of staff (68-95%) lack confidence in using modern data analysis and visualization tools beyond basic Excel- 88.46% report limited or no knowledge in program theory of change- 92.30% report limited or no knowledge in Pacific M&E methodologies	<p>Progress and Engagement</p> <ul style="list-style-type: none">- There are some positive indicators, with the August 2024 MEL training receiving a high satisfaction score (4.7/5)- Workshop evaluations indicate growing awareness and interest in MEL, with participants ranking 'Developing a MEL Plan' and 'Theory of Change/Results Framework' as the most useful training components
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These findings provide quantitative evidence of the monitoring system challenges described above and highlight the urgent need for capacity building in MEL functions across government entities.

⁵ Refer to **Annex G** for the full MEL Capacity Assessment conducted by SPC under the SDP Project Letter of Agreement with the FSM Government.

Shared recommendations for Improvement

Several interviewees proposed solutions to enhance the effectiveness of institutional arrangements, coordination mechanisms, and monitoring systems:

1. Creation of a Sustainable Development Council: A senior finance official strongly advocated for this, suggesting it should report directly to the President and Congress to ensure high-level commitment and coordination.
2. Re-establishment of a centralized planning office: Multiple interviewees suggested a structure similar to the former SBOC, potentially under the President's office to ensure high-level oversight.
3. Centralized database: Several officials recommended creating a centralized database accessible to all relevant parties to improve coordination and information sharing.
4. Strengthening existing coordination mechanisms: Enhancing the effectiveness of state national leadership conferences and other existing mechanisms through improved technical support and implementation processes.
5. Legislated oversight body: Some suggested creating a high-level, possibly legislated body to oversee SDP implementation and monitoring.

In conclusion, while the FSM has made efforts to support SDP implementation through various institutional arrangements, coordination mechanisms, and monitoring systems, these have largely been ineffective. The lack of clear ownership of the planning function, fragmentation of responsibilities, inadequate coordination between national and state levels, and the absence of robust monitoring systems have significantly hindered the effective implementation of the SDP. Moving forward, addressing these challenges through the proposed recommendations could significantly enhance the effectiveness of SDP implementation in the FSM.

Sub Question 2.5: What have been the major challenges and bottlenecks encountered during the implementation of the FSM SDP, and how have they been addressed?

The implementation of the Federated States of Micronesia's Strategic Development Plan (SDP) has encountered several significant challenges and bottlenecks, as revealed through interviews with key stakeholders. These obstacles span various sectors and levels of governance, reflecting the complex nature of development in the FSM's unique context.

One of the most prominent challenges is the difficulty in coordinating efforts between the national and state levels of government. The federal structure of the FSM, while designed to accommodate the diverse needs of its constituent states, has created substantial hurdles in harmonizing development priorities and actions. As one high-ranking official poignantly expressed, "It's one of the toughest to harmonize the state and national, or among the states. They have different language, and they have different cultures. But they have one common needs." This sentiment was echoed by another interviewee who highlighted the practical difficulties: "The two levels of government makes it very hard to work. We have to work with this level and then... This level and then... You saw in there, sometimes the national priorities are nowhere near what the state priorities are." This misalignment of priorities and the complexities of inter-governmental coordination have significantly impeded the smooth implementation of the SDP.

Compounding this challenge is the lack of systematic data collection and weak monitoring and evaluation systems across all levels of government. As one official pointed out, "There's a lack of systematic data collection and analysis, and weak monitoring and evaluation systems. This makes it difficult to track progress and make informed decisions." This deficiency in data and monitoring capabilities has hindered the ability of policymakers and implementers to effectively track the progress of SDP initiatives, evaluate their impact, and make necessary adjustments in a timely manner.

Resource constraints, particularly in terms of funding and skilled human resources, have also posted significant challenges to SDP implementation. An environmental sector leader emphasized the difficulty in securing adequate funding for environmental initiatives, stating, "Limited funding for environmental initiatives is a significant hurdle. It's difficult to demonstrate the value of environmental protection to policymakers, which affects budget allocations." This underscores a broader issue of resource allocation and the challenge of balancing immediate economic needs with long-term environmental sustainability.

The shortage of skilled labor for development projects was highlighted as another critical bottleneck. A government official elaborated on this issue, saying, "We face a severe shortage of skilled labor for our development projects. This is hampering our ability to implement the SDP effectively." These skills gap not only slows down the implementation of development projects but also increases reliance on external expertise, potentially reducing the long-term sustainability and local ownership of development initiatives.

Infrastructure deficiencies, particularly in energy access and transportation, have emerged as major impediments to development, especially in outer islands. An energy sector representative provided a stark illustration of this challenge: "Only 30% of Chuuk has energy access. This severe limitation in energy infrastructure is holding back development in many areas." Such infrastructure gaps not only hinder economic development but also exacerbate inequalities between urban centers and outer islands.

Land-related issues have also proven to be a significant obstacle, particularly for infrastructure and renewable energy projects. As one interviewee explained, "Land issues and government reluctance to support renewable energy projects are major obstacles. We need innovative approaches to overcome these barriers." The complex land tenure systems in the FSM, coupled with cultural sensitivities around land use, have often delayed or derailed important development projects.

In response to these challenges, various strategies have been employed or proposed. To address the coordination issues between national and state levels, there have been proposals for establishing high-level coordinating bodies. One official suggested, "We need to establish a high-level body for SDP coordination and monitoring. This could significantly improve our ability to implement the plan effectively." Additionally, another interviewee proposed regular national workshops to review progress: "Regular national workshops to review progress on the SDP could help keep everyone aligned and focused on our goals."

To enhance resource management and address funding shortages, an environmental sector leader advocated for "increased funding allocation to the environmental sector. We need to make a stronger case for the importance of environmental protection in our overall development strategy." Addressing the skilled labor shortage, a government official suggested a focus on education: "We need to focus on developing trade skills through education. This will help us build the workforce we need for our development projects."

Innovative approaches have been proposed to tackle infrastructure and land-related challenges. An energy sector representative mentioned exploring "benefit-sharing models for renewable energy projects. This could help us overcome some of the land-related obstacles we're facing." Such approaches aim to create win-win situations for landowners and development projects, potentially easing the implementation of crucial infrastructure initiatives.

To improve planning and implementation processes, there has been a push for enhanced monitoring and evaluation systems. A senior official emphasized the importance of regular oversight: "On a regular basis, you should already be on top of things. Otherwise, you'll be in a very chaotic situation, trying to figure out, okay, where am I?" Another interviewee proposed using independent entities for unbiased assessment: "Using

independent entities like the University of Guam for monitoring and evaluation could ensure unbiased assessment of our progress."

Public engagement and awareness have been recognized as crucial elements in addressing implementation challenges. An energy sector leader stressed, "Public outreach and community engagement are crucial to gain support for utility projects. We need to better communicate the benefits of these initiatives to the public." This approach aims to build grassroots support for development projects and ensure that the SDP's goals are understood and embraced by the wider population.

As the implementation of the FSM's Strategic Development Plan has faced numerous challenges, ranging from coordination difficulties and resource constraints to infrastructure deficiencies and land issues, stakeholders have proposed and begun implementing various strategies to address these bottlenecks. These include improving inter-governmental coordination, enhancing data collection and monitoring systems, addressing skill shortages through education, exploring innovative approaches to land use, and increasing public engagement. The success of these strategies will be crucial in overcoming the identified challenges and ensuring the effective implementation of the SDP in the years to come.

Impact

Overall Finding on Impact

What have been the positive and negative, intended and unintended, long-term effects produced by the FSM SDP at the national and state levels?"

The Federated States of Micronesia's Strategic Development Plan (SDP) 2004-2023 has produced a range of long-term effects, both positive and negative, intended and unintended, at national and state levels. These impacts span developmental, socio-economic, environmental, and governance domains, reflecting the comprehensive nature of the plan.

Positive Intended Effects:

- ❖ **Educational Advancements:** The SDP has led to significant improvements in education, including better teacher qualifications, increased college enrollment rates, and improved school accreditation levels. This has contributed to human capital development, potentially enhancing the nation's long-term economic prospects.
- ❖ **Economic Growth in Fisheries:** The fisheries sector has become a major contributor to the FSM's economy, accounting for 17-19% of GDP. The transition from a coastal state to a flag state has significantly increased revenue from fishing rights.
- ❖ **Infrastructure Development:** Notable progress has been made in road construction and renewable energy projects, particularly in outer islands. This has improved connectivity and access to electricity, enhancing quality of life and economic opportunities.
- ❖ **Environmental Protection:** The implementation of climate change adaptation strategies and establishment of Marine Protected Areas covering 14.7% of the Federation's reef areas demonstrate significant commitment to environmental conservation.
- ❖ **Governance Improvements:** Enhanced financial management and accountability, evidenced by the clearing of audit citations and the establishment of the Micronesian Registration Advisors (MRA) scheme, have led to increased government revenue and improved fiscal governance.

Negative Intended Effects:

- ❖ **Uneven Development:** The focus on certain sectors and regions may have inadvertently exacerbated disparities between different areas of the FSM, particularly between urban centers and outer islands.
- ❖ **Resource Allocation Challenges:** The emphasis on certain development priorities may have led to underinvestment in other crucial areas, potentially creating imbalances in overall national development.

Positive Unintended Effects:

- ❖ **Women's Political Empowerment:** There has been an increase in women's representation in Congress, with three out of 14 members now being women, indicating progress in gender equality in political representation.
- ❖ **Enhanced Crisis Resilience:** The integration of climate change and disaster risk policies has improved the nation's preparedness for natural disasters and other crises, including the COVID-19 pandemic.
- ❖ **Regional Cooperation:** The SDP implementation has fostered stronger regional partnerships, particularly evident in the support received during the COVID-19 pandemic.

Negative Unintended Effects:

- ❖ **Outmigration and Brain Drain:** Improved education and awareness of opportunities abroad may have contributed to increased outmigration of FSM citizens, potentially leading to brain drain.
- ❖ **Overreliance on Fisheries:** The significant growth of the fisheries sector, while positive, may have led to an overreliance on this single sector, making the economy vulnerable to external shocks.

- ❖ **Persistent Specific Health Issues:** Despite overall improvements in healthcare, some specific health challenges, such as high cervical cancer rates, remain unaddressed.

State-Level Impacts:

The effects of the SDP have been uneven across states:

- ❖ **Educational Progress:** While some states have seen significant improvements in education, others continue to face challenges, particularly in outer islands and remote areas.
- ❖ **Economic Development:** The benefits of economic growth, particularly in fisheries, are not evenly distributed across all states.
- ❖ **Environmental Management:** Some states have successfully implemented conservation measures, while others face ongoing challenges such as coastal erosion and waste management issues.
- ❖ **Governance:** While national-level governance has improved, some states report ongoing challenges in local governance, including capacity issues in financial management and policy implementation.

Long-term Effects:

- ❖ **Enhanced National Resilience:** The integration of climate change and disaster risk policies, improved infrastructure, and financial management have contributed to the FSM's long-term resilience.
- ❖ **Human Capital Development:** Improvements in education and health sectors are likely to have long-lasting positive effects on the nation's human capital.
- ❖ **Sustainable Resource Management:** The focus on sustainable fisheries and environmental protection sets the stage for long-term ecological and economic sustainability.
- ❖ **Governance Evolution:** The improvements in financial management and accountability represent a shift towards more transparent and effective governance.
- ❖ **Demographic Changes:** Outmigration trends may lead to long-term demographic shifts with potential impacts on the nation's workforce and social structure.

In conclusion, while the FSM SDP has produced significant positive impacts, particularly in education, economic growth, and environmental protection, it has also led to some unintended consequences and challenges. The uneven distribution of benefits across states and sectors, along with issues like outmigration, highlight areas for improvement in future development planning. Moving forward, addressing these challenges while building on the successes will be crucial for the FSM's continued development and long-term sustainability.

Specific Findings

Sub Question 3.1: What have been the significant developmental, socio-economic, environmental, and governance impacts of the FSM SDP?

The Federated States of Micronesia's Strategic Development Plan has yielded significant impacts across various domains, including developmental, socio-economic, environmental, and governance aspects. While some of these impacts are readily apparent, others are more subtle and long-term in nature, requiring careful analysis to fully appreciate their significance.

Developmental Impacts

One of the most notable developmental impacts has been in the education sector. As highlighted by one interviewee, there have been substantial improvements in teacher qualifications and performance due to the implementation of a contract system. This has led to increased college enrollment rates and better alignment of school curricula with college requirements. However, state inputs reveal that these improvements have been uneven across the FSM. While some states have seen significant progress, others continue to face challenges, particularly in outer islands and remote areas. For instance, some states reported ongoing difficulties in attracting and retaining qualified teachers, especially in specialized subjects. Additionally, the impact on special

needs education and standardization of practices varies considerably across states, indicating a need for more targeted interventions in future educational planning. Furthermore, there has been an overall improvement in school accreditation levels, indicating a general enhancement in the quality of education across the FSM.

Infrastructure development has also seen significant progress, particularly in road construction. This improvement in physical infrastructure is crucial for facilitating economic activities and improving the quality of life for FSM citizens. Additionally, the renewable energy project mentioned by one interviewee has the potential to bring about transformative changes, especially in outer islands, by improving access to electricity. This could have far-reaching effects on education, healthcare, and economic opportunities in these remote areas.

Survey responses from government departments provide additional insights into the developmental impacts of the SDP. The Department of Education reported exceeding SDP goals for primary and secondary education completion rates, further substantiating the progress noted in the education sector. This achievement not only demonstrates the effectiveness of educational reforms but also suggests a potentially significant long-term impact on the nation's human capital development.

Socio-Economic Impacts

The fisheries sector has emerged as a major contributor to the FSM's economy, accounting for 17-19% of the country's GDP. The transition from a coastal state to a flag state (a major distant water fishing country) has been a significant development. This shift has resulted in a substantial increase in revenue from fishing rights, rising from \$16 million to \$70 million annually. However, state inputs provide a more nuanced picture of economic impacts across the FSM. While the fisheries sector has indeed grown significantly, its benefits are not evenly distributed across all states. Some states reported challenges in developing local fishing industries and expressed concerns about the sustainability of relying heavily on fishing rights revenue. Furthermore, state inputs highlighted a broader range of economic impacts beyond fisheries, including varying degrees of success in local business development, tourism, and agriculture. Some states reported persistent challenges in job creation and economic diversification, emphasizing the need for more tailored economic development strategies that consider each state's unique resources and challenges.

The establishment of the FSM Trust Fund is another notable impact, aimed at ensuring long-term financial stability for the nation. This forward-thinking approach to financial management is crucial for the country's sustainable development.

However, it's important to note that despite these positive developments, challenges remain. The issue of outmigration due to lack of economic opportunities was raised as a concern, highlighting the need for continued efforts to create sustainable economic growth within the FSM.

The Department of Health & Social Affairs, in their survey response, reported significant improvements in healthcare service delivery. This aligns with and expands upon the earlier mentioned establishment of quality assurance measures in state hospitals. The improved healthcare delivery is likely to have far-reaching socio-economic impacts, potentially improving overall public health, reducing healthcare-related financial burdens on families, and increasing productivity across the nation.

Environmental Impacts

The environmental impacts of the SDP are perhaps the most challenging to quantify, as they are often long-term and not immediately visible. As one environmental sector leader emphasized, *"What we do is, at the end of our present, we don't see anything visible. No physical structures, no nothing. But the work, actually, is meant to protect, let's say, our bankrolls, just our biodiversity, for instance."* State inputs provide more concrete examples of environmental impacts at the local level, both positive and negative. Some states reported success in

implementing conservation measures and sustainable resource management practices, while others highlighted ongoing challenges such as coastal erosion, deforestation, and waste management issues. The impact of climate change was frequently mentioned in state inputs, with some states experiencing more severe effects than others. This variability underscores the need for state-specific environmental strategies within the broader national framework. Additionally, some states emphasized the importance of integrating traditional conservation practices with modern environmental management approaches, suggesting a potential avenue for enhancing the effectiveness and cultural relevance of environmental initiatives. This underscores the importance of continued support for environmental initiatives, even when their impacts are not immediately apparent.

The focus on renewable energy projects, particularly in outer islands, is expected to have positive environmental impacts by reducing reliance on fossil fuels. This aligns with global efforts to combat climate change and promotes sustainable development.

Governance Impacts

Several governance improvements have been noted as a result of the SDP implementation. There has been enhanced financial management and accountability, evidenced by the clearing of audit citations. The establishment of the Micronesian Registration Advisors (MRA) scheme has led to increased government revenue, demonstrating improved fiscal governance. State inputs, however, reveal that governance impacts have been uneven across different levels of government. While national-level improvements are evident, some states reported ongoing challenges in local governance, including capacity issues in financial management and policy implementation at the state and municipal levels. The effectiveness of inter-governmental coordination, particularly in policy implementation and resource allocation, was highlighted as an area needing improvement.

Some states also emphasized the need for greater autonomy in decision-making to address state-specific governance challenges effectively. Furthermore, while progress has been made in women's political representation at the national level, state inputs indicated varying degrees of progress in gender equality and women's participation in local governance structures, suggesting the need for more targeted efforts to promote inclusive governance at all levels.

Progress has also been made in gender equality, particularly in political representation. As one interviewee noted, *"We're making a dent in political empowerment of women with three members of Congress now, but it's still three out of 14."* While this represents progress, it also highlights the need for continued efforts in this area.

Unintended Consequences and Challenges

While many impacts of the SDP have been positive, some unintended consequences and persistent challenges have been identified. The improved access to education and increased awareness of opportunities abroad may be contributing to the outmigration of FSM citizens, potentially leading to brain drain.

State inputs have revealed a broader range of unintended consequences beyond outmigration. These include social and cultural impacts such as changes in traditional practices and community dynamics. Some states reported a weakening of traditional social structures as development initiatives introduced new economic opportunities and lifestyle changes. Additionally, the uneven pace of development across states has led to increased inter-state migration, potentially exacerbating disparities between more developed and less developed areas. Environmental consequences were also noted, with some states reporting increased pressure on natural resources due to economic development initiatives. These varied unintended consequences highlight the complex interplay between development efforts and local contexts, emphasizing the need for more holistic and culturally sensitive approaches to development planning.

In the health sector, despite overall improvements in healthcare delivery, specific issues persist. One interviewee pointed out the continuing high rate of cervical cancer deaths, indicating that some health challenges remain unaddressed despite broader improvements in the healthcare system.

The lack of a robust monitoring and evaluation system was highlighted as a significant challenge in assessing the long-term impacts of development initiatives. This gap makes it difficult to quantify the effects of OECD Official Development Assistance (OECD ODA) funded projects and to make data-driven decisions for future planning.

The FSM Strategic Development Plan has undoubtedly had significant impacts across various sectors of the nation. Notable progress has been made in education, fisheries, infrastructure development, and governance. Environmental initiatives, while less visibly impactful in the short term, are laying the groundwork for long-term sustainability.

However, challenges persist, particularly in creating economic opportunities to retain the population, addressing specific health issues, and fully realizing gender equality. The lack of comprehensive monitoring and evaluation systems also presents a challenge in fully understanding and leveraging the impacts of development initiatives.

Moving forward, it will be crucial to address these challenges while building on the successes achieved. Emphasis should be placed on sustainable development practices, particularly in key areas such as education and environment, as suggested by some interviewees. Additionally, improving data collection and analysis capabilities will be vital for informed decision-making and effective resource allocation in future development efforts.

Sub Question 3.2: Have there been any unintended consequences, both positive and negative, resulting from the implementation of the FSM SDP?

Unintended Consequences of the FSM Strategic Development Plan Implementation

The implementation of the Federated States of Micronesia's Strategic Development Plan (SDP) has led to various outcomes, some of which can be considered unintended consequences. These consequences, both positive and negative, have emerged across different sectors and aspects of FSM society. While not all were explicitly labeled as unintended, they represent outcomes that may not have been primary objectives of the SDP but have nonetheless resulted from its implementation.

Positive Unintended Consequences:

Enhanced Women's Political Empowerment:

While gender equality might have been a goal of the SDP, the specific outcome of increased women's representation in Congress appears to be a positive unintended consequence. As noted by a government official, there has been progress in political empowerment of women, with three members of Congress now being women, although this still represents a minority.

Economic Diversification through Fisheries

The substantial growth of the fisheries sector, contributing 17-19% to the GDP, and the transition from a coastal state to a flag state (major distant water fishing country) may have exceeded initial expectations. A fisheries sector leader suggested that the potential for further growth is significant, with the gross value of fisheries estimated at about \$450 million annually, of which \$70 million is currently being extracted in cash.

Improved Educational Alignment

An education sector leader mentioned better alignment between school curricula and college requirements, which could be seen as a positive unintended consequence. While improving education was likely a goal, this

specific outcome of better educational continuity might not have been explicitly planned for but has emerged as a beneficial result.

Alternative Income Opportunities in Outer Islands

An energy sector official mentioned potential impacts from the renewable energy project, such as women using sewing machines to create products for sale on main islands, highlighting an unexpected economic opportunity arising from infrastructure development. This demonstrates how improvements in one sector (energy) can lead to unforeseen benefits in another (local economic empowerment).

Negative Unintended Consequences

Outmigration and Brain Drain

Perhaps the most significant negative unintended consequence mentioned is the outmigration of FSM citizens due to lack of economic opportunities, as expressed by a government official. While the SDP likely aimed to improve economic conditions, the increased education and awareness may have inadvertently contributed to citizens seeking opportunities abroad, potentially leading to brain drain.

Persistent Health Issues Despite Overall Improvements

A women's rights advocate commented on the high rate of cervical cancer deaths, suggesting that while overall health services may have improved, specific health issues remain unaddressed. This could be seen as an unintended consequence of a broad-based approach to healthcare improvement that may have overlooked some critical, specific health challenges.

Challenges in Environmental Impact Visibility

An environmental sector leader emphasized the invisibility of environmental protection efforts, highlighting an unintended challenge. The long-term nature of environmental impacts and the lack of immediate, tangible results may lead to difficulty in maintaining public and political support for these crucial initiatives.

Potential Overreliance on Fisheries

While the growth of the fisheries sector is generally positive, there's a potential unintended consequence of overreliance on this single sector. This could make the FSM economy vulnerable to external shocks or changes in the global fishing industry.

Uneven Development

The focus on infrastructure and energy development, particularly noted for outer islands, may have unintentionally exacerbated disparities between different regions of the FSM. While intended to bring progress, it might have highlighted or even increased the development gap between areas.

The Department of Transportation, Communications and Infrastructure, in their survey response, highlighted the impact of comprehensive infrastructure development planning. This underscores the importance of the infrastructure improvements noted earlier, such as road construction and renewable energy projects. The department's emphasis on comprehensive planning suggests that these infrastructure developments are part of a strategic, long-term approach to enhancing the nation's physical capital, which is crucial for sustained economic growth and improved quality of life.

Challenges in Impact Assessment

A development sector official highlighted the lack of robust monitoring and evaluation systems as an unintended consequence of the development process. While not a direct result of the SDP, this gap in assessment capabilities makes it difficult to fully understand and leverage the impacts of development initiatives, potentially leading to missed opportunities or inefficiencies in resource allocation.

The implementation of the FSM Strategic Development Plan has resulted in a complex web of outcomes, some intended and others unforeseen. Positive unintended consequences include progress in women's political representation, significant growth in the fisheries sector, improved educational alignment, and potential new economic opportunities in outer islands. However, negative unintended consequences have also emerged, such as outmigration and potential brain drain, persistent specific health issues, challenges in garnering support for long-term environmental initiatives, and potential overreliance on the fisheries sector. The lack of comprehensive impact assessment tools also presents an ongoing challenge in fully understanding and optimizing the effects of development initiatives.

These unintended consequences highlight the interconnected nature of development efforts and the need for a holistic, adaptive approach to strategic planning. Future iterations of the SDP may benefit from incorporating lessons learned from these unintended outcomes, aiming to amplify positive unexpected results while mitigating negative ones. Additionally, strengthening monitoring and evaluation systems will be crucial in identifying and responding to unintended consequences more effectively in the future.

Sub Question 3.3: To what extent have the FSM SDP's strategies and interventions helped the country and its people cope with and recover from the impacts of natural disasters and the COVID-19 pandemic?

The Federated States of Micronesia (FSM), like many island nations, faces significant challenges from natural disasters and global crises such as the COVID-19 pandemic. The country's Strategic Development Plan (SDP) has played a crucial role in shaping its approach to these challenges. This analysis examines the extent to which the SDP's strategies and interventions have helped the country and its people cope with and recover from these impacts, drawing insights from interviews with key officials and sector leaders.

Integration of Climate Change and Disaster Risk Policies

A basis of FSM's approach to crisis management has been the integration of climate change and disaster risk policies, as highlighted by the Secretary of the Department of Environment, Climate Change, and Emergency Management. This integration represents a significant step forward in the nation's preparedness strategy. By recognizing the intrinsic link between climate change and the increasing frequency and severity of natural disasters, the FSM has positioned itself to develop more comprehensive and effective response mechanisms.

The alignment of these policies allows for a more holistic approach to crisis management. For instance, strategies for coastal protection can now be designed not only to withstand current weather patterns but also to account for future climate scenarios. This forward-thinking approach enhances the country's resilience to both immediate natural disasters and long-term environmental changes.

Comprehensive Impact Assessment

The SDP has fostered a more nuanced understanding of crisis impacts, particularly in the context of island nations. As emphasized by government officials, there's a growing recognition that the effects of disasters extend far beyond visible infrastructure damage. The plan has encouraged a more comprehensive assessment approach that considers impacts on livelihoods, natural resources, and the intricate social fabric of island communities.

This holistic view is crucial for several reasons:

- It allows for more accurate damage assessments, ensuring that recovery efforts address the full spectrum of community needs.

- It helps in prioritizing recovery efforts, potentially focusing on areas that might have been overlooked in traditional damage assessments.
- It provides a more realistic picture of the long-term effects of disasters, informing future preparedness and mitigation strategies.
- Enhanced Data Collection and Analysis

The emphasis on improving data collection and analysis systems, as noted by a government official, represents a critical advancement in FSM's crisis management capabilities. While not directly tied to immediate response efforts, robust data systems are fundamental to effective crisis management in a number of ways. Better data helps the government plan for crises more effectively. It allows for better risk assessment and resource allocation before emergencies happen. During a crisis, real-time data helps make important decisions, like when to evacuate or where to send aid. After a crisis, detailed impact data guides recovery efforts, ensuring help reaches those who need it most. The government's investment in these data systems shows a long-term commitment to using evidence for crisis management. This approach is expected to improve how future disasters are handled.

Improved Inter-governmental Coordination

An education sector leader's emphasis on enhancing coordination and communication between national and state levels points to a critical aspect of effective crisis response. The FSM's unique geographic and political structure, with four states spread across numerous islands, makes coordinated action particularly challenging yet essential.

The SDP's focus on improving this coordination can be seen as a key contributor to crisis resilience:

- It allows for more rapid dissemination of critical information during emergencies.
- It facilitates the efficient allocation of resources across the nation's dispersed geography.
- It enables a more unified and coherent response strategy, reducing duplication of efforts and ensuring that no areas are overlooked.

While the interviews don't provide specific examples of how this improved coordination has played out in recent crises, the recognition of its importance in the SDP suggests a strategic approach to addressing a known vulnerability in the nation's crisis response capabilities.

Building Financial Resilience

The establishment of the FSM Trust Fund, as mentioned by a financial sector leader, represents a significant step towards building long-term financial resilience. While not explicitly designed as a crisis response tool, such financial instruments can play a crucial role in mitigating the economic impacts of disasters and pandemics:

- They provide a financial buffer that can be tapped into during times of crisis, reducing the immediate economic shock.
- They allow for more rapid deployment of resources for emergency response and recovery efforts.
- They can help maintain essential government services even when regular revenue streams are disrupted by a crisis.
- The foresight in establishing such a fund as part of the SDP demonstrates a proactive approach to crisis preparedness that extends beyond immediate response capabilities to long-term economic stability.

Infrastructure Resilience

The focus on improving energy access and infrastructure resilience, as highlighted by an energy sector official, is a critical component of the FSM's crisis preparedness strategy. Resilient infrastructure is essential for both withstanding the immediate impacts of natural disasters and facilitating rapid recovery:

- Robust energy systems can continue to function during and after disasters, supporting critical services and recovery efforts.
- Resilient transportation infrastructure ensures that aid and resources can be distributed effectively in the aftermath of a crisis.
- Improved communication infrastructure enhances coordination capabilities during emergencies.

While the interviews don't provide specific examples of how improved infrastructure has performed during recent crises, the emphasis on this area in the SDP suggests a recognition of its importance in overall crisis resilience.

Sustainable Resource Management

The focus on sustainable management and development of fisheries resources, as discussed by a fisheries sector leader, indicates a long-term approach to crisis resilience. By ensuring the sustainability of key economic resources, the FSM is better positioned to withstand and recover from external shocks:

- Sustainable fisheries provide a more stable source of food and income, even in times of crisis.
- Proper management of marine resources can help mitigate some impacts of climate change, such as changes in fish populations or coral reef health.
- A robust fisheries sector can contribute to economic stability, providing a buffer against the economic impacts of crises.
- This approach aligns with the SDP's broader goals of sustainable development and demonstrates how sector-specific strategies can contribute to overall national resilience.

COVID-19 Response and Regional Cooperation

While the interviews provided limited direct information on the COVID-19 response, they did highlight the importance of regional partnerships. The support from the Pacific Community (SPC) in providing health-related supplies to the Department of Health during the pandemic demonstrates how the FSM was able to leverage regional relationships as part of its crisis response strategy.

This aspect of the response highlights several key points:

- The importance of maintaining strong regional ties as part of crisis preparedness.
- The ability to rapidly mobilize external support when needed.
- The potential for regional cooperation in addressing shared challenges, such as pandemic response in the Pacific Island context.
- Ongoing Disaster Preparedness Efforts

The interviews revealed ongoing efforts to improve disaster preparedness, including plans to establish emergency stockpiles in strategic locations. This approach aims to reduce dependency on external shipments during crises, potentially speeding up response times and improving self-reliance. Such efforts demonstrate a practical application of lessons learned from past experiences and align with the SDP's goals of enhancing national resilience.

Flexibility in Resource Management

While not specifically addressing crisis response, the flexibility demonstrated in Official Development Assistance (ODA) management suggests potential for responsive crisis management. The ability to coordinate across various departments and adapt to institutional changes, as indicated in the interviews, could be valuable in crisis situations where rapid reallocation of resources and adaptive management are often necessary.

Lessons Learned and Areas for Improvement

1. **Need for Explicit Integration:** The lack of extensive discussion on crisis response in many interviews might indicate a need for more explicit integration of crisis preparedness and response mechanisms in the SDP and various sector strategies. Future iterations of the plan could benefit from more clearly defined crisis management protocols and objectives.
2. **Holistic Impact Assessment:** The recognition of the need to assess disaster impacts beyond just infrastructure damage is a valuable lesson. Future crisis management strategies should continue to emphasize this comprehensive approach, potentially developing standardized methods for assessing impacts on livelihoods, natural resources, and social structures.
3. **Data-Driven Decision Making:** The emphasis on improving data collection and analysis suggests a recognition of the importance of data-driven decision making in crisis situations. Continued investment in data systems and training in data analysis for crisis management could further enhance the FSM's response capabilities.
4. **Regional Cooperation:** The support received during the COVID-19 pandemic highlights the importance of regional partnerships in crisis response. Future strategies could focus on further strengthening these regional ties and developing more formalized mutual aid agreements.
5. **Proactive vs. Reactive Approaches:** The call for a more proactive approach to addressing climate change and external shocks indicates a shift in thinking towards preventative measures rather than purely reactive responses. This shift should be encouraged and reflected in future planning and resource allocation.

The FSM Strategic Development Plan has contributed significantly to the country's ability to cope with and recover from natural disasters and the COVID-19 pandemic, albeit often indirectly through broader resilience-building efforts. The plan has fostered approaches that enhance overall national resilience, including financial stability, infrastructure development, sustainable resource management, and improved inter-governmental coordination.

However, the analysis also reveals areas for potential improvement. There appears to be room for more explicit and comprehensive integration of crisis response mechanisms in future iterations of the SDP. The experiences with recent crises, including the COVID-19 pandemic, have likely provided valuable insights that can inform future strategic planning. Moving forward, the FSM could benefit from:

- More directly incorporating lessons learned from recent crises into its development strategies.
- Developing more explicit crisis response protocols within the SDP framework.
- Enhancing data collection and analysis capabilities specifically for crisis management.
- Further strengthening regional partnerships for crisis response.
- Continuing to invest in infrastructure resilience and sustainable resource management.
- Developing more comprehensive impact assessment methodologies that capture the full spectrum of crisis effects on island communities.

By building on the foundations laid by the current SDP and addressing these areas, the FSM can further enhance its capacity to respond to and recover from future crises, ensuring the resilience and well-being of its people in the face of ongoing environmental and global challenges.

Sub Question 3.4: What are the lessons learned from the FSM SDP's response to humanitarian crises, and how can they inform future development planning?

An analysis of interview data from key officials and sector leaders in the Federated States of Micronesia (FSM) reveals valuable insights into the country's approach to crisis management and the role of the Strategic Development Plan (SDP) in shaping this response. While the interviews did not extensively discuss crisis response

directly, they provided a wealth of information on related aspects that have significant implications for the FSM's ability to cope with and recover from humanitarian crises.

One of the most significant lessons learned from the FSM's experience is the importance of integrating climate change and disaster risk policies. As highlighted by a high-ranking official from the Department of Environment, Climate Change, and Emergency Management, this integration represents a crucial step towards a more comprehensive approach to crisis management. The recognition of the intrinsic link between climate change and the increasing frequency and severity of natural disasters has allowed the FSM to develop more effective response mechanisms. This integrated approach should be further enhanced in future development planning, potentially through the creation of cross-sectoral task forces and the development of policies that simultaneously address long-term climate resilience and short-term disaster preparedness.

The need for a more holistic approach to impact assessment emerged as another key lesson. The same official emphasized the importance of considering impacts on livelihoods and natural resources, not just infrastructure, when assessing disaster effects in island contexts. This comprehensive view is crucial for accurate damage assessments and effective recovery efforts. Future development plans should incorporate broader impact metrics and train personnel in holistic assessment methodologies to ensure that all aspects of community resilience are addressed.

The importance of robust data collection and analysis systems was underscored by comments from a senior government advisor. While not directly tied to immediate response efforts, these systems are fundamental to effective crisis management. Future planning should prioritize investment in data infrastructure specifically designed for crisis management, including the development of data-sharing protocols between different government agencies and levels to ensure a coordinated response.

Inter-governmental coordination emerged as a critical factor in effective crisis response. A high-level official's focus on improving coordination and communication between national and state levels highlights the need for clear communication channels and protocols. Future development plans should include strategies for enhancing this coordination, such as regular joint exercises and simulations to practice coordinated responses.

Financial resilience was identified as a key component of crisis preparedness. A senior financial official's emphasis on financial management and the establishment of the FSM Trust Fund indicates an understanding of the importance of financial stability in crisis resilience. Future planning should continue to strengthen such financial instruments and develop specific protocols for accessing and using these funds during crises.

Infrastructure resilience, particularly in the energy sector, was highlighted by a sector leader as crucial for long-term crisis management. Future development plans should prioritize infrastructure projects that enhance resilience to natural disasters and other crises, incorporating green and sustainable technologies to address both resilience and environmental concerns.

Sustainable resource management, particularly in the fisheries sector, was recognized as an important factor in long-term crisis resilience. Future plans should incorporate sustainable resource management principles across all sectors and develop crisis response strategies that take into account the preservation of critical natural resources.

Comments from a senior economic advisor emphasized the need for a more proactive approach to building resilience against climate change and external shocks. This shift in thinking from reactive to preventative measures should be reflected in future planning through the development of forward-looking risk assessment tools and the allocation of resources for preventative measures and early intervention strategies.

Regional cooperation emerged as a crucial element in crisis response, as evidenced by mentions of support from regional organizations during the COVID-19 pandemic. Future development plans should focus on strengthening existing regional partnerships and exploring new opportunities for collaboration, including the development of formal mutual aid agreements for crisis situations.

The importance of local emergency preparedness and stockpiling was highlighted in discussions of efforts to improve disaster readiness. Future planning should include the development of a comprehensive emergency stockpiling strategy across all states, with regular reviews and updates based on evolving risk assessments.

The flexibility demonstrated in Official Development Assistance (ODA) management suggests potential for adaptive crisis management. Future plans should build on this by incorporating flexibility into crisis response strategies, developing decision-making frameworks that enable quick but informed adjustments during crises.

Based on these lessons, several overarching recommendations can be made for future development planning:

1. Future iterations of the SDP should more explicitly incorporate crisis preparedness and response mechanisms across all sectors.
2. A system for regular review and update of the SDP should be established to ensure it remains relevant and effective in the face of evolving challenges.
3. Capacity building should be prioritized in areas critical for effective crisis response, such as data analysis, adaptive management, and sustainable resource management.
4. Mechanisms for broader stakeholder engagement in crisis planning should be developed, including local communities, NGOs, and the private sector.
5. Appropriate technologies should be explored and integrated to enhance crisis response capabilities.
6. Clear performance metrics should be developed for assessing the effectiveness of crisis response strategies.
7. A system for capturing and disseminating lessons learned from each crisis response should be established to inform ongoing improvements to the SDP.

While the FSM SDP has laid important groundwork for crisis resilience, there are significant opportunities to enhance its effectiveness in responding to humanitarian crises. By incorporating these lessons and recommendations into future development planning, the FSM can build a more robust, adaptive, and effective framework for managing crises and ensuring the long-term resilience of its communities. The experiences and insights gathered from the implementation of the current SDP provide a valuable foundation for this ongoing process of improvement and adaptation.

Sustainability

Main Finding on Sustainability

To what extent are the benefits of the FSM SDP likely to continue after the end of the program period?

The sustainability of the Federated States of Micronesia's Strategic Development Plan (SDP) benefits presents a mixed picture, with several positive mechanisms in place but also significant challenges that need to be addressed. The likelihood of these benefits continuing after the end of the program period depends on various factors and varies across different sectors and aspects of development.

Positive Indicators of Sustainability:

- ❖ **Institutional Mechanisms:** The FSM has established several institutional mechanisms that support long-term sustainability. These include the shift towards a programmatic approach to development planning, efforts to maintain policy consistency across leadership changes, and sector-specific reforms such as the pursuit of autonomous status for the National Oceanic Resource Management Authority (NORMA).
- ❖ **Financial Instruments:** The establishment and maintenance of trust funds, including the Compact Trust Fund and the FSM Trust Fund, provide a foundation for long-term financial sustainability. These instruments are designed to ensure a degree of fiscal stability beyond the current aid-dependent model.
- ❖ **Capacity Building Initiatives:** There's a strong focus on developing local skills and human resources across various sectors. Initiatives such as training local solar engineers and emphasizing trade and vocational education contribute to building sustainable local capacity.
- ❖ **Sector-Specific Strategies:** In sectors like fisheries and energy, there are efforts towards financial self-reliance and sustainable resource management. The implementation of harvest controls in fisheries and the focus on renewable energy in the power sector are examples of strategies that could yield long-term sustainable benefits.
- ❖ **Environmental Integration:** There's growing recognition of the need to integrate environmental considerations into all aspects of development planning, which is crucial for long-term sustainability in an island nation vulnerable to climate change.

Challenges to Sustainability:

- ❖ **Financial Constraints:** The heavy reliance on Compact funding and the challenges in diversifying the economy pose significant risks to the long-term sustainability of development gains. The underutilization of local resources and dependence on imports further compound this issue.
- ❖ **Human Capital Limitations:** The shortage of skilled local labor and challenges in retaining trained staff threaten the continuity of development initiatives. This is particularly acute in specialized technical fields.
- ❖ **Governance and Coordination Issues:** Inefficiencies in government structures and the need for better coordination between national and state levels hinder the effective implementation and sustainability of development initiatives.
- ❖ **Data and Monitoring Gaps:** The lack of robust monitoring and evaluation systems makes it difficult to track progress and make informed decisions for sustaining development gains.
- ❖ **Infrastructure and Access Disparities:** Challenges in infrastructure development and maintenance, particularly in outer islands, threaten the equitable and sustainable distribution of development benefits.
- ❖ **Limited Exit Strategies:** While there are implicit approaches towards self-reliance, there's a notable lack of explicit, comprehensive exit strategies and transition plans for reducing dependence on external support.

Likelihood of Continued Benefits:

Given these factors, the likelihood of SDP benefits continuing after the program period varies:

- ❖ **High Likelihood:** Benefits in sectors with strong institutional mechanisms and clear sustainability strategies, such as fisheries management and renewable energy, are more likely to continue. The financial stability provided by trust funds also increases the likelihood of sustained economic benefits.
- ❖ **Moderate Likelihood:** Benefits in areas where capacity building has been a focus, such as education and certain technical fields, have a moderate chance of continuation. However, this depends on the ability to retain skilled personnel and continue skill development programs.
- ❖ **Low Likelihood:** Benefits in areas heavily dependent on external funding or expertise, without clear transition plans, are at risk. This may include certain infrastructure projects or specialized programs that haven't built sufficient local capacity.

Future Outlook:

- ❖ To enhance the likelihood of sustained benefits, the FSM needs to:
- ❖ Develop explicit exit strategies and transition plans for each sector.
- ❖ Strengthen coordination between national and state levels to ensure consistent implementation of sustainable practices.
- ❖ Invest in robust data collection and analysis systems to inform adaptive management.
- ❖ Focus on economic diversification and local resource utilization to reduce external dependence.
- ❖ Continue and expand capacity building efforts, with a focus on retention strategies.
- ❖ Integrate environmental sustainability more deeply into all development initiatives.
- ❖ Address infrastructure and service disparities between main islands and outer islands.

In conclusion, while the FSM has laid some groundwork for sustainability, particularly in financial management and certain sector-specific strategies, significant challenges remain. The benefits of the SDP are likely to continue to varying degrees across different sectors, with those having clear sustainability strategies and local capacity being more likely to persist. However, without addressing key challenges and developing more explicit transition plans, there's a risk that some gains may not be sustained in the long term. The next iteration of the SDP should focus on strengthening these sustainability mechanisms to ensure that development benefits continue well beyond the program period.

Specific Findings

Sub Question 4.1: What institutional, financial, and operational mechanisms have been put in place to ensure the sustainability of the FSM SDP's achievements?

The Federated States of Micronesia (FSM) has embarked on a multi-faceted journey to ensure the sustainability of its Strategic Development Plan (SDP) achievements. Through a series of interviews with key officials, sector leaders, and state-level stakeholders, a comprehensive picture emerges of a nation grappling with the challenges of long-term development while implementing innovative mechanisms to secure lasting progress.

Institutional Foundations for Sustainable Development

At the heart of FSM's sustainability efforts lies a shift towards more robust institutional mechanisms, both at the national and state levels. A senior official emphasized the need for a programmatic approach to development planning. "In the next plan, in the revision, I think we should give greater attention to programming approach to doing things," the official stated, highlighting the importance of building on past achievements rather than starting anew each year. This approach aims to create a more coherent and sustained development trajectory, addressing the challenge of fragmented progress that has hindered long-term sustainability in the past.

Policy consistency across leadership changes emerged as another crucial institutional mechanism. A high-ranking official stressed the importance of "consistent implementation of policies across changes in leadership." This

focus on institutional stability is seen as vital for maintaining the momentum of development initiatives, regardless of political shifts.

However, state-level inputs revealed a need for more robust local institutional mechanisms to complement national efforts. The varied sustainability across states highlights the importance of tailoring institutional approaches to local contexts. As one state official noted, "What works in Pohnpei may not necessarily work in Yap or Chuuk. We need institutions that understand and respond to our unique challenges."

Improved coordination between national and state levels of government was also identified as a key institutional mechanism. Officials advocated for "better alignment of national and state-level planning" and "stronger coordination mechanisms between national and state levels." This push for cohesive implementation across all levels of government aims to ensure that the SDP's goals are pursued consistently throughout the nation. However, state inputs highlighted ongoing coordination issues, emphasizing the need for more effective communication channels and joint decision-making processes.

In specific sectors, institutional reforms are being pursued to enhance sustainability. For instance, in the fisheries sector, the National Oceanic Resource Management Authority (NORMA) is "pursuing autonomous status... to improve efficiency and staff retention." This move towards greater autonomy is seen as a way to maintain consistent management practices and retain skilled personnel, both crucial for the long-term sustainability of the sector. State-level fisheries departments have also initiated reforms, with one state reporting the establishment of a community-based fisheries management program to ensure local involvement and sustainability.

Development partners have played a crucial role in supporting FSM's institutional sustainability efforts. For instance, the Asian Development Bank (ADB) has emphasized the need for a dedicated unit to monitor and evaluate performance and strengthen coordination with statistics. This aligns with the national push for improved data collection and analysis systems, highlighting the synergy between external support and internal initiatives.

Financial Sustainability: Balancing Self-Reliance and Innovation

Financial mechanisms play a crucial role in ensuring the longevity of FSM's development achievements. A financial expert highlighted the importance of "maintaining and growing trust funds (both the Compact Trust Fund and the FSM Trust Fund)." These financial instruments are viewed as cornerstones of the nation's long-term fiscal sustainability strategy.

However, state inputs revealed concerns about financial sustainability at the state and municipal levels. As one state finance officer noted, *"While national trust funds are important, we need mechanisms to ensure fiscal stability at the state level too. Our budgets are often strained, impacting our ability to maintain infrastructure and services."*

Across various sectors, there's a growing emphasis on financial self-reliance. Speaking about the energy sector, an official stressed the importance of "focus on cost recovery without subsidies." Similarly, in fisheries management, there's a move "towards full cost recovery of fisheries management programs." This push towards financial independence aims to reduce reliance on external funding and ensure the sustainability of sector-specific achievements.

Innovative financing mechanisms are also being explored. In the energy sector, "innovative land lease agreements (benefit share)" are being implemented as a way to secure long-term access to land for

infrastructure while ensuring benefits flow to local communities. This approach demonstrates FSM's efforts to balance development needs with community interests, a crucial aspect of sustainable development.

State-level inputs provided more detailed examples of financial sustainability efforts. One state reported implementing a revolving fund for small business development, while another highlighted a successful public-private partnership in waste management that has reduced costs and improved service delivery.

Development partners have introduced innovative financing mechanisms to support FSM's sustainability efforts. For example, the European Union's Investment Facility for the Pacific (IFP) Replenishment and Asia-Pacific Investment Facility (APIF) are designed to combine EU grants with other public and private financial resources, enhancing the sustainability of infrastructure investments.

Operational Strategies for Lasting Impact

On the operational front, capacity building emerged as a central theme across interviews with both national and state-level stakeholders emphasizing its importance. Officials emphasized the need for "developing local skills and human resources" and "focusing on trade and vocational education." This focus on human capital development is seen as crucial for reducing dependence on external expertise and ensuring local ownership of development initiatives.

However, state inputs revealed ongoing challenges in capacity building and retention. As one state education official noted, "We train people, but keeping them here is difficult. We need better incentives and career pathways to retain our skilled workforce." This highlights the need for a more comprehensive approach to capacity building that addresses not just skill development but also retention strategies.

A striking example of this approach comes from the renewable energy sector. As a sector leader explained, "They're training 20 women to become solar engineers. They will be responsible for hooking up and maintaining the systems." This initiative not only builds local capacity but also promotes gender equality in technical fields, addressing multiple development goals simultaneously. State-level inputs provided additional examples of capacity building initiatives, such as a youth entrepreneurship program in one state and a traditional navigation skills revival project in another, emphasizing the importance of culturally relevant capacity building.

Data-driven decision making is another operational mechanism being strengthened. Officials highlighted the need for "improved data collection and analysis systems." This focus on evidence-based planning and implementation is seen as crucial for effective and sustainable development. State inputs emphasized the need for better data sharing between national and state levels to inform local decision-making processes.

Sector-specific strategies are also being implemented to ensure operational sustainability. In the fisheries sector, for instance, measures include "implementing harvest controls and harvest strategies" and "adhering to the precautionary principle in fisheries management." These measures aim to ensure the long-term viability of marine resources, a critical asset for FSM's economy and food security. State-level fisheries departments reported complementary efforts, such as community-based monitoring programs and local fishing regulations tailored to specific island ecosystems.

Recent MEL Assessment Evidence (2024)⁶

The sustainability challenges and opportunities in operational capacity are further illuminated by recent MEL capacity assessments conducted in 2024. These assessments reveal specific areas requiring attention for long-term sustainability.

Capacity Gaps	Emerging Opportunities	Stakeholder Recommendations
<ul style="list-style-type: none"> ❖ Most government staff report basic to no knowledge of key MEL concepts ❖ Over 90% of staff lack confidence in using advanced analytical tools ❖ 88.89% report not using any manual/tools for M&E systems 	<ul style="list-style-type: none"> ❖ High engagement levels in recent capacity building initiatives, as evidenced by the August 2024 MEL training ❖ Clear identification of specific capacity needs through detailed assessments ❖ Growing awareness of MEL importance among national government staff 	<ul style="list-style-type: none"> ❖ The assessment captured specific requests from participants that could enhance sustainability: ❖ Extended training duration ❖ Inclusion of state-level participants ❖ Sector-focused MEL workshops ❖ Development of certification programs

These findings suggest that while there is growing momentum for capacity development, sustainable implementation will require systematic attention to standardization of tools, expansion of training to state levels, and establishment of regular capacity building programs.

Infrastructure Maintenance and Cultural Sustainability

State inputs highlighted two critical areas not fully addressed in the initial review: infrastructure maintenance and cultural sustainability. Several state officials emphasized the ongoing challenge of maintaining existing infrastructure, particularly in remote areas. As one public works director noted, *"Building new infrastructure is important, but we struggle to maintain what we already have. This affects the long-term sustainability of our development efforts."*

Cultural sustainability emerged as another crucial factor. Traditional leaders and community representatives stressed the importance of integrating cultural practices and values into development initiatives. One cultural affairs officer stated, *"Our traditional systems of resource management and community governance have sustained us for generations. We need to incorporate these practices into our modern development strategies."* This perspective highlights the need to consider cultural sustainability alongside economic and environmental factors in the SDP.

Education System Sustainability

State-level inputs provided more detailed insights into the challenges of sustaining improvements in the education system, particularly in outer islands. Issues such as teacher retention, curriculum relevance, and infrastructure maintenance were highlighted. An education official from a remote island noted, *"We struggle to keep qualified teachers here. The isolation and lack of resources make it challenging to provide quality education consistently."* This underscores the need for targeted strategies to ensure educational sustainability across all regions of FSM.

Development Partner Engagement

The sustainability of FSM's development efforts has been significantly bolstered by the engagement of various development partners. These partners, including the High Commission of Canada, Asian Development Bank (ADB), European Union Delegation, UNESCAP, and UNDP, have aligned their programs and projects with specific SDP sector goals, providing crucial external support for FSM's development objectives.

⁶ Refer to **Annex G** for the full MEL Capacity Assessment conducted by SPC under the SDP Project Letter of Agreement with the FSM Government.

For instance, the European Union has focused on improving access to water, sanitation, and hygiene, as well as supporting the energy sector through projects like the Sustainable Energy and Accompanying Measures (SEAM) program. The UNDP has contributed to public sector management, gender equality, and environmental sustainability through various projects, including work on invasive alien species and land degradation neutrality.

These partnerships have not only provided financial resources but also technical expertise and capacity building support, contributing to the long-term sustainability of development initiatives. However, challenges remain in coordinating these efforts and ensuring they align seamlessly with national and state-level priorities.

Challenges and Future Directions

Despite these mechanisms, significant challenges remain. A high-ranking environmental official voiced concerns about environmental sustainability, warning that "if we don't seriously address some of these environmental issues... it's going to be overwhelming for the resources of the nation to address." This highlights the urgent need to integrate environmental considerations more deeply into all aspects of development planning. State-level environmental departments provided specific examples of local challenges, such as coastal erosion in low-lying islands and freshwater scarcity in drought-prone areas, emphasizing the need for localized environmental strategies.

Accessibility of services remains another challenge. Reflecting on past SDPs, an official noted, "I think our failure with the expiring SDP is accessibility. We didn't make health and education accessible." This insight underscores the need for future plans to focus not just on development, but on ensuring equitable access to the benefits of that development. State inputs further highlighted the disparities in service accessibility between main islands and outer islands, calling for more targeted approaches to ensure inclusive development.

Looking ahead, a development expert advocated for a more integrated approach to development. They stressed the need to "integrate the three pillars of development, economic, social, and environment, without which I don't think you really are addressing the real needs of this nation." This call for a holistic approach to sustainability encapsulates the evolving understanding of development in FSM.

State-level stakeholders echoed this sentiment, emphasizing the need for development strategies that reflect the diverse needs and capacities of different states and communities. As one state planner put it, *"We need a national plan that provides a framework, but with enough flexibility for each state to adapt it to our unique circumstances."*

Overall, the FSM has implemented a diverse array of institutional, financial, and operational mechanisms to ensure the sustainability of its SDP achievements. From trust funds and innovative financing to capacity building and sector-specific strategies, these mechanisms reflect a comprehensive approach to sustainable development. The integration of state-level perspectives has revealed both the complexity of sustainability challenges across the nation and the wealth of local initiatives and insights that can inform more effective strategies.

However, as the interviews reveal, there's a clear recognition that continuous improvement and adaptation of these mechanisms is necessary. The varied sustainability landscape across states, the need for stronger local institutional mechanisms, the challenges of infrastructure maintenance, and the importance of cultural sustainability all point to areas requiring further attention.

As FSM moves forward, the challenge lies in refining and expanding these sustainability measures to address ongoing challenges and secure truly lasting development for the nation and its people. This will require not only national-level strategies but also empowering states and communities to drive their own sustainable

development initiatives, ensuring that the SDP's achievements are truly sustainable across all regions and sectors of FSM society.

Sub Question 4.2: What have been the key factors that have contributed to or hindered the sustainability of the FSM SDP's results?

The Federated States of Micronesia's Strategic Development Plan (SDP) has been a cornerstone of the nation's progress. However, its long-term sustainability faces various challenges and opportunities. Through extensive interviews with key stakeholders across different sectors, several critical factors have emerged that either contribute to or hinder the sustainability of the SDP's results.

Financial Constraints and Resource Allocation

One of the most prominent factors affecting the sustainability of the SDP's results is the limitation of financial resources. This issue is particularly acute in environmental initiatives, where funding shortfalls have hindered the implementation and continuation of crucial programs. The overreliance on Compact funding has been identified as a significant concern, pointing to the need for diversification of financial resources to ensure long-term sustainability.

Moreover, the underutilization of local resources coupled with a heavy dependence on imports has created an economic imbalance that threatens the sustainability of development efforts. This situation is further exacerbated by high operational costs in certain sectors, such as energy, leading to elevated tariffs that strain both consumers and the overall economy.

Human Capital and Capacity Building

The lack of skilled local labor emerges as a critical factor hindering sustainability. This shortage not only affects the implementation of SDP initiatives but also creates a dependency on external expertise, which is not sustainable in the long run. The challenge of retaining skilled staff, particularly due to limitations in the government personnel system, further compounds this issue.

There's a clear need for enhanced capacity building at both national and state levels. The interviews reveal that limited capacity affects various aspects of sustainable development, from project implementation to monitoring and evaluation. The importance of trade and vocational education has been emphasized as a potential solution to address this skills gap.

Governance and Coordination

Several interviewees highlighted the need for better coordination between different levels of government and across various sectors. The alignment of national and state-level priorities emerged as a crucial factor for sustainable development. The fragmentation of planning and implementation processes, resulting from the dismantling of the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC), has been identified as a significant challenge to coordinated and sustainable development efforts.

Inefficiencies in government structure were also mentioned as hindrances to sustainability. These inefficiencies not only affect the implementation of SDP initiatives but also impact the overall governance and decision-making processes crucial for long-term development.

Data Collection and Analysis

A recurring theme across multiple interviews was the need for improved data collection and analysis systems. The lack of consistent monitoring and evaluation of the SDP has been evident, making it challenging to track

progress, identify successful initiatives, and make informed decisions for future planning. This deficiency in robust M&E systems hampers the ability to ensure and demonstrate sustained benefits of development efforts.

Environmental Considerations and Climate Change

The integration of environmental considerations into all aspects of development emerged as a critical factor for sustainability. Climate change impacts, particularly on agriculture and fisheries, were identified as significant threats to the long-term viability of these sectors and, by extension, to the overall sustainable development of FSM. There's a noted lack of understanding or support from policymakers and the public regarding environmental protection. This gap in awareness poses challenges in demonstrating the long-term value of environmental initiatives, potentially leading to underinvestment in crucial sustainability measures.

Infrastructure and Access

Infrastructure development, particularly in key areas such as port facilities and energy access in outer islands, was identified as a critical factor affecting sustainability. The challenges in securing land for utility assets have hindered the development of essential infrastructure, impacting the overall sustainability of development efforts.

Limited energy access in outer islands was specifically mentioned as a factor affecting equitable and sustainable development across the nation. This disparity in infrastructure and services between different regions of FSM poses a significant challenge to achieving comprehensive and sustainable development as envisioned in the SDP.

Public Awareness and Engagement

The importance of public awareness and understanding of development initiatives was emphasized by several interviewees. Lack of public support and engagement can significantly hinder the sustainability of SDP results. There's a recognized need for better communication and education to foster public buy-in for long-term development strategies.

Role of Civil Society Organizations (CSOs)

The potential role of CSOs in contributing to sustainable development efforts was highlighted. However, the lack of government support for these organizations was identified as a factor limiting their potential impact. Providing funding and resources to CSOs could enhance their ability to contribute to and sustain development efforts.

Economic Development and Private Sector Growth

The need for more focus on economic development and private sector growth was identified as crucial for creating sustainable employment opportunities. This aspect is vital for reducing dependence on government and external funding, contributing to the overall sustainability of development efforts.

Cultural and Institutional Factors

While not explicitly discussed in all interviews, cultural and institutional barriers to accountability and performance measurement were hinted at. These underlying factors could significantly impact the sustainability of development efforts by affecting how initiatives are implemented, monitored, and adapted over time.

The sustainability of FSM's SDP results is influenced by a complex interplay of factors ranging from financial constraints and human capital development to governance structures and environmental considerations. While challenges such as limited resources, skill shortages, and coordination issues hinder sustainability, opportunities exist in improving data systems, enhancing public engagement, and integrating environmental considerations into all aspects of development.

Moving forward, addressing these factors will be crucial for enhancing the long-term sustainability of FSM's development efforts. This will require a multi-faceted approach involving capacity building, improved governance and coordination, enhanced data systems, and a stronger focus on environmental sustainability and economic diversification. By tackling these issues head-on, FSM can work towards ensuring that the achievements of its Strategic Development Plan are not just short-term gains, but lasting improvements that benefit the nation and its people for generations to come.

Sub Question 4.3: How well have exit strategies and transition plans been developed and implemented to ensure the sustainability of the FSM SDP's outcomes?

The Federated States of Micronesia's Strategic Development Plan (SDP) is a crucial document guiding the nation's long-term development. An essential aspect of any such plan is the inclusion of well-crafted exit strategies and transition plans to ensure the sustainability of outcomes beyond the period of external support. This report analyzes the extent to which these strategies have been developed and implemented within the context of FSM's SDP, based on insights gathered from interviews with key stakeholders across various sectors.

Implicit Recognition of Need for Transition

While the interviews do not explicitly discuss formalized exit strategies or transition plans in most cases, there is an implicit recognition of their importance throughout the conversations. This recognition manifests in various ways across different sectors and perspectives.

Economic Sustainability and Reduced External Dependence

A recurring theme in the interviews is the need for economic sustainability and a gradual reduction of dependence on external assistance. This focus suggests an awareness of the need for long-term planning beyond the current reliance on aid, particularly in light of the Compact funding arrangements.

Several interviewees emphasized the importance of revising the SDP to include strategies for reducing dependence on external assistance over time. This indicates a growing recognition that sustainable development in FSM must ultimately be driven by internal resources and capacities rather than perpetual external support.

The FSM Trust Fund was mentioned as a potential tool for long-term financial sustainability. This focus on improving local economic activities and building financial reserves suggests a vision for a future where FSM is less reliant on external aid. However, it's worth noting that while this approach demonstrates foresight, it does not constitute a comprehensive exit strategy in itself.

Sector-Specific Approaches to Self-Reliance

In some sectors, there are indications of moves towards greater autonomy and self-reliance. For instance, the National Oceanic Resource Management Authority (NORMA) is reported to be working towards full autonomy, including managing its own costs and operations. This approach, aiming to move away from dependence on centralized financial management, represents a sector-specific transition strategy towards sustainability.

Similarly, in the energy sector, there is a focus on cost recovery and capacity building. While not explicitly framed as an exit strategy, these efforts suggest a long-term vision for reducing dependence on external assistance in this critical infrastructure sector.

Capacity Building as an Implicit Exit Strategy

A significant emphasis on capacity building and local ownership emerges from the interviews. This focus on developing local skills and expertise can be interpreted as an implicit exit strategy from reliance on external consultants and technical assistance.

Several interviewees stressed the importance of training local personnel and building local capacity. This approach is particularly evident in discussions about project implementation and management. By prioritizing the development of local expertise, FSM is laying the groundwork for sustaining development initiatives beyond the period of external support.

The emphasis on building self-reliance and addressing root causes of development challenges further underscores this implicit strategy. By focusing on developing internal capabilities to tackle development issues, FSM is working towards a future where external support plays a diminishing role.

Gaps in Explicit Exit Strategies and Transition Plans

Despite these implicit approaches, there is a notable lack of discussion around concrete, sector-specific exit strategies or formalized transition plans in the interviews. This gap suggests that while there is awareness of the need for sustainability, there may be insufficient explicit planning for the transition away from external support.

The absence of detailed exit strategies in the discussions could indicate a potential area for improvement in future iterations of the SDP. Developing clear, actionable plans for transitioning from aid dependency to self-reliance across various sectors could significantly enhance the long-term sustainability of development outcomes.

Need for Inclusion in SDP Revision

One interviewee specifically mentioned the need for self-reliance initiatives to be explicitly included in the SDP, with a focus on gradually reducing aid dependency. This comment highlights an awareness of the importance of exit strategies in development planning and suggests that there is room for improvement in this area in future revisions of the SDP.

Challenges in Developing Exit Strategies

The interviews indirectly reveal several challenges that may be hindering the development of comprehensive exit strategies:

1. Long-term dependence on Compact funding: The historical reliance on Compact funds may have created institutional inertia, making it challenging to envision and plan for a fully self-reliant future.
2. Capacity constraints: The emphasis on capacity building suggests that current local capacity may be insufficient to fully take over all aspects of development planning and implementation, necessitating a gradual transition.
3. Economic limitations: The focus on economic sustainability indicates that FSM's current economic structure may not yet be robust enough to support full self-reliance, requiring careful planning for any transition.
4. Sector-specific challenges: Different sectors (e.g., fisheries, energy) face unique challenges that may require tailored exit strategies, adding complexity to the planning process.

While the FSM's approach to exit strategies and transition plans in the context of the SDP appears to be largely implicit rather than explicit, there are encouraging signs of movement towards greater self-reliance and sustainability. The focus on economic sustainability, sector-specific autonomy initiatives, and extensive capacity building efforts all contribute to a gradual transition away from external dependency.

However, the lack of explicit, comprehensive exit strategies and transition plans represents a significant area for improvement. As FSM continues to refine and implement its Strategic Development Plan, there is a clear need to develop more concrete, sector-specific strategies for ensuring the sustainability of development outcomes beyond the period of external support.

Moving forward, it would be beneficial for FSM to:

- Explicitly incorporate exit strategies and transition plans into future revisions of the SDP.
- Develop sector-specific plans for gradually reducing dependence on external assistance.
- Continue and expand capacity building efforts to ensure local expertise can sustain development initiatives.
- Create clear timelines and milestones for transitioning from aid dependency to self-reliance across various sectors.
- Regularly review and adjust these strategies to ensure they remain relevant and achievable in the face of changing circumstances.

By addressing these aspects, FSM can enhance the long-term sustainability of its development efforts, ensuring that the progress achieved through the SDP continues well into the future, even as external support diminishes.

Sub Question 4.4: What lessons can be learned to strengthen the sustainability of the next strategic development plan for the FSM?

The Federated States of Micronesia (FSM) stands at a crucial juncture in its development journey. As the nation prepares to formulate its next Strategic Development Plan (SDP), it is imperative to draw upon the experiences and insights gained from the implementation of previous plans. This report synthesizes key lessons learned from interviews with various stakeholders, providing a roadmap for enhancing the sustainability and effectiveness of the forthcoming SDP.

Holistic Integration of Environmental Considerations

A recurring theme across multiple interviews is the critical need for better integration of environmental considerations into all sectors of development. The FSM, as an island nation particularly vulnerable to climate change and environmental degradation, must ensure that its development strategies are not only economically viable but also environmentally sustainable.

Lesson 1: The next SDP should adopt a cross-cutting approach to environmental sustainability, ensuring that every sector – from fisheries to infrastructure – incorporates eco-friendly practices and climate resilience measures.

Enhanced Monitoring and Evaluation Mechanisms

Several interviewees highlighted the importance of improved monitoring and evaluation (M&E) of SDP implementation. The lack of robust M&E systems has hindered the ability to track progress, identify challenges, and make necessary adjustments in real-time. Survey responses emphasized the need for more frequent reviews of the SDP and improved data management and reporting systems. The Department of Health & Social Affairs specifically stressed the importance of focusing on producing mandatory departmental reports rather than prioritizing those for external donors.

Lesson 2: Develop and implement a comprehensive M&E framework that includes regular review cycles, clear performance indicators, and mechanisms for adaptive management. This should be complemented by improved data collection and analysis systems to ensure evidence-based decision-making and prioritize internal reporting needs over external donor requirements.

Strengthening Leadership Engagement and Communication

The interviews revealed a critical need for greater engagement of leadership in understanding and promoting the SDP. Additionally, the importance of a strong communication strategy was emphasized to ensure widespread understanding and buy-in from all stakeholders.

Lesson 3: Develop a clear, concise, and easily understood SDP document, accompanied by a robust communication strategy. This should include regular briefings for leadership at all levels of government and targeted outreach to various stakeholder groups.

Integration into Day-to-Day Governance

Survey responses from multiple government departments highlighted the need for better integration of the SDP into day-to-day governance and decision-making processes. This suggests that while the SDP provides a broad strategic framework, its translation into daily operations and policy decisions has been less effective.

Lesson 4: Develop mechanisms to integrate the SDP more effectively into day-to-day governance and decision-making processes across all government departments. This should include creating tools and processes that help connect daily activities to broader SDP goals and ensure regular reference to the SDP in departmental operations.

Improved Coordination and Alignment

A significant challenge identified was the lack of coordination between national and state-level planning. This misalignment has led to inefficiencies and missed opportunities for synergistic development efforts. Survey responses further emphasized the need for better alignment of departmental actions with SDP goals, suggesting that improved horizontal coordination across departments at each level of government is also necessary.

Lesson 5: Establish stronger mechanisms for coordination between national and state governments, as well as across departments at each level. The SDP should explicitly outline how national goals will be translated into state-level actions and departmental responsibilities, ensuring alignment and synergy in development efforts across all levels of government.

Stakeholder Engagement and Ownership

Multiple interviewees stressed the importance of inclusive consultations and stakeholder ownership in the SDP development process. There was a clear call for a bottom-up approach that starts at the state level and incorporates diverse perspectives.

Lesson 6: Implement a comprehensive stakeholder engagement strategy that begins at the grassroots level. This should include consultations with environmental groups, women's organizations, disability advocates, elderly representatives, and other key community stakeholders. Ensuring their involvement from the outset will increase ownership and commitment to the plan's implementation.

Action-Oriented and Sustainable Planning

Several interviews highlighted the need for the SDP to move beyond strategic visioning to include concrete, actionable plans. Additionally, there was an emphasis on focusing on sustainable development rather than just strategic development.

Lesson 7: Develop an SDP that balances long-term vision with specific, actionable initiatives. Each strategic objective should be accompanied by clear implementation plans, timelines, and resource allocations. The plan should also explicitly address how it will contribute to sustainable development goals.

Financial Management and Diversification

Interviewees emphasized the importance of sound financial management and the need to diversify revenue sources. This is crucial for reducing dependency on external aid and ensuring long-term sustainability.

Lesson 8: Incorporate robust financial management strategies into the SDP, including mechanisms for accountability and transparency. Explore and outline strategies for diversifying the FSM's revenue sources, such as expanding the Maritime Resources Authority scheme or developing new economic sectors.

Infrastructure and Utilities Development

The critical role of infrastructure and utilities in supporting broader development goals was highlighted in several interviews. There was a particular emphasis on renewable energy targets and addressing land issues innovatively.

Lesson 9: Ensure that the SDP includes a comprehensive infrastructure development plan that aligns with Integrated State Development Plans (ISDPs) and supports key economic sectors like fisheries. This should include strategies for achieving renewable energy targets and innovative approaches to land use challenges.

Capacity Building and Local Ownership

A strong emphasis was placed on developing local skills and resources. This is seen as crucial for reducing dependence on external consultants and ensuring the sustainability of development initiatives.

Lesson 10: Integrate a robust capacity-building component into the SDP, focusing on developing local expertise in planning, project management, and specialized technical areas. This should include strategies for knowledge transfer and succession planning.

Integration of ODA and NGO Activities

Several interviewees pointed out the need for better integration of Official Development Assistance (ODA) funded activities and NGO initiatives into national planning and reporting processes.

Lesson 11: Develop mechanisms within the SDP for better coordination and integration of ODA and NGO activities. This could include establishing a centralized database of all development initiatives, regular coordination meetings, and aligned reporting frameworks.

Public-Private Partnerships

The potential for public-private partnerships in development projects was highlighted as an area for exploration.

Lesson 12: Include strategies in the SDP for fostering and leveraging public-private partnerships across various sectors. This could involve creating enabling policy environments, capacity building for partnership management, and identifying key areas where private sector engagement could accelerate development goals.

Alignment with Global Frameworks

The importance of aligning the SDP with global development frameworks was emphasized to ensure that FSM's development efforts are in sync with international best practices and commitments.

Lesson 13: Explicitly link the SDP's objectives and strategies to relevant global frameworks such as the Sustainable Development Goals (SDGs), Paris Agreement on Climate Change, and other relevant international commitments.

Development Partner Coordination

Survey responses from development partners highlighted the need for better coordination of external support with national priorities. There was an emphasis on aligning partner activities with FSM's internal reporting and accountability mechanisms, as well as ensuring that departments take ownership of objectives and goals related to external support.

Lesson 14: Enhance coordination mechanisms between FSM and its development partners to maximize the effectiveness and sustainability of external support. This should include aligning partner activities with national priorities, standardizing reporting processes, and fostering greater ownership of externally supported initiatives within FSM government departments.

The lessons drawn from these interviews provide a comprehensive roadmap for enhancing the sustainability and effectiveness of FSM's next Strategic Development Plan. By focusing on holistic environmental integration, robust monitoring and evaluation, improved coordination, inclusive stakeholder engagement, action-oriented planning, financial sustainability, infrastructure development, capacity building, and alignment with global frameworks, FSM can create a more resilient and sustainable development pathway.

The next SDP should be viewed not just as a document, but as a living, dynamic process that guides the nation's development efforts. It should be flexible enough to adapt to changing circumstances while providing a clear, actionable roadmap for sustainable development.

Implementing these lessons will require strong political will, institutional reforms, and a shift in planning culture towards more inclusive, evidence-based, and sustainable approaches. However, the potential benefits – a more resilient economy, a healthier environment, and improved quality of life for all FSM citizens – make this effort not just worthwhile, but essential for the nation's future prosperity.

Stakeholder Perspectives – Voices of FSM

The recent stakeholder consultations for the review of the Federated States of Micronesia's (FSM) Strategic Development Plan (SDP) have yielded a wealth of insights, revealing both the strengths and challenges of the existing plan while illuminating pathways for future development. This comprehensive engagement process, involving a diverse array of stakeholders from government officials and state representatives to NGOs, development partners, and private sector entities, has painted a nuanced picture of FSM's development landscape.

At the heart of the feedback lies a contradiction: while the SDP was intended to be a guiding document for the nation's development, many stakeholders reported limited awareness or utilization of the plan in their day-to-day operations. A long-serving government official reflected on this evolution, noting, "When I started with the government... throughout the years and jobs that I took on after that, it [SDP] became more relevant to me and my work." This statement underscores the gradual recognition of the SDP's importance, but also hints at the initial disconnect between the plan and its intended users.

The consultations revealed a strong consensus on several key points:

Need for an actionable and regularly updated SDP: Stakeholders across the board emphasized the importance of a more dynamic plan that can adapt to changing circumstances. This sentiment was echoed across all four states, with many interviewees expressing frustration with the static nature of the previous 20-year plan. The Secretary of Education suggested "interval reviews of the new SDP to determine whether departments are actually operating in line with the SDP."

Strengthening monitoring and evaluation processes: As a former government official pointedly observed, "*There wasn't much... monitoring. There wasn't really an office identified to do the monitoring. So there were no evaluations done, and then we couldn't learn from what we were... How we were implementing it.*" This lack of systematic monitoring and evaluation emerged as a significant obstacle to effective implementation and adaptive management of the SDP. State-level interviews consistently highlighted this issue, with many

departments reporting challenges in data collection, analysis, and reporting. The Department of Health & Social Affairs emphasized the need for "enhancing the health planning and statistics unit" to improve data quality and timeliness.

Recognition of fisheries as a key economic driver: Both government officials and development partners highlighted the importance of the fisheries sector for FSM's economy. This was particularly emphasized in Yap and Chuuk, where marine resources play a crucial role in local livelihoods.

Addressing climate change: There was widespread agreement on the pressing need to integrate climate change considerations into all aspects of development planning. This was a recurring theme across all states, with particular emphasis on its impact on infrastructure and agriculture. The European Union highlighted their support for climate change adaptation and resilience building through initiatives like the Kiwa Initiative for nature-based solutions.

Focus on infrastructure development: Both government departments and development partners emphasized the critical role of infrastructure in supporting economic growth and improving quality of life. However, state-level interviews revealed significant challenges in implementing and maintaining infrastructure projects, particularly in outer islands and remote areas. The Department of Transportation, Communications and Infrastructure stressed the need for "more effective linkages between infrastructure development and the expansion of the productive sectors like manufacturing, agriculture and tourism."

However, the consultations also unveiled areas of divergence among stakeholders. One notable point of contention revolved around the role of a central planning agency. While some advocated for re-establishing the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC), others preferred a more decentralized approach to planning and implementation.

The feedback highlighted significant challenges in coordination and alignment across different levels of government and between various stakeholders. State-level representatives, in particular, expressed limited awareness of the national SDP and emphasized the need for better alignment between national and state-level planning. This disconnect was further complicated by resource constraints and capacity issues at the state level, underscoring the need for strategies that can bridge these gaps and ensure more cohesive development efforts across the federation.

NGO representatives brought another crucial perspective to the consultations, calling for greater involvement of civil society in both planning and implementation processes. They stressed the importance of addressing social issues and gender equality, areas that some felt had been underemphasized in previous development efforts. However, they also noted challenges within their own sector, as exemplified by one NGO representative's comment: "FANGO is not as strong as it used to be... We need to revitalize it or create a new mechanism." This highlights the need for strengthening civil society organizations to enhance their role in the development process.

Development partners, through a dedicated survey, provided valuable insights that complemented the broader consultation process. They emphasized the need for clear national priorities to guide assistance efforts and highlighted the importance of results-based management and reporting. Many partners reported good alignment between their programs and the SDP goals, focusing on areas such as infrastructure, environment, climate change, gender equality, and public sector management. They have contributed to FSM's development through various projects in water and sanitation, energy, education, health, and climate resilience, as well as providing technical assistance and capacity building.

The Asian Development Bank (ADB) reported supporting the government through projects in water and sanitation, energy, transportation, and health infrastructure in the outer islands. The European Union highlighted their support in areas such as improving access to water, sanitation, and hygiene, improving the energy sector, climate change adaptation, and sustainable waste management. The United Nations Development Programme (UNDP) mentioned their work in public sector management, gender equality, agriculture, health, and environment protection.

Key challenges identified by development partners included coordination issues in aligning with SDP objectives. They recommended prioritizing private sector enhancement, improving monitoring and evaluation systems, and increasing engagement with development partners. Looking forward, they identified climate change adaptation and resilience, sustainable infrastructure development, gender equality and women's empowerment, public finance management, and digital development and governance as key areas for future collaboration.

Government secretaries also provided valuable feedback through a dedicated survey, offering insights from key departments. Most departments reported good alignment between their goals and the SDP 2004-2023, with some following sector-specific plans in addition to the SDP. They highlighted important policy decisions and achievements, such as the establishment of a data management system in education, the bottom-up development approach in foreign affairs, infrastructure development planning in transportation, and the Framework for Sustainable Health Development in health.

The Department of Education emphasized the importance of workforce development, integration of indigenous knowledge into the curriculum, and developing robust STEM programs. The Department of Transportation, Communications and Infrastructure stressed the need for more focus on governance and institutional development, outer island development, and effective linkages between infrastructure and productive sectors. The Department of Health & Social Affairs highlighted the ongoing NCD crisis, shortage of skilled health professionals, and the need for improved health infrastructure and data collection.

Responses on the effectiveness of inter-departmental collaboration were mixed, with some reporting improved coordination and others suggesting room for improvement. For the new SDP 2024-2044, departments suggested focusing on workforce development, integrating indigenous knowledge, developing STEM programs, addressing the NCD crisis, improving healthcare access, and emphasizing outer island development. Long-term goals for 2045 included full integration of indigenous knowledge in education, universal healthcare coverage, and accessible basic services for all, including outer islands.

The private sector's input centered on the need for a more conducive environment for business growth, with particular emphasis on infrastructure development. Their perspective highlighted the potential for increased public-private partnerships, suggesting a pathway for leveraging private sector resources and expertise in pursuit of national development goals. State-level interviews, particularly in Yap and Kosrae, emphasized the challenges faced by the private sector, including limited access to finance, regulatory barriers, and the need for more supportive government policies.

State-specific insights revealed unique challenges and priorities:

- In Chuuk, stakeholders emphasized the need for improved infrastructure, particularly in outer islands, and better coordination between state and national governments.
- Kosrae interviewees highlighted the importance of environmental protection, sustainable tourism development, and addressing youth outmigration.
- Pohnpei stakeholders stressed the need for better alignment between state and national plans, improved data collection and management, and enhanced support for the private sector.

- Yap interviews revealed concerns about land issues, the need for improved tourism infrastructure, and challenges in implementing state-level development plans.

Throughout the consultations, several key themes emerged consistently. The need for better planning and coordination was paramount, with stakeholders emphasizing the importance of integrating sector-specific plans with the overarching SDP and ensuring more inclusive planning processes. The implementation and monitoring theme was equally prominent, with stakeholders calling for clear ownership and accountability in SDP implementation and stressing the importance of data-driven decision making.

Capacity and resource constraints were recurring concerns, particularly at the state level. Stakeholders highlighted the need for strategies to build and retain local capacity, as well as to address resource limitations that hinder effective plan implementation. This was particularly evident in the state interviews, where many departments reported challenges in attracting and retaining qualified staff, especially in specialized technical roles.

Cross-cutting issues such as climate change adaptation, disaster risk reduction, gender equality, and social inclusion were consistently emphasized as critical components of any future development plan. As one stakeholder poignantly noted, "Ideally, it should be people. I mean, people should be at the forefront of what we're trying to do." This human-centered perspective serves as a powerful reminder of the ultimate purpose of development efforts.

Finally, a theme of self-reliance and sustainability permeated many of the discussions. Stakeholders expressed a strong desire to reduce aid dependency over time, coupled with recognition of the need for continued support in key areas. This balance between aspiration for greater autonomy and acknowledgment of ongoing needs reflects the complex realities of FSM's development journey.

These diverse perspectives and insights from the stakeholder consultations provide a rich foundation for the development of the new SDP. They underscore the importance of creating a plan that is not only comprehensive and ambitious but also practical, adaptable, and deeply rooted in the unique context and aspirations of the Federated States of Micronesia.

Data Analysis

This section has evolved significantly since the mid-review report. Initially conceived as a standalone analysis, much of the data examination has been integrated throughout the report, particularly in the Findings section. The purpose of this section in the final report is to provide an overview of the data sources utilized, highlight key trends, and offer insights for future evaluations.

Data Sources and Usage

Our analysis drew from multiple sources, each contributing to different aspects of the evaluation:

- Stock take data: This formed the backbone of our activity implementation analysis, detailed in the Findings section. It provided quantitative insights into the progress of planned activities across all sectors of the Strategic Development Plan (SDP).
- Economist's analysis: An external economist's report on FSM's economic growth over the past two decades informed our effectiveness analysis, particularly in assessing progress towards economic self-reliance.
- FSM Voluntary National Review report on the SDGs 2020: This recent report offered valuable context and data points, supporting our analysis of FSM's progress not only in terms of the SDP but also in relation to broader sustainable development goals.

- Key informant interviews: Qualitative data from these interviews has been woven throughout the report, providing nuanced insights into the implementation and impact of the SDP.
- Outcome harvesting data: This methodology yielded rich qualitative data on the SDP's outcomes, which has been primarily incorporated into our impact analysis.

Key Overarching Trends

While detailed findings are presented in their respective sections, several overarching trends emerged from our data analysis:

- Varied progress across sectors: The stock take data revealed that implementation progress varies significantly between different SDP sectors, with some showing substantial advancement while others lag behind.
- Economic resilience amid challenges: The economist's analysis, corroborated by other data sources, indicates that FSM has shown economic resilience in the face of external shocks, though progress towards full economic self-reliance remains a challenge.
- Alignment with global sustainability goals: Data from the SDG report suggests that FSM's development efforts are increasingly aligning with global sustainability objectives, though progress is uneven across different goal areas.

Data Gaps and Limitations

Despite our comprehensive approach, several data gaps persisted:

- Incomplete sector-specific indicators: While the stock take provided activity-level data, comprehensive sector-specific outcome indicators were not uniformly available across all SDP areas.
- Limited long-term economic data: While the economist's report was invaluable, some historical economic data points were challenging to obtain, potentially limiting the depth of long-term trend analysis.
- Quantitative impact metrics: While outcome harvesting provided rich qualitative data, quantitative metrics for measuring the SDP's impact were not consistently available across all sectors.

These gaps may affect the evaluation's ability to provide definitive conclusions in some areas, particularly regarding long-term trends and quantitative impact assessments.

Methodological Note

Our analysis approach prioritized data triangulation, cross-referencing findings from different sources to ensure robustness. Quantitative data from the stock take and economic analysis was complemented by qualitative insights from interviews and outcome harvesting, allowing for a more nuanced understanding of the SDP's implementation and impact.

Recommendations for Future Data Management

Based on our experience, we recommend the following for future evaluations:

1. Standardized indicator tracking: Implement a system for regularly tracking a standardized set of indicators across all SDP sectors.
2. Enhanced economic data collection: Strengthen systems for collecting and maintaining long-term economic data to facilitate more comprehensive trend analysis.
3. Mixed-method approach: Continue to combine quantitative and qualitative data collection methods, but with a greater emphasis on developing quantitative impact metrics.

The data analyzed for this evaluation has provided crucial insights into the implementation and impact of the SDP. While data gaps presented challenges, the combination of quantitative and qualitative data sources allowed

for a comprehensive assessment. Moving forward, enhanced data collection and management systems will be vital for more robust evaluations and to inform future strategic planning efforts in FSM.

Institutional and Functional Considerations

The Federated States of Micronesia (FSM) has established a complex institutional framework to support the implementation of its Strategic Development Plan (SDP). This framework, which spans across national, state, and municipal levels, reflects the country's commitment to comprehensive development while navigating the challenges inherent in its unique geographic and political structure.

At the heart of this framework lies the Department of Resources and Development at the national level, which bears primary responsibility for the SDP. The SDP serves as the cornerstone of FSM's development strategy, guiding policy decisions and resource allocation across all sectors. However, the review has revealed that despite its critical importance, there is no permanent, dedicated unit for SDP implementation and monitoring. Instead, the government has opted for a more flexible approach, employing short-term contracts for SDP coordinators. Currently, this arrangement includes one coordinator based at the national level within the Department of Resources and Development, and four additional coordinators, one stationed in each of FSM's four states: Chuuk, Kosrae, Pohnpei, and Yap.

The distribution of responsibilities for SDP implementation is notably wide-ranging, encompassing virtually all government entities at both national and state levels. At the national level, key players include the Departments of Foreign Affairs; Transportation, Communications & Infrastructure; Finance & Administration; Health & Social Affairs; Justice; Education; and Environment & Emergency Management. The FSM Congress and Supreme Court also play crucial roles in creating the legislative and judicial environment necessary for successful SDP implementation.

Beyond these core national entities, a host of regional and state-specific bodies contribute to the SDP's execution. These include the FSM Public Auditor, FSM Development Bank, National Oceanic Resource Management Authority, and the College of Micronesia-FSM. Each of these institutions brings specialized expertise and resources to bear on various aspects of the SDP.

At the state level, the governance structures of Chuuk, Kosrae, Pohnpei, and Yap each play a vital role in translating national SDP objectives into local action. The review has found that each state government, with its unique departmental structure and network of municipal governments, is tasked with implementing SDP initiatives in a manner that respects local conditions and priorities. This decentralized approach allows for tailored implementation strategies but also presents challenges in terms of coordination and consistency.

To address the potential for fragmentation inherent in such a distributed system, FSM has established several coordination mechanisms. At the national level, an interdepartmental committee known as the SDP Working Group has been formed to facilitate cross-sector collaboration. Some states have mirrored this approach, creating their own SDP working groups to develop state-level SDPs that align with the national framework. Overseeing these efforts is the Sustainable Development Council, which provides high-level guidance and ensures coherence between national and state-level initiatives.

The effectiveness of these institutional arrangements is still under evaluation as part of this mid-term review. Initial observations suggest both strengths and challenges. On the positive side, the broad involvement of government entities at all levels demonstrates a whole-of-government commitment to the SDP. The existence of coordination mechanisms like the SDP Working Group and the short-term contracts for dedicated SDP coordinators provide some measure of focused attention to SDP implementation.

However, several challenges have become apparent. The lack of a permanent, dedicated unit for SDP implementation and monitoring may hinder long-term planning and institutional memory. The wide distribution of responsibilities, while inclusive, risks fragmentation of efforts and dilution of accountability. Moreover, varying capacities across different entities and states could lead to uneven implementation of the SDP.

FSM's approach to SDP implementation is further characterized by strong linkages with external partners. The government has cultivated relationships with a diverse array of international organizations and bilateral partners, including the World Bank, Asian Development Bank, various United Nations agencies (UNRCO, UNDP, UNFPA, UNICEF, UN Women), and bilateral partners such as JICA, China, USAID, and KOICA. To manage these relationships effectively, FSM has established the Office of Overseas Development Assistance (ODA), which serves as a central coordination point for all donor activities in the country.

The ODA office plays a crucial role in harmonizing external support with national priorities. It convenes an annual ODA Donor Round Table Meeting, providing a formal mechanism for coordination with external partners. This approach ensures that all external engagements are channeled through the national government before reaching out to the four state governments, maintaining protocol and coherence in international partnerships.

As the mid-term review progresses, several areas for potential improvement have emerged. Stakeholders have suggested the establishment of a dedicated unit for managing and coordinating the national SDP, with various proposals for its institutional home, including ODA, SBOC (Statistics, Budget, ODA, and COMPACT), the President's Office, or the Department of Resources and Development. There is also a recognized need to strengthen the integration of SDP priorities into annual budgeting processes across all levels of government, enhance capacity building programs for key personnel, and improve data collection and management systems for more effective progress tracking.

The review has also highlighted several key issues that require attention. These include insufficient human resources dedicated to SDP implementation and monitoring, fragmentation of responsibilities across multiple entities, varying levels of capacity and engagement across states, and the need for stronger mechanisms to ensure alignment between national and state-level SDPs.

Historical context provides important insight into the current institutional arrangements. Previously, the SDP was managed under SBOC, but subsequent reorganization has separated these units, impacting the coordination and oversight of the SDP. This evolution underscores the need for adaptive management in FSM's development planning processes.

At the state level, each of the four states is currently in the process of integrating the national SDP into their state-level SDPs. The national government is facilitating this process by validating draft national SDP results with the states, ensuring alignment as they develop their localized plans. This approach acknowledges the unique needs and structures of each state while maintaining coherence with the national framework.

Monitoring and evaluation (M&E) of the SDP presents another area for potential enhancement. Currently, M&E processes operate in silos across sectors, with some areas more advanced than others. There is a proposal to establish a new unit specifically for SDP M&E, which could address the current fragmentation. Recent capacity-building efforts, such as MEL training conducted in partnership with SPC, demonstrate a commitment to improving M&E capabilities.

The integration of the SDP into budgeting processes occurs through forms where agencies are required to link their budget proposals to SDP priorities. However, the effectiveness of this mechanism and the degree of actual alignment between budgets and SDP priorities may require further assessment.

In conclusion, FSM's institutional framework for SDP implementation demonstrates a commitment to broad engagement across all levels of government and with international partners. However, the review has identified significant opportunities for enhancement, particularly in areas of coordination, dedicated resources, and alignment between national and state-level efforts. As the review progresses, more detailed recommendations will be developed to address these identified issues and optimize the institutional framework for SDP implementation. The goal is to create a more robust, efficient, and effective system that can drive FSM's development agenda forward in the years to come.

Challenges and Limitations

The evaluation of the FSM Strategic Development Plan (SDP) has encountered several significant challenges and limitations that have impacted the scope and depth of our analysis. These issues span data gaps, methodological constraints, and procedural hurdles. While many of these challenges were successfully addressed during the final phase of the evaluation, some limitations remained inherent to the process.

Data Gaps and Methodological Constraints

One of the primary challenges faced during this review has been the incompleteness of data across different sectors and states:

- **Limited Scope of Informants:** While the initial review captured only 12 key informants, the expanded consultation process in the final phase included an additional 17 key informants across all states, providing a more comprehensive representation of perspectives.
- **Completion of Sector Stock takes:** All 10 sector stock takes were eventually completed, including the previously pending infrastructure, gender, and private sector development assessments, allowing for a comprehensive analysis. However, the states needed more time to do the stock take and this has slowly come in for inclusion in the analysis.
- **Indicator Tracking Issues:** It became evident during consultations that not all indicators for each sector have been consistently tracked over the past 20 years. The lack of a clear plan for data collection and the absence of a dedicated unit to monitor these indicators have resulted in substantial data gaps. This remains a significant limitation, despite efforts to reconstruct historical data where possible.
- **Balanced Assessment Approach:** While the initial review focused primarily on activities, the final evaluation successfully incorporated both activity assessments and available indicator data, providing a more balanced analysis.
- **Limited High-Level Indicators:** Only a few high-level indicators, such as tourist arrivals, education enrollments, and GDP, are consistently available. This scarcity of comprehensive data across sectors hampers our ability to make broad, data-driven conclusions. This limitation persisted throughout the evaluation, highlighting the need for more robust data collection systems in future planning cycles.

Challenges Encountered in the Evaluation Process

The review process presented several hurdles:

- **Response Management:** While initial delays in securing informant participation were significant, the extended timeline and persistent follow-up resulted in successful engagement with most targeted stakeholders.
- **Deadline Compliance:** Although initial deadlines were missed, the extended timeframe allowed for complete submission of all required documentation, enabling comprehensive analysis.
- **Competing Priorities:** The review team successfully navigated around sector conferences and other commitments through flexible scheduling and virtual consultations.
- **Enhanced Understanding:** Through additional training and guidance sessions, departments demonstrated improved comprehension of their sector indicators and reporting requirements.

- Outcome-Focused Reporting: The implementation of outcome harvesting workshops helped shift focus from activities to measurable outcomes.

Data Quality Issues

While initial data quality concerns were significant, several improvements were achieved:

- Standardized Reporting: The implementation of a structured reporting template and guidance improved the consistency of submissions across departments.
- Complete Submissions: All critical stock takes, including gender and infrastructure sectors, were ultimately submitted and incorporated into the final analysis.

Impact on Findings

The final evaluation successfully addressed many initial limitations:

- Comprehensive Analysis: The completion of all stock takes enabled a thorough assessment across all sectors.
- Enhanced Quantitative Analysis: While data gaps remained, the incorporation of additional data sources and outcome harvesting results strengthened the quantitative aspects of the evaluation.
- Reduced Bias: The expanded pool of key informants and multiple data collection methods helped minimize potential bias in the findings.

Implemented Solutions

The following strategies were successfully implemented to address the initial challenges:

- State Consultations: Comprehensive consultations were completed across all states, providing valuable insights and data verification.
- Validation Process: The planned validation process was successfully executed, resulting in more accurate and detailed information.
- Extended Key Informant Pool: The additional KIIs conducted during state consultations significantly expanded the perspective base.
- Outcome Harvesting: Successfully completed workshops in each state provided rich qualitative data on SDP impacts.
- Development Partner Input: The online survey achieved a response rate of 50%, providing valuable external perspectives.
- Data Triangulation: The multiple data sources enabled robust cross-verification of findings.

Context-Specific Issues

The semi-autonomous structure of FSM's four states and the geographical spread of the main and outer islands presented ongoing challenges to SDP implementation. However, the adapted consultation approach helped mitigate these geographical constraints.

Comparative Information

This first comprehensive evaluation of the SDP has established important baseline procedures and identified key lessons for future evaluations. While some inherent limitations remained, the final evaluation successfully addressed many of the initial challenges, resulting in a more comprehensive and robust assessment of the SDP's progress and impact. The lessons learned from addressing these challenges will be valuable for future SDP planning, implementation, and evaluation processes.

Conclusions

This conclusion chapter summarizes the key findings from the evaluation of the Federated States of Micronesia's Strategic Development Plan 2004-2023. It examines the plan's performance across four main areas: Relevance, Effectiveness, Impact, and Sustainability. By bringing together insights from these areas, we aim to provide a clear picture of what the SDP has achieved, where it faced challenges, and what this means for FSM's future development. These conclusions will help inform the next phase of FSM's strategic planning, offering valuable lessons and recommendations for the nation's continued growth and development.

Relevance

Key Findings for Relevance:

- 1.1 The SDP provides a comprehensive framework addressing a wide range of national development priorities, but its practical relevance and implementation face challenges due to FSM's federated structure.
- 1.2 Certain sectors, such as fisheries and utilities, show strong alignment with national priorities. Some government departments report good alignment between the SDP and their sector-specific plans.
- 1.3 There's a significant disconnect between national priorities and state-level needs and plans, due to the semi-autonomous nature of each state.
- 1.4 The SDP's long-term nature (20 years) has made it challenging to maintain relevance in the face of changing economic and environmental conditions.
- 1.5 There's a notable gap between the SDP's goals and actual implementation, with many stakeholders reporting limited awareness or use of the SDP in day-to-day operations.
- 1.6 The SDP's alignment with cultural considerations, particularly in states with strong traditional governance structures, could be improved.
- 1.7 Recent efforts by the ODA office to collect and validate national priorities and create a donor map demonstrate ongoing attempts to enhance alignment with country needs and available resources.
- 1.8 The SDP's high-level goals often fail to translate into tangible benefits for the target population, as evidenced by ongoing issues in areas such as student transportation and healthcare accessibility.

Conclusions based on these findings:

Conclusion 1.1: While the FSM SDP provides a comprehensive framework for national development, its practical relevance and implementation are significantly hindered by the country's federated structure and the disconnect between national and state-level priorities. (Based on Findings 1.1, 1.3, and 1.5)

Conclusion 1.2: The SDP's effectiveness is compromised by its long-term nature and inability to adapt to changing conditions, leading to varying degrees of relevance across different sectors and states over time. (Based on Findings 1.2, 1.4, and 1.6)

Conclusion 1.3: There is a critical gap between the SDP's high-level goals and tangible benefits for the target population, indicating a need for better translation of strategic objectives into practical, implementable actions at the state and local levels. (Based on Findings 1.5 and 1.8)

Conclusion 1.4: Recent efforts to improve alignment and coordination demonstrate recognition of the SDP's shortcomings, but more comprehensive reforms may be necessary to address the fundamental challenges in the plan's relevance and implementation. (Based on Findings 1.7 and 1.8)

These conclusions highlight the complex nature of the SDP's relevance in the context of FSM's unique governmental structure and diverse needs across states and sectors. They also point to the need for a more flexible, adaptive approach to strategic planning that can better accommodate the country's evolving priorities and state-level variations.

Effectiveness

Key Findings for Effectiveness:

- 2.1. The FSM SDP 2004-2023 has demonstrated varied levels of effectiveness across its 10 thematic areas, with some sectors showing substantial progress while others face persistent challenges.
- 2.2. Significant achievements have been made in areas such as environment (climate change adaptation and biodiversity conservation), health (decreased maternal mortality rates), education (increased early childhood education enrollment), and infrastructure (improved access to electricity and sanitation).
- 2.3. Limited progress has been observed in areas such as private sector development, tourism, and agriculture, with economic diversification remaining a challenge.
- 2.4. Strong leadership, coordination efforts, successful policy integration, and partnerships with external entities have been key facilitating factors in achieving SDP objectives.
- 2.5. Resource constraints, challenges in coordination between national and state levels, lack of systematic data collection, and weak monitoring systems have been major hindering factors.
- 2.6. The effectiveness of institutional arrangements and coordination mechanisms has been mixed, with the dismantling of the Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC) creating a vacuum in centralized planning and coordination.
- 2.7. Monitoring systems for SDP implementation have been largely ineffective or non-existent, hindering the ability to track progress and make informed decisions.
- 2.8. Major challenges include difficulties in coordinating efforts between national and state levels, resource constraints, infrastructure deficiencies, and land-related issues.

Conclusions based on these findings:

Conclusion 2.1: The FSM SDP 2004-2023 has achieved mixed results across its thematic areas, with notable successes in environment, health, education, and infrastructure, but limited progress in economic diversification and private sector development. (Based on Findings 2.1, 2.2, and 2.3)

Conclusion 2.2: The effectiveness of the SDP has been significantly influenced by the interplay of facilitating factors (such as strong leadership and successful partnerships) and hindering factors (including resource constraints and coordination challenges), highlighting the need for a more balanced approach to development planning and implementation. (Based on Findings 2.4 and 2.5)

Conclusion 2.3: The lack of robust institutional arrangements, effective coordination mechanisms, and functional monitoring systems has severely hampered the implementation and tracking of the SDP, underscoring the need for significant improvements in governance structures and processes. (Based on Findings 2.6 and 2.7)

Conclusion 2.4: The complex federal structure of FSM, combined with resource limitations and infrastructure challenges, presents ongoing obstacles to effective SDP implementation, necessitating innovative approaches to inter-governmental coordination and resource allocation. (Based on Findings 2.5 and 2.8)

These conclusions highlight the complex nature of development planning and implementation in FSM, pointing to areas of success while also identifying critical areas for improvement in future strategic planning efforts.

Impact

Key Findings for Impact:

- 3.1. The FSM SDP 2004-2023 has produced a range of long-term effects, both positive and negative, intended and unintended, at national and state levels.
- 3.2. Positive intended impacts include significant improvements in education, economic growth in fisheries, infrastructure development, environmental protection, and governance improvements.
- 3.3. Negative intended effects include uneven development across regions and resource allocation challenges.
- 3.4. Positive unintended effects include increased women's political empowerment, enhanced crisis resilience, and stronger regional cooperation.

- 3.5. Negative unintended effects include outmigration and potential brain drain, overreliance on fisheries, and persistent specific health issues.
- 3.6. State-level impacts have been uneven, with variations in educational progress, economic development, environmental management, and governance across different states.
- 3.7. Long-term effects include enhanced national resilience, human capital development, sustainable resource management, governance evolution, and demographic changes.
- 3.8. The SDP has contributed to the country's ability to cope with and recover from natural disasters and the COVID-19 pandemic, particularly through the integration of climate change and disaster risk policies.
- 3.9. Improved inter-governmental coordination, financial resilience, and infrastructure development have enhanced the nation's crisis management capabilities.
- 3.10. The lack of robust monitoring and evaluation systems has made it challenging to fully assess the long-term impacts of development initiatives.

Conclusions based on these findings:

Conclusion 3.1: The FSM SDP 2004-2023 has had a significant and multifaceted impact on the nation's development, with notable progress in key areas such as education, fisheries, environmental protection, and governance. However, these impacts have been unevenly distributed across states and sectors. (Based on Findings 3.1, 3.2, 3.6)

Conclusion 3.2: While the SDP has led to many positive intended outcomes, it has also resulted in some unintended consequences, both positive (e.g., women's empowerment) and negative (e.g., outmigration). This highlights the complex nature of development planning and the need for adaptive strategies. (Based on Findings 3.3, 3.4, 3.5)

Conclusion 3.3: The SDP has contributed to enhancing the nation's resilience to crises, particularly through improved policies, coordination, and infrastructure. However, there is room for more explicit integration of crisis preparedness in future development planning. (Based on Findings 3.7, 3.8, 3.9)

Conclusion 3.4: The lack of comprehensive monitoring and evaluation systems has hindered the ability to fully assess and leverage the impacts of development initiatives. This gap needs to be addressed in future planning to ensure more effective and data-driven decision-making. (Based on Finding 3.10)

Conclusion 3.5: The long-term effects of the SDP, including enhanced national resilience, human capital development, and governance evolution, provide a foundation for sustainable development. However, challenges such as demographic changes and uneven development across states need to be addressed in future planning. (Based on Findings 3.6, 3.7)

These conclusions highlight the complex and far-reaching impacts of the FSM SDP 2004-2023, pointing to areas of success while also identifying critical areas for improvement in future strategic planning efforts.

Sustainability

Key Findings for Sustainability

- 4.1. The FSM has established several institutional mechanisms that support long-term sustainability, including trust funds, sector-specific reforms, and capacity building initiatives.
- 4.2. Financial constraints, including heavy reliance on Compact funding and challenges in diversifying the economy, pose significant risks to the long-term sustainability of development gains.
- 4.3. Human capital limitations, including shortages of skilled local labor and challenges in retaining trained staff, threaten the continuity of development initiatives.
- 4.4. There is a lack of robust monitoring and evaluation systems, making it difficult to track progress and make informed decisions for sustaining development gains.
- 4.5. Infrastructure and access disparities, particularly in outer islands, threaten the equitable and sustainable distribution of development benefits.

- 4.6. While there are implicit approaches towards self-reliance, there's a notable lack of explicit, comprehensive exit strategies and transition plans for reducing dependence on external support.
- 4.7. Environmental sustainability and climate change adaptation have been recognized as critical factors for long-term development, but integration of these considerations across all sectors remains a challenge.
- 4.8. Improved coordination between national and state levels, as well as across different sectors, is needed to enhance the sustainability of development efforts.
- 4.9. Stakeholder engagement and ownership, particularly at the grassroots level, have been identified as crucial for sustainable implementation of development plans.
- 4.10. The need for action-oriented planning that balances long-term vision with specific, actionable initiatives has been emphasized.

Conclusions based on these findings

Conclusion 4.1: While the FSM has established some key institutional and financial mechanisms for sustainability, such as trust funds and sector-specific reforms, there is a critical need for more comprehensive and explicit exit strategies and transition plans to reduce dependence on external support. (Based on Findings 4.1 and 4.6)

Conclusion 4.2: The long-term sustainability of FSM's development gains is at risk due to financial constraints, human capital limitations, and infrastructure disparities. Addressing these challenges through economic diversification, capacity building, and equitable infrastructure development is crucial for ensuring sustainable progress. (Based on Findings 4.2, 4.3, and 4.5)

Conclusion 4.3: The lack of robust monitoring and evaluation systems hinders the ability to track progress and make informed decisions. Developing comprehensive M&E frameworks is essential for adaptive management and long-term sustainability of development initiatives. (Based on Finding 4.4)

Conclusion 4.4: Environmental sustainability and climate change adaptation are recognized as critical for FSM's long-term development, but there is a need for better integration of these considerations across all sectors of development planning and implementation. (Based on Finding 4.7)

Conclusion 4.5: Improved coordination between national and state levels, enhanced stakeholder engagement, and action-oriented planning are key areas for improvement in ensuring the sustainability of future development efforts. These elements should be central in the design and implementation of the next Strategic Development Plan. (Based on Findings 4.8, 4.9, and 4.10)

These conclusions highlight the complex challenges FSM faces in ensuring the sustainability of its development efforts. While progress has been made in certain areas, there is a clear need for more comprehensive strategies to address financial, human capital, and environmental challenges, as well as to improve coordination, monitoring, and stakeholder engagement in future development planning and implementation.

Institutional Arrangements

Key Findings for Institutional Arrangements

- 5.1. The dismantling of the Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC) created a significant gap in centralized planning and coordination for SDP implementation.
- 5.2. There is a lack of a dedicated, permanent unit responsible for overseeing and coordinating SDP implementation across all sectors and levels of government.
- 5.3. Coordination between national and state-level governments in SDP implementation has been inconsistent and often ineffective.
- 5.4. The current institutional structure lacks clear mechanisms for integrating cross-cutting issues such as climate change and gender equality into all aspects of SDP implementation.
- 5.5. Monitoring and evaluation systems for SDP implementation are weak or non-existent, hindering effective tracking of progress and adaptive management.

5.6. The roles and responsibilities of various government entities in SDP implementation are not clearly defined, leading to overlap and gaps in execution.

Conclusions based on these findings

Conclusion 5.1: The absence of a centralized coordinating body, following the dismantling of SBOC, has significantly hampered effective implementation and monitoring of the SDP. This highlights the critical need for a dedicated institutional structure to oversee and coordinate national development efforts. (Based on Findings 5.1 and 5.2)

Conclusion 5.2: Weak coordination mechanisms between national and state-level governments have resulted in inconsistent implementation of the SDP across the federation, underscoring the need for improved inter-governmental coordination structures. (Based on Finding 5.3)

Conclusion 5.3: The lack of clear institutional mechanisms for integrating cross-cutting issues and robust monitoring and evaluation systems has limited the effectiveness and adaptability of SDP implementation. (Based on Findings 5.4 and 5.5)

Conclusion 5.4: Ambiguity in the roles and responsibilities of various government entities in SDP implementation has led to inefficiencies and gaps in execution, highlighting the need for clearer institutional mandates and accountability mechanisms. (Based on Finding 5.6)

Recommendations

Relevance

Strategic Recommendations:

1. Develop a more flexible and adaptive strategic planning framework that allows for periodic reviews and updates to maintain relevance in changing conditions. This could involve shorter planning cycles (e.g., 5-year plans) within the broader long-term vision. (National Level)
2. Establish a formal mechanism for regular dialogue and coordination between national and state governments to ensure better alignment of priorities and plans. This could include annual joint planning sessions and quarterly progress reviews. (National and State Levels)
3. Encourage each state to develop its own strategic plan that aligns with the national SDP but addresses state-specific needs and cultural considerations. (State Level)
4. Create a centralized project management office to oversee the implementation of the SDP, ensuring that high-level goals are translated into tangible, measurable projects and programs. (National Level)
5. Implement a comprehensive communication strategy to increase awareness and understanding of the SDP among all levels of government, private sector, and civil society. This should include regular updates, workshops, and easily accessible information materials. (National and State Levels)
6. Develop state-specific implementation plans that break down national goals into actionable steps tailored to each state's unique context and resources. (State Level)
7. Expand and formalize the efforts of the ODA office in mapping national priorities and available resources. Create a dynamic, regularly updated database accessible to all relevant stakeholders. (National Level)
8. Establish a system of key performance indicators (KPIs) that directly link SDP goals to measurable outcomes in citizens' lives, such as improvements in education access, healthcare quality, and economic opportunities. (National and State Levels)

9. Introduce a mandatory annual review process for the SDP, involving representatives from all states and key sectors, to assess ongoing relevance and make necessary adjustments. (National Level)
10. Create local advisory committees in each state, including traditional leaders and community representatives, to provide regular input on the relevance and effectiveness of development initiatives in their areas. (State Level)
11. These recommendations aim to address the key issues of **relevance** identified in the findings and conclusions, focusing on improving alignment between national and state priorities, enhancing adaptability of the strategic planning process, and ensuring that high-level goals translate into tangible benefits for the population.

Effectiveness

Strategic Recommendations

12. Develop a comprehensive economic diversification strategy focusing on promising sectors such as sustainable tourism, value-added agriculture, and digital services. (National Level)
13. Establish a centralized planning and coordination body to replace the functions of the dismantled SBOC, ensuring effective oversight and implementation of the SDP. (National Level)
14. Create a robust, standardized monitoring and evaluation framework that includes regular data collection, analysis, and reporting mechanisms across all thematic areas of the SDP. (National and State Levels)
15. Design and implement an inter-governmental coordination mechanism to improve alignment and collaboration between national and state-level development efforts. (National and State Levels)
16. Develop a long-term capacity building program to address resource constraints and enhance local expertise in key development areas. (National and State Levels)

Operational Recommendations

17. Conduct a comprehensive review of successful initiatives in environment, health, education, and infrastructure to identify best practices and replicate them in other sectors. (National Level)
18. Implement a standardized project management methodology across all government departments involved in SDP implementation to improve efficiency and accountability. (National and State Levels)
19. Establish sector-specific working groups that include representatives from national and state governments, private sector, and civil society to improve coordination and address implementation challenges. (National and State Levels)
20. Develop and implement a resource mobilization strategy to address funding gaps, including exploring innovative financing mechanisms and strengthening partnerships with international donors. (National Level)
21. Create a digital platform for real-time tracking and reporting of SDP progress, accessible to all relevant stakeholders and the public. (National Level)
22. Implement regular capacity-building workshops for state-level officials on SDP implementation, monitoring, and reporting. (State Level)

23. Establish a land use planning framework that addresses land-related issues hindering development projects, in consultation with traditional leaders and landowners. (State Level)
24. Develop and implement a communication strategy to increase awareness and engagement of the private sector and civil society in SDP implementation. (National and State Levels)
25. Conduct annual effectiveness reviews for each thematic area of the SDP, with mandatory action plans to address identified shortcomings. (National Level)
26. Establish a cross-sector innovation fund to encourage and support initiatives that address persistent development challenges in novel ways. (National Level)

These recommendations aim to address the key issues of **effectiveness** identified in the findings and conclusions, focusing on improving coordination, enhancing monitoring and evaluation, addressing resource constraints, and promoting innovative approaches to overcome persistent challenges.

Impact

Strategic Recommendations

27. Develop a comprehensive national strategy to address uneven development across regions, focusing on equitable resource allocation and targeted interventions for lagging areas. (National Level)
28. Create a national task force to address outmigration and potential brain drain, including initiatives for talent retention, diaspora engagement, and strategies to leverage remittances for development. (National Level)
29. Establish a diversification strategy for the economy, with a particular focus on reducing overreliance on fisheries while ensuring sustainable growth in this and other sectors. (National Level)
30. Develop a long-term national resilience plan that builds on the enhanced crisis management capabilities, integrating climate change adaptation, disaster risk reduction, and pandemic preparedness. (National Level)
31. Create a national gender equality and women's empowerment strategy that capitalizes on the increased political participation of women and extends this progress to other sectors. (National Level)

Operational Recommendations:

32. Implement a robust, standardized monitoring and evaluation system across all development initiatives, with regular impact assessments and data-driven decision-making processes. (National and State Levels)
33. Establish state-specific development action plans that address variations in progress across different states, tailoring interventions to local contexts and needs. (State Level)
34. Create an inter-governmental coordination mechanism to improve alignment of development efforts between national and state levels, addressing the issue of uneven state-level impacts. (National and State Levels)
35. Implement a comprehensive human capital development program that addresses skill gaps, promotes knowledge transfer, and aligns education with economic needs to mitigate brain drain. (National Level)

36. Develop a national health strategy that specifically targets persistent health issues identified as negative unintended effects of the SDP. (National Level)
37. Establish a cross-sector working group on environmental protection and sustainable resource management to build on the positive impacts in this area and ensure consistent integration across all development sectors. (National Level)
38. Create a national innovation fund to support initiatives that address negative unintended effects and capitalize on positive unintended outcomes of the SDP. (National Level)
39. Implement a public awareness campaign to communicate the long-term impacts and benefits of the SDP to citizens, enhancing public engagement and support for future development initiatives. (National and State Levels)
40. Develop a comprehensive data collection and analysis system to address the lack of robust impact assessment capabilities, enabling more informed decision-making for future development planning. (National Level)
41. Establish a formal mechanism for cross-state learning and best practice sharing to address variations in progress across different states and sectors. (National and State Levels)
42. Create a national crisis simulation and response training program to further enhance the country's ability to cope with and recover from various types of crises. (National Level)
43. Implement a sustainable tourism development plan that leverages the country's enhanced infrastructure and environmental protection measures while diversifying the economy. (National and State Levels)

These recommendations aim to address the key issues related to **impact** identified in the findings and conclusions. They focus on addressing uneven development, mitigating negative unintended effects, capitalizing on positive outcomes, enhancing resilience, improving monitoring and evaluation, and ensuring more equitable and sustainable long-term impacts across the FSM.

Sustainability

Strategic Recommendations

44. Develop a comprehensive economic diversification strategy to reduce reliance on Compact funding, focusing on sustainable sectors such as eco-tourism, renewable energy, and value-added agriculture. (National Level)
45. Create a long-term human capital development plan that addresses skill shortages, improves retention of trained staff, and promotes knowledge transfer. (National and State Levels)
46. Establish a national climate change adaptation framework that integrates environmental sustainability considerations across all sectors of development planning. (National Level)
47. Design and implement a comprehensive exit strategy and transition plan to gradually reduce dependence on external support, with clear milestones and timelines. (National Level)

48. Develop a national infrastructure master plan that prioritizes equitable development, particularly focusing on outer islands and remote areas. (National Level)

Operational Recommendations

49. Implement a robust, standardized monitoring and evaluation system across all development initiatives, with regular reporting and adaptive management processes. (National and State Levels)
50. Establish a national capacity building program that focuses on developing local expertise in critical areas such as project management, financial planning, and environmental sustainability. (National Level)
51. Create a formal mechanism for regular coordination and information sharing between national and state-level governments on development initiatives. (National and State Levels)
52. Develop and implement a stakeholder engagement strategy that ensures grassroots participation in planning, implementation, and monitoring of development initiatives. (State Level)
53. Establish a sustainability assessment framework to evaluate all major development projects and programs for their long-term viability and impact. (National Level)
54. Create a national innovation fund to support locally-driven, sustainable solutions to development challenges. (National Level)
55. Implement a knowledge management system to capture, store, and share best practices and lessons learned from various development initiatives across the FSM. (National and State Levels)
56. Develop state-level sustainability action plans that align with the national strategy but address specific local challenges and opportunities. (State Level)
57. Establish a cross-sector working group on environmental sustainability to ensure consistent integration of climate change adaptation and environmental considerations across all development sectors. (National Level)
58. Implement a "train-the-trainer" program to build a cadre of local experts who can provide ongoing capacity building support across various sectors and regions. (National and State Levels)
59. Develop a long-term financial sustainability plan for each major development initiative, including strategies for local resource mobilization and private sector partnerships. (National and State Levels)
60. Establish a national digital platform for transparent tracking and reporting of progress on sustainability indicators, accessible to all stakeholders and the public. (National Level)
61. Create an inter-island knowledge exchange program to share sustainable development practices and solutions among different states and communities. (State Level)

These recommendations aim to address the key issues of **sustainability** identified in the findings and conclusions, focusing on reducing external dependence, building local capacity, improving coordination and monitoring, integrating environmental considerations, and ensuring equitable and long-term development across the FSM.

Institutional Arrangement

Strategic Recommendations

62. Establish a permanent, high-level National Development Coordination Office (NDCO) under the President's Office, tasked with overseeing SDP implementation, coordination, and monitoring across all sectors and levels of government. (National Level)
63. Develop a clear institutional framework that defines the roles, responsibilities, and accountability mechanisms for all government entities involved in SDP implementation. (National Level)
64. Create a formal inter-governmental coordination mechanism, such as a National-State Development Coordination Council, to improve alignment and collaboration between national and state-level development efforts. (National and State Levels)

Operational Recommendations

65. Implement a comprehensive capacity building program for the newly established NDCO, focusing on strategic planning, project management, monitoring and evaluation, and inter-governmental coordination. (National Level)
66. Develop and implement Standard Operating Procedures (SOPs) for SDP implementation, monitoring, and reporting across all government departments and agencies. (National and State Levels)
67. Establish sector-specific working groups under the NDCO, comprising representatives from relevant national and state agencies, to ensure coordinated implementation of SDP objectives within each sector. (National and State Levels)
68. Create a digital platform for centralized project management, monitoring, and reporting of all SDP-related initiatives, accessible to all relevant government entities and stakeholders. (National Level)
69. Implement regular (e.g., quarterly) coordination meetings between the NDCO and state-level planning offices to ensure consistent implementation and monitoring of the SDP across the federation. (National and State Levels)
70. Develop and implement a change management strategy to support the transition to the new institutional arrangements, including clear communication plans and stakeholder engagement processes. (National Level)

These recommendations aim to address the key issues related to **institutional arrangements** identified in the findings and conclusions, focusing on establishing a strong, centralized coordination mechanism, improving inter-governmental coordination, and enhancing overall effectiveness in SDP implementation and monitoring.

Future Outlook

The evaluation of the FSM Strategic Development Plan (SDP) 2004-2023 has revealed critical insights that have significant implications for future strategic planning in the Federated States of Micronesia. As the nation looks towards developing its next strategic development plan, it is essential to consider these findings and their potential impact on shaping the country's future direction.

Implications of findings for future strategic planning in FSM

1. **Adaptive Planning:** The evaluation has highlighted the need for more flexible and adaptive planning processes. Future strategic planning should incorporate mechanisms for regular reviews and updates, allowing the FSM to respond more effectively to rapidly changing global and regional contexts, including climate change impacts and shifts in the global economy.
2. **Enhanced Coordination:** The findings underscore the importance of improved coordination between national and state levels. Future planning processes should prioritize the establishment of robust coordination mechanisms to ensure better alignment of priorities and more effective implementation of development initiatives.
3. **Localization of Development:** The evaluation revealed the importance of tailoring development strategies to the specific needs and contexts of individual states and communities. Future strategic planning should emphasize a more decentralized approach, allowing for greater customization of development initiatives at the state and local levels.
4. **Sustainability Focus:** The findings highlight the critical need for a stronger emphasis on long-term sustainability, particularly in terms of financial resources and human capital. Future planning should prioritize strategies for reducing dependence on external aid and building local capacity.
5. **Data-Driven Decision Making:** The evaluation pointed to gaps in monitoring and evaluation systems. Future strategic planning should prioritize the development of robust data collection and analysis capabilities to inform evidence-based decision-making and adaptive management.
6. **Stakeholder Engagement:** The findings emphasize the importance of inclusive planning processes. Future strategic planning should incorporate comprehensive stakeholder engagement mechanisms to ensure broad-based participation and ownership of development initiatives.
7. **Comprehensive Development Framework:** The evaluation highlighted the need for a more inclusive and holistic approach to strategic planning. Future SDPs should not only align with Compact priority areas but also adopt a thematic approach that captures the development mandates and areas of assistance of all development partners in the FSM. This broader framework will ensure a more cohesive and coordinated development effort across all sectors and funding sources.
8. **Standardization of Planning Terminology and Processes:** The evaluation revealed inconsistencies in the use of planning terminology and methodologies. Future strategic planning should adopt international standards and terminologies for development planning, implementation, monitoring, and evaluation. This standardization will improve clarity, facilitate better communication with international partners, and enhance the overall effectiveness of the planning process.
9. **Results-Based Management:** Building on the capacity building efforts already initiated by SPC with government focal points in Palikir, there is a need for a comprehensive overhaul of planning and management processes to fully implement Results-Based Management (RBM) across all levels of government. This approach will ensure a clear logical framework from strategic objectives to activities, with proper distinction between outputs and outcomes.

Potential areas of focus for the next strategic development plan

1. **Economic Diversification and Resilience:** Developing strategies to diversify the FSM's economy, reduce reliance on Compact funding, and build economic resilience in the face of global uncertainties.

2. **Climate Change Adaptation and Environmental Sustainability:** Integrating comprehensive climate change adaptation strategies across all sectors and prioritizing environmental sustainability in all development initiatives.
3. **Human Capital Development:** Focusing on education and skills development to address human capital limitations, including strategies for retaining skilled professionals and knowledge transfer.
4. **Infrastructure Development with Equity:** Prioritizing infrastructure development that addresses disparities between urban centers and outer islands, with a focus on sustainable and climate-resilient solutions.
5. **Digital Transformation:** Leveraging technology to improve governance, service delivery, and economic opportunities, including strategies for enhancing connectivity across the FSM.
6. **Health System Strengthening:** Developing a robust and resilient health system capable of addressing both current health challenges and future pandemics.
7. **Cultural Preservation and Sustainable Tourism:** Balancing economic development with the preservation of FSM's unique cultural heritage, potentially through sustainable tourism initiatives.
8. **Food Security and Agricultural Development:** Enhancing local food production capabilities and reducing reliance on imported foods.
9. **Renewable Energy Transition:** Developing a comprehensive plan for transitioning to renewable energy sources, reducing dependence on imported fossil fuels.
10. **Governance and Institutional Capacity Building:** Strengthening governance structures and building institutional capacity to enhance the effectiveness and efficiency of public administration.
11. **Capacity Building in Strategic Planning:** Develop a comprehensive capacity building program focused on modern strategic planning methodologies, including Results-Based Management, for government officials at both national and state levels. This will ensure a common understanding and application of planning principles across all sectors and levels of government.
12. **Integrated Development Framework:** Create a cohesive development framework that aligns Compact priorities with broader development goals and the mandates of various development partners. This integrated approach will ensure more efficient use of resources and avoid duplication of efforts.
13. **Monitoring and Evaluation Systems:** Establish robust monitoring and evaluation systems that adhere to international standards, allowing for more effective tracking of progress and impact assessment of development initiatives.

In conclusion, the next strategic development plan for the FSM has the opportunity to not only build on the lessons learned from the current SDP but also to significantly enhance the planning and implementation processes. By adopting a more comprehensive, standardized, and results-oriented approach, the FSM can create a more effective and adaptable strategic plan that better serves its development needs.

The adoption of international standards in planning terminology and processes, coupled with a focus on Results-Based Management, will greatly improve the clarity and effectiveness of the plan. This standardization will facilitate better communication with development partners, enhance monitoring and evaluation capabilities, and ultimately lead to more impactful development outcomes.

Furthermore, by broadening the scope of the SDP to encompass the priorities of all development partners while maintaining alignment with Compact requirements, the FSM can create a more holistic and coordinated approach to national development. This integrated framework will help to maximize the impact of development efforts, ensure more efficient use of resources, and create stronger synergies between various development initiatives. As the FSM moves forward, these enhancements to its strategic planning processes will position the nation to more effectively address its unique challenges, capitalize on its strengths, and pursue a sustainable and prosperous future for all its citizens. The next SDP, built on these principles, will serve as a robust roadmap for the FSM's continued development and progress in the years to come.

