

Palikir renewable electricity

The Federated States of Micronesia (FSM) comprises four states--Chuuk, Kosrae, Pohnpei, and Yap--spread across 607 islands in the northwestern Pacific. As a small island developing state, the FSM experiences barriers to growth due to its geographic isolation, small population, and associated capacity constraints and exposure to natural hazards. In 2021, the FSM's economy was significantly impacted by border closures linked with the coronavirus disease (COVID-19) pandemic but it has started recovering in 2022 as travel restrictions eased.

Development assistance under the Compacts of Free Association with the United States (US), despite declining over time, has nevertheless boosted the FSM's fiscal position. On 8 March 2024, the US government signed into law the 3rd Compact, a renewed 20-year agreement that allocates budget support and special funds.

The FSM joined ADB in 1990. ADB's support to the country seeks to (i) reduce energy costs by increasing the supply of renewables; (ii) manage risks by improving disaster risk financing and public financial management; and (iii) create value by delivering safe water and sanitation services, strengthening human capacity, supporting private sector development, and improving accessibility through climate-resilient roads and bridges.

As of 31 December 2023, ADB has committed 68 public sector loans, grants, and technical assistance totaling \$218 million to the FSM. ADB's current sovereign portfolio in the FSM includes 8 grants worth \$71.3 million.

Cumulative sovereign loan and grant disbursements to the FSM amount to \$112.95 million. These were financed by regular and concessional ordinary capital resources, and the Asian Development Fund, and other special funds.

As part of ongoing project readiness financing, ADB committed a \$5-million grant in 2022 to help ensure the success of future energy projects in the FSM. This initiative ensures that resulting projects are adequately prepared for implementation, thereby facilitating the timely and cost-effective achievement of projects' targets and objectives.

ADB also committed nearly \$30 million in grant assistance for the FSM's COVID-19 pandemic response. Other ongoing projects in the FSM involve basic education and a project readiness financing to prepare an investment in transport. ADB's Private Sector Development Initiative is strengthening the FSM's business environment by increasing access to finance.

ADB brings added value to its members beyond its role in project financing. ADB acts as a knowledge broker



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by helping its members engage in regional issues including climate change and ocean health. ADB's key publications, such as the Asian Development Outlook and Pacific Economic Monitor, help with macroeconomic forecasting and assess economic and key topical issues to guide national policy development and decision-making.

With knowledge support and activities being demand-driven, ADB works closely with the FSM in identifying and responding to both country and regional knowledge needs. ADB is making technical assistance available to the FSM to support upstream work including sector and scoping studies; and climate and disaster risk assessments, plans, and strategies. The FSM participates in ADB's regional conferences and training programs to access regional best practices and improve the capabilities of policymakers, civil servants, and the technical workforce.

ADB Governor: Rose N. Nakanaga ADB Alternate Governor: Lorin Robert ADB Director: Rachel Thompson (Australia) ADB Alternate Director: Lisa Wright (Australia) ADB Director's Advisor: Sweety Kalbesang (Palau) and Sabuhi Jafarov (Azerbaijan)

Financing partnerships enable ADB's financing partner governments or their agencies, multilateral financing institutions, and private organizations to participate in financing ADB projects. The additional funds provided may be in the form of loans and grants, technical assistance, and nonsovereign cofinancing.

Recognizing the need for capacity support to complement physical infrastructure, ADB is also helping improve utility and public sector performance alongside infrastructure works.

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