



Australian Government

Department of Foreign Affairs and Trade



Aid Investment Plan

Federated States of Micronesia

2016–17 to 2018–19

Strategic priorities and rationale

Australia implements an integrated set of foreign, trade and development policies to advance its interests in the Federated States of Micronesia (FSM). It is in Australia's interest to support FSM's development and strengthen its economic and environmental resilience.

This Aid Investment Plan (AIP) sets out the strategic framework for the provision of official development assistance administered by the Department of Foreign Affairs and Trade (DFAT) provided to the Government of FSM. It focuses predominately on bilateral assistance and includes Australian contributions to key Pacific regional organisations and initiatives that benefit FSM. Other Australian Government agencies also provide strategic input to policy development and oversee specific programs in particular sectors in consultation with DFAT.

The purpose of this AIP is to inform discussions between the Government of FSM and the Government of Australia to develop an Aid Partnership Arrangement. This AIP will be updated to reflect the finalisation and signing of the Aid Partnership Arrangement where appropriate.

FSM is a remote small island developing state in the north Pacific made up of 607 islands, of which 65 are inhabited. Home to approximately 106,000 people, FSM has a small total land mass and is spread out across a vast ocean expanse. The country is vulnerable to the impacts of climate change and natural disasters.

FSM's economy is heavily dependent on revenue from the United States under a Compact of Free Association. US Compact grants are due to expire in 2023, after which fiscal expenditure is expected to be drawn from the FSM Compact Trust Fund. FSM's Exclusive Economic Zone of approximately 2.6 million square kilometres straddles major equatorial tuna migratory paths. The fisheries sector is FSM's most important source of revenue and regarded as having the greatest development potential. Economic growth is weak and prospects are constrained by geographic isolation, dispersal, a restricted resource base and slow progress on key infrastructure projects.

FSM has succeeded in progressing important reforms in public financial management and in the education sector. Australia's approach will be to build on these strengths to deliver outcomes in line with FSM's ***Strategic Development Plan 2023*** and Australia's aid policy ***Australian aid: promoting prosperity, reducing poverty, enhancing stability***.

Australia's bilateral aid program will focus on **two strategic objectives**: improving the quality and inclusiveness of primary education; and achieving gender equality and enhancing women's empowerment.

By investing in the Asian Development Bank's *Expanding Quality Primary Education in the North Pacific* (EQPENP) initiative from 2017, Australia will increase its efforts to **improve the quality of education** in FSM. The EQPENP will seek to: (a) build capacity for system-wide assessment of student learning; (b) strengthen teacher preparation and development; (c) deliver high-quality teaching and learning resources for numeracy and literacy; and (d) build community engagement in education.

Through the Pacific Technical Assistance Mechanism, Australia will continue efforts to strengthen education systems in FSM by placing technical advisers to assist with broader education system reform. Their work will focus on policy formulation and promulgation, sectoral financial management, the establishment of an education management information system, and the provision of advice aimed at improving student learning (especially in numeracy and literacy).

Through the *Pacific Women Shaping Pacific Development FSM Country Plan 2015-18*, Australia will help **improve economic and social opportunities for women** in FSM. Australia will progressively implement activities to improve the legislative and regulatory framework that protects women and girls from violence; strengthen support services available to women and girls who have experienced violence; increase women's leadership opportunities; and increase economic opportunities and participation for women.

Further, to assist governments in the region implement the Paris Agreement (UN Framework Convention on Climate Change), Australia will also look to consolidate and build upon existing bilateral, regional and global **climate support** initiatives. In FSM, this will include building climate resilience into all development projects, and prioritising Direct Aid Program grants to support community projects that focus on climate adaptation, resilience and disaster preparedness. Australia will also look to contribute to disaster response efforts as appropriate, where a state of emergency has been declared and our assistance formally requested.

Australia will continue to support leadership development and access to higher education, primarily through its Australia Awards programs. Through regional programs, and those delivered by other Australian government departments, Australia will also support fisheries management, enhance skill development, improve disaster resilience, and strengthen governance and accountability, including through its support for the Forum Fisheries Agency, the Pacific Islands Centre for Public Administration, the Pacific Financial Technical Assistance Centre, the Australia-Pacific Technical College and the IMF Pacific Regional Audit Initiative.

Implementation approaches

Australia will work with the Government of FSM, the private sector, other development partners and regional organisations to deliver the aid program. We will undertake risk management measures and due diligence assessments and apply safeguards on environmental protection, resettlement and child protection.

Australia will support improved coordination among development partners, greater coordination of development policies and programs with the Government of FSM and the promotion of gender and disability inclusive development. We will continue to encourage multilateral partners and regional organisations to increase their presence in FSM.

Australia will increasingly link its funding to the achievement of results. It will improve synergies between Australian-supported bilateral and regional investments and between investments supported by DFAT and other Australian government departments.

Performance benchmarks

Australia proposes that the following performance benchmarks be used to assess progress towards the strategic objectives of the AIP. Australia will report on progress against these benchmarks through annual assessments. Future year performance benchmarks will be determined annually.

Strategic Objective	2016–17 Benchmark
Improve the quality of education	The design and approvals process for the “Expanding Quality Primary Education in the North Pacific” project is finalised, with project commencement late in the fiscal year.

Improve political, economic and social opportunities for women	Priority initiatives under <i>Pacific Women Shaping Pacific Development FSM Country Plan 2014–16</i> are underway, including: support for the development of legislation providing greater legal protection against gender violence and prosecution of perpetrators; completion of a scoping study to identify key barriers for scaling up women’s businesses, supporting the strengthening and development of women’s businesses, and helping female employees in the private sector with career advancement; and support the development and initial provision of basic referral services to victims of gender violence.
--	--

Mutual obligations

Australia and FSM will agree on a set of mutual obligations for the aid program, to be confirmed through discussions on an Aid Partnership Arrangement. Australia will deliver effective and predictable development assistance in line with the strategic objectives of this AIP.

Australia and FSM jointly commit to maintaining a zero-tolerance approach to fraudulent and corrupt actions against Australia’s aid program in FSM.

Monitoring, review and evaluation

In consultation with the Government of FSM, DFAT will develop benchmarks to underpin the Aid Partnership Arrangement. Progress towards bilateral and regional investment results will be monitored against agreed performance benchmarks through internal annual reviews (informed by programs’ monitoring and evaluation frameworks), independent evaluations and regular dialogue with government and development partners.