

**PARTNERSHIP FOR DEVELOPMENT**

**BETWEEN**

**THE GOVERNMENT OF AUSTRALIA**

**AND**

**THE GOVERNMENT OF  
FEDERATED STATES OF MICRONESIA**

## AUSTRALIA – FEDERATED STATES OF MICRONESIA PARTNERSHIP FOR DEVELOPMENT

### 1. Objectives and Principles

- 1.1 This Partnership for Development between the Government of Australia and the Government of the Federated States of Micronesia establishes our shared vision to work together in close cooperation to meet our common challenges and to raise the standard of living for the people of the Federated States of Micronesia. In particular, this Partnership for Development seeks to advance the Federated States of Micronesia's development vision as articulated in the Federated States of Micronesia *Sustainable Development Plan* and make progress towards attainment of the Millennium Development Goals (MDGs) by 2015 and the Cairns Compact on strengthening donor coordination in the Pacific.
- 1.2 Reflecting the Government of Australia's *Port Moresby Declaration* on closer cooperation and engagement with the Pacific region, this Partnership for Development is founded on the principles of mutual respect and mutual responsibility for improved development outcomes.
- 1.3 In line with the policy objectives of the Governments of Australia and the Federated States of Micronesia, this Partnership for Development recognises the commitment of the Government of Australia to maintain and improve the effectiveness of current country allocations of development assistance and the commitment of the Federated States of Micronesia Government to improved public sector financial management, sustained macroeconomic stability, governance, environmental sustainability, public sector capacity development, enhanced private sector development, investment in economic infrastructure and improved access to quality health and education and community development.
- 1.4 This shared vision and these principles will underpin Australia's development relationship with the Federated States of Micronesia under the new *Australia – Federated States of Micronesia Partnership for Development* which we are establishing through this framework.
- 1.5 Reflecting the principles of mutual respect and mutual responsibility, the Governments of Australia and the Federated States of Micronesia acknowledge:
  - The intention of the Federated States of Micronesia Government to improve the capacity of their human resources to more effectively manage external and internal sources of funding towards achievement of its national development targets;
  - the Federated States of Micronesia's leadership of its policies for improved governance and economic and social development, as articulated in the Federated States of Micronesia *Sustainable Development Plan*;

- their joint resolve to advance regional integration, growth and development to accelerate progress towards achieving the MDGs and to advance the *Pacific Plan* and *Mauritius Strategy for Implementation*;
- the requirements of each Government to account to its Parliament and people on the contribution and utilisation of national resources to economic and social development;
- the need to track and report on results, including through joint, regular and evidence-based review of progress against the objectives and commitments of the Partnership and jointly-prescribed performance measures, notably those reflecting the Federated States of Micronesia *Sustainable Development Plan* and supporting sector development strategies.

## 2. Commitments

2.1 The commitments made by each Government will advance the objectives of the Partnership for Development, including by reinforcing the Federated States of Micronesia's leadership of development planning and coordination, and ensuring good international practice in development approaches.

### 2.2 **The Government of Australia hereby confirms its commitment to the Federated States of Micronesia Government to:**

- Support Federated States of Micronesia's pursuit of sustainable economic growth strategies, encompassing private sector development, economic reform and regional economic integration and ensure its development assistance reinforces Federated States of Micronesia Government leadership of effective development strategies and programs for the benefit of the people of the Federated States of Micronesia;
- Deliver a jointly determined program of high quality technical, policy and financial support to assist Federated States of Micronesia to implement national development strategies and activities, including by helping to develop effective national and state institutions;
- Provide long term and predictable engagement with scope for increases based on performances against jointly determined targets;
- Facilitate common approaches and partnerships amongst donors under Federated States of Micronesia coordination and leadership, including through implementing the Cairns Compact on Strengthening Development Coordination in the Pacific, the *Paris Declaration on Aid Effectiveness* and *Accra Agenda for Action* (or any that supersede them);

- Support regional integration and build Federated States of Micronesia capacity to maximize the benefits from relevant regional programs, regional organisations, policy dialogue and people to people links.

2.3 **The Government of the Federated States of Micronesia confirms its commitment to the Government of Australia to:**

- Consistent with the Constitution and laws of the Federated States of Micronesia, pursue sustainable growth strategies, encompassing private sector development, economic reform and regional economic integration and implement its Sustainable Development Plan, through the development of appropriate budgets, laws, policies, strategies and programs;
  - Optimize the use of aid to achieve improved development outcomes through the effective coordination of development programs and monitor reporting by donors including Australia, to implement the commitments under the Cairns Compact;
  - Continue to work towards improved performance against the MDGs and related development targets specific to the Federated States of Micronesia.
- 2.4 Consistent with the Partners' commitment to the principle of joint and evidence-based review of progress against the objectives and commitments of the Partnership for Development, both Governments commit to measuring performance and progress using mutually-prescribed performance measures.

3. **Partnership for Development Priorities**

- 3.1 The Governments of the Federated States of Micronesia and Australia will pursue mutual commitments to achieve specific Priority Outcomes and targets which meet the objectives of this Partnership for Development. These priority outcomes are listed in Attachment A.
- 3.2 In addressing **Priority Outcomes**, Federated States of Micronesia and Australia agree that the Partnership for Development should initially focus on three key areas:
- Financial stability and economic development, with an emphasis on tax reform elements (SDP Public Sector Management Chapter Strategic goal #1);
  - Environmental management, with an emphasis on legislation and legal reform (SDP Environment Chapter goal #1);
  - Coordination of development assistance (Executive order No.1; as amended April 2008).

The area of technical and vocational training has been identified as a possible future priority outcome area under the Partnership.

3. 3 Implementation strategies for the Federated States of Micronesia Priority Outcomes will be outlined in schedules to the Partnership for Development, which will describe the nature of the Partners' mutual commitments towards mutually determined outcomes, how progress towards intended results will be measured, financing and other contributions from both Governments, and a timeframe for action. These strategies will build on existing development programs and promote coordinated action with all of Federated States of Micronesia's development partners.
3. 4 Both Governments intend that the scope of the Partnership for Development will develop incrementally over time to reflect changes in Federated States of Micronesia's long-term development challenges and Australia's broader contribution to Federated States of Micronesia's development. Changes to Priority Outcomes will be jointly decided by both Governments and both partners will consider positively requests for the progressive strengthening and extension of this Partnership, through jointly-decided arrangements for governance and review.
4. **Governance and Review**
  4. 1 Annual Partnership Talks between senior officials of the two Governments, reporting to Australian Ministers and Federated States of Micronesia Secretaries, will ensure joint, regular and evidence-based review of progress against the objectives and joint commitments of the Partnership for Development and the jointly-determined Priority Outcomes as set out in Attachment A.
  4. 2 Attachments and schedules to the Partnership for Development will be reviewed and changes or additions will be jointly determined at the Annual Partnership Talks, or as mutually determined by designated senior officials of both Governments. Where possible, these talks will be scheduled to coincide with Federated States of Micronesia budget planning and donor coordination meetings.
  4. 3 The Priority Outcomes and targets detailed in Attachment A provide the basis for the review of progress to be completed at the Annual Partnership Talks. The review process will also utilise existing and emerging independent sector review processes.
5. **Levels of Development Assistance**
  5. 1 The Governments of Federated States of Micronesia and Australia note the intention by Australia to make long-term and predictable commitments of development assistance, affirmed on an annual basis, taking into account progress against Partnership for Development commitments, targets and progress indicators.

5.2 Specific financing commitments will be stated in the schedules to this Partnership for Development and will reflect multi-year financial commitments from both Governments (subject to budget considerations).

6. **Other Development Partners**

6.1 Consistent with commitments under the *Paris Declaration on Aid Effectiveness* (the *Accra Agenda for Action*) and the Cairns Compact, Australia will encourage other donors to align their development assistance with Federated States of Micronesia strategy, policy and finance processes. Australia will emphasise, where possible, alignment of development assistance with Federated States of Micronesia's strategy, policy, planning and finance processes, and will encourage other donors to work in common ways in support of Federated States of Micronesia's development efforts.

6.2 The Partnership for Development acknowledges the existing development relationships and coordination arrangements within the Federated States of Micronesia Government. Both Australia and Federated States of Micronesia commit to an effective dialogue with other development partners, using appropriate mechanisms for engaging the four states of the Federated States of Micronesia, and domestic stakeholders, including business and civil society.

7. **Other**

7.1 This Partnership recognises the *Memorandum of Understanding on Development Cooperation* as a separate and related arrangement between both Governments on protocol and facilitation of Australia's development assistance contribution to the Federated States of Micronesia. This Partnership for Development is supported by related schedules which describe implementation strategies, performance measurement and donor coordination arrangements.

8. **Conclusion**

8.1 Through this Partnership for Development, the Governments of Australia and the Federated States of Micronesia establish their commitment to beginning a new era of cooperation, to work closely together to meet our common challenges and to improve the quality of life for all people in Federated States of Micronesia.

SIGNED AT FORT VILA


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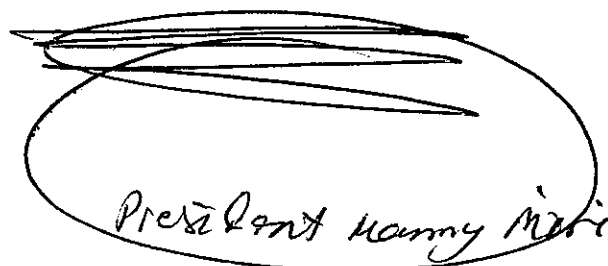
4 AUGUST 2010

2010

For the Government of Australia

For the Government of the Federated States of Micronesia

  
Minister for Foreign  
Affairs & Trade

  
President Manny Mori

## **ATTACHMENT A: PARTNERSHIP PRIORITY OUTCOMES**

### **PARTNERSHIP PRIORITY OUTCOME 1: Progress Reforms in Support of Budgetary and Economic Self-reliance**

#### **Joint Commitments:**

The Federated States of Micronesia Strategic Development Plan (SDP) recognizes that it faces significant short-term and long-term fiscal and economic adjustment challenges. The SDP also articulates policies to undertake economic and budgetary reforms to achieve greater self-reliance. This partnership will aim to support the efforts of the Federated States of Micronesia Government in implementing financial and budgetary reforms and other adjustment measures necessary to achieve greater self-reliance. The immediate priorities for the Federated States of Micronesia are to continue to pursue efforts towards:

- Implement a nation-wide tax reform program to strengthen and modernize tax administration at both levels of governments;
- Establish a Unified Revenue Authority (URA);
- Implement the Net Profits Tax (NPT) in place of the Gross Receipts Tax (GRT);
- Implementation of the VAT;
- Increase the transparency of the budget process including increasing public access to budget outcomes and moves towards performance based budgeting;
- Improve and strengthen the capacity of the government in financial management, economic planning and forecasting, personnel management and statistics.

#### **Target Results:**

- Annual increase of 5 per cent in domestic revenue collections following the first year of full implementation of the new tax system;
- Improved budget planning and fiscal management;
- Increase the availability and timeliness of official government reports, including budgets.

## **PARTNERSHIP PRIORITY OUTCOME 2: Development Coordination**

In order to improve the coordination of external development assistance to the Federated States of Micronesia and to ensure greater alignment of external assistance with Federated States of Micronesia policies and strategies, a Division of Overseas Development Assistance has been established in the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC). The areas for focus under the partnership in the area of development coordination are:

### **Joint Commitments:**

- Improve and strengthen overseas development assistance policies to reflect what best addresses the development needs and funding priorities of the Federated States of Micronesia while addressing international best practice in aid delivery and promote innovative financial mechanisms to increase the funding resources available to Federated States of Micronesia;
- Improve and strengthen the design, appraisal and implementation of development assistance programs, including through increased coordination with other National Government agencies, state and municipal governments and non-government organizations;
- Improve budgetary, financial administration and reporting on performance of external assistance programs, including at the state level.

### **Target Results:**

- Increase and maximize access to available external development assistance to the Federated States of Micronesia by 25 per cent by 2013;
- Increase alignment of external development assistance to Federated States of Micronesia's SDP and development funding priorities along with other relevant sector priorities and plans by 2013;
- Ensure the SDP and relevant sector plans reflect current development priorities.



### **PARTNERSHIP PRIORITY OUTCOME 3: Environment Management**

The Federated States of Micronesia recognize that the protection and sustainable management of its natural resources and environment is critical to the health and prosperity of this and future generations. The development and enforcement of policies, laws and regulations; along with adequate legal and international treaty safeguards is fundamental to the achievement of Federated States of Micronesia's goals on environmental management and economic development.

#### **Joint Commitments:**

- Strengthen environmental management and conservation through improvement of legal and regulatory framework at national and state level
- Support the implementation of Multilateral Environmental Agreements (MEAs) legislation to ensure national and state environmental laws reflect current international obligations
- Reform and update laws and support development of government capacity to enforce these laws
- Improve capacity to enforce environmental laws and regulations through improved capacity of environmental law and justice sector.

#### **Target Results:**

- 1993 Joint Legal Opinion regarding clarification of constitutional allocation of environment powers reviewed by joint National and States' Attorney Generals by end of 2011
- Title 25 (Federated States of Micronesia EPA Act) amended to reflect the mutually determined national and state level jurisdictions and current MEAs acceded to by end of 2011
- All states receive leadership awareness training to enable laws and regulations to be updated
- Training workshop on environmental law conducted for environmental staff at national and state level
- Training workshop conducted for national and state judges to familiarize them with environmental laws and regulation.