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Assessing and Improving Policy Response in the North Pacific

Federated States of Micronesia

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For Asian Development Bank

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Asian Development Bank



ASIAN DEVELOPMENT BANK

Assessing and Improving Policy Response to Economic Shock in the Federated States of Micronesia

Prepared by Emil Friberg, Ph.D., with support from GSUSA EconMAP team

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Foreword

Coronavirus disease 2019 (COVID-19) was a significant external shock to the three ADB North Pacific developing member countries (DMCs): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (Palau). For the three nations, ADB provided support to address the adverse economic impacts of the pandemic on government revenue, private sector businesses, and households.

This review provides an overview of the FSM's policy response to the COVID-19 pandemic, outlining the timeline of key FSM government and donor actions, describing the implementation of mitigation programs, and providing a presentation of FSM's economic experience during the COVID Period, Fiscal Years 2020-2022 and Post-COVID FY 2023. The review relied on public government documents, some of which were accessed through the internet archive; material previously collected by EconMAP; and newspaper accounts.

Further, this review presents an assessment regarding four data areas where ADB has identified data gaps: migration, remittances, foreign direct investment (FDI), and small and medium enterprise (SME) information. For these four areas, this report reviews the existing public information on each topic from FSM government and international sources. In several cases, underlying FSM survey/census data and administrative records/data are analyzed to provide additional insights. This demonstrates how existing data and records can be used further to understand migration/remittances and FDI/SMEs. Suggestions to improve data availability are also offered.

This review was conducted in 2024. A draft report for the ADB was finalized in December 2024.

Abbreviations

| | |
|-----------|--|
| ADB | Asian Development Bank |
| BOP | Balance of Payments |
| CARES Act | Coronavirus Aid, Relief, and Economic Security Act (US) |
| CDC | Centers for Disease Control and Prevention (US) |
| CDF | Contingent Disaster Financing (ADB) |
| COVID-19 | Coronavirus disease 2019 |
| CPRO | COVID-19 Pandemic Response Option (ADB) |
| DMC | developing member countries (ADB) |
| DOL | US Department of Labor (US) |
| DRP | Disaster Resilience Program (ADB) |
| DSA | debt sustainability analysis |
| EconMAP | Economics Monitoring and Analysis Program (GSUSA) |
| EIN | Employer Identification Number |
| FAS | Freely Associated States |
| FDI | foreign direct investment |
| FPUC | Federal Pandemic Unemployment Compensation (US) |
| FSM | Federated States of Micronesia |
| FSM SSA | FSM Social Security Administration |
| FY | fiscal year |
| GAO | US Government Accountability Office (US) |
| GDP | Gross Domestic Product |
| GSUSA | Graduate School USA |
| HEALS | Health Expenditure and Livelihoods Support (ADB) |
| HIES | Household Income and Expenditure Survey |
| IIP | International Investment Position |
| IMF | International Monetary Fund |
| IOM | International Organization for Migration (UN) |
| KNOMAD | Global Knowledge Partnership on Migration and Development |
| NGO | non-governmental organizations |
| OCHA | Office for the Coordination of Humanitarian Affairs (UN) |
| OECD | Organization of Economic Cooperation and Development |
| OIA | Office of Insular Affairs, Department of the Interior (US) |
| Palau | Republic of Palau |
| PFM | Public Financial Management |

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| PIHOA | Pacific Island Health Officers Association |
| PITI-VITI | Pacific Islands Training Initiative/Virgin Islands Training Initiative (GSUSA) |
| PPE | personal protective equipment |
| PRC | People’s Republic of China |
| PUA | Pandemic Unemployment Assistance (US) |
| RISES | Recovery through Improved Systems and Expenditures Support (ADB) |
| RMI | Republic of the Marshall Islands |
| SME | small and medium enterprise |
| SNLC | State and National Leadership Conference (FSM) |
| SOE | State-owned enterprise |
| SPC | The Pacific Community |
| SSA | Social Security Administration (FSM) |
| TTPI | Trust Territory of the Pacific Islands (US) |
| US | United States |
| UNICEF | United Nations Children’s Fund |
| USAPI | US Affiliated Pacific Islands (US) |
| WHO | World Health Organization |

NOTES: FSM government fiscal year (FY) ends on September 30.

Currency unit: United States dollar (US\$).

Figures may not add in this report due to rounding.

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Executive Summary

FSM COVID Response and Experience

FSM Health and Economic Response Initiated with Donor Support

As the worldwide COVID-19 pandemic began unfolding in early 2020, the FSM's overarching goal was to minimize the importation and local transmission of COVID. The FSM government began restricting travel in late January from some countries and suspended international arrivals in early April. Fortunately, the FSM avoided importing COVID during February-March 2020. With its limited subsequent air and port arrivals managed through a strict quarantine process, the people in the FSM remained free to go to school, church, parties, and ceremonies, all without masks.

The closure of borders protected the FSM and provided time to distribute vaccines and to prepare for COVID transmission before community spread of the disease. COVID vaccinations began at the end of 2020 and when community spread occurred in July 2022, the population was substantially vaccinated. Further, by that time the FSM had access to Paxlovid, an antiviral medication that stops the COVID virus from multiplying and reduces the progression to severe COVID that may lead to hospitalization or death. Among all nations, the FSM had low reported death rates from COVID, recording 58 deaths, of which most had not sought and received medical care or were unvaccinated or partially vaccinated residents. Lacking accurate data on outward migration, the FSM used inaccurate population data in its implementation of vaccination campaigns. FSM projected its population from the 2010 census, which proved to be far in excess of the actual population.

In addition to donors supporting FSM public health operations, the government used donor grants to maintain government operations and to support COVID-affected businesses and households. The government benefited from timely economic projections of the impact of the COVID pandemic on business operations, employment, and government revenue. The FSM prioritized protecting health, but took complementary actions to minimize private sector losses due to the lack of travelers.

FSM government efforts were made possible due to donor assistance. ADB reports it provided the FSM almost \$29.67 million in COVID-related projects, including \$27.50 million in grants and the remainder in technical assistance. ADB grants supported the health sector, businesses, and FSM households. The US reported it provided the FSM more than \$100 million in support, including significant in-kind support. Indeed, the US was the primary supporter of health needs; for example, providing vaccinations to the FSM. Also, the US provided unemployment benefits to qualified workers who lost their jobs due to COVID. Other donors included: Australia, China, European Union, Japan, New Zealand, World Bank, and World Health Organization.

FSM Implemented Mitigation Programs

The economic responses of the FSM government were three-fold. First, it implemented business support through the Tourism Sector Mitigation Fund and a micro/small enterprise loan program. Second, it implemented an ADB-supported social assistance program. And third, it implemented the US-funded unemployment program.

- » The FSM National Government-funded Tourism Sector Mitigation Fund offset the economic losses of businesses with a primary focus on the tourism sector. Of \$14.3 million in expenditures, 42 percent went to accommodation and restaurant businesses.
- » The ADB supported a \$14-million social protection program to support low-income households outside of the formal labor sector and vulnerable groups, such as the elderly, stranded citizens, and unemployed non-citizen workers. The funds also supported food security and community COVID awareness as well as micro/small enterprise loans. The \$3 million ADB micro/small enterprise loan program provided 438 loans between 2021 and 2023.
- » The US CARES Act provided unemployment payments to FSM citizens. The FSM reports spending \$22.9 million as of 30 September 2022. Unemployment payments significantly exceeded FSM average private sector weekly earnings, paying as much as 7.9 times the FY2019 average private sector weekly earnings of \$97.

Overall, mitigation programs had beneficial impacts on average household incomes in the FSM during the COVID pandemic, as they offset the negative impact of declining visitors. The beneficial impact of mitigation was captured in FY2020-FY2022, where average real household incomes in FY2021 were 8.1 percent above the FY2019 level and 6.1 percent above FY2021 average real household income without mitigation.

FSM's Economy Sustained by Donor Grants During COVID

The FSM's inflation-adjusted GDP initially declined due to the COVID restriction on travel but was substantially offset with donor support. With the end of the pandemic, projected GDP performance had returned to its pre-COVID level. Projected private sector GDP in FY2023 exceeded its FY2019 level, while the larger public sector in FY2023 was below its FY2019 level. During the COVID period, the FSM saw little change in employment, although it is projected to have fallen slightly in FY2023. Before COVID, the National Government had a large fiscal surplus and the State Governments were essentially in balance. While government expenditures increased during COVID, mostly for the health sector, donor assistance allowed the governments to maintain a fiscal surplus.

Data: Migration, Remittances, FDI, and SMEs

The ADB identified four specific data areas for examination: migration, remittances, foreign direct investment (FDI), and small-to-medium enterprise (SME) information. Migration and remittances are closely related, with a country's migrants moving overseas and then transferring some income home to family members as remittances. In the case of FDI and SME data, they both represent information on the structure of the economy, albeit at opposite ends of the scale. FDI is likely tied to large investments in tourism or manufacturing, while SMEs are likely to be comprised of small local firms.

FSM Migration Data

The FSM has a small but dynamic population. FSM citizens migrate to the United States and establish residency, although some may later return to the FSM. Foreign citizens enter the FSM on work permits and become residents of the FSM during their time of employment. A small tourism/visitor sector brings in temporary visitors.

Data on FSM's inward and outward migration can be drawn from the FSM census, providing valuable information on long-term FSM migration trends. Using cohort analysis, FSM census information suggests a substantial outward migration. For example, following an age cohort across multiple censuses shows long-term patterns of migration. The cohort of 10- to 14-year-olds counted in the 1980 Census had fallen in number by 32 percent by the 2000 census, twenty years later. In the subsequent 10 years the cohort fell further, with 41.7 percent of the 1989 cohort missing in 2010. (The 2023 FSM Census has not been released.) Information on inward/outward migration of foreign workers can also be found in census data.

The FSM has a Border Management System that records the passport data of arrivals and departures. With this scope of data collection, statistics can be developed to measure the overseas flow of FSM and non-FSM residents, as well as flows of temporary visitors. This can be done by computing net arrivals (differencing arrivals and departures for a given time period) or “matching” the arrival and departure of unique individuals. With a matched travel history approach, an individual that arrives in the FSM and does not depart within a set time period can be classified as an in-bound migrant to the FSM. Conversely, a resident who leaves the FSM and does not return within a set time period can be classified as an out-bound migrant. Creating a matched travel history draws from the individual passport-level information collected in the Border Management System. The practicality of this approach can be investigated and additional steps taken to automate the calculation of such travel history.

Some specific steps could improve information on FSM migration:

- » Existing census and survey information could be further tabulated to reveal migration patterns. Also, improved information on foreign worker migration can be developed using a combination of tax/social security data and/or passport clearance information.
- » The FSM could implement travel history matching through its border management system, which would allow travel information to segment FSM citizen vs foreign travelers. This information will be more timely than census data. Technical assistance to support this effort could be sought from the immigration offices of partner nations that use this approach.
- » Lastly, consideration could be given to a publication strategy for information on migration. This publication could also include information on remittances, which are linked to migration actions.

FSM Remittance Data

Remittances are payments by residents of a country to households in another country, and a reflection of the migration of people. The FSM is on both sides of remittance flows, with outbound remittances from FSM households who send payments to family

FSM citizens overseas, foreign workers who send some of their earnings home, and inbound remittances from FSM citizens who have migrated to the United States and send some of their earnings to family in the FSM.

The FSM publishes limited information on remittances in its Balance of Payments statistics and reports on remittances from periodic censuses and household surveys.

- » FSM's Statistics Division publishes annual Balance of Payments (BOP) statistics. However, data on household remittances, both outflows and inflows, are not itemized but incorporated into other categories. The assumptions behind estimates have not been recently updated.
- » FSM Censuses and Household Income and Expenditure Surveys include questions related to remittances. Census questions have changed over time, do not address outward remittances, and in some cases, the information collected is not published.

Some specific steps could improve our knowledge of FSM remittances:

- » The assumptions used for the current BOP estimates can be updated with information from the most recent FSM Census and household surveys as merited. This may require further tabulations of underlying census and survey information by the FSM Statistics Division.
- » Census and HIES questions should be consistently structured to capture the inward and outward flows of remittances to and from the FSM and to cover money and goods. Using the same questions across censuses and HIES surveys could provide a more complete time series of relevant data on remittance activities. Additionally, collected census and HIES data should be consistently tabulated and published and cross tabulated by citizenship.
- » Lastly, consideration can be given to a publication strategy for information on remittances. This publication could also include information on migration, which leads to remittance actions.

FSM FDI Data

Foreign Direct Investment (FDI) is cross-border investment where an individual/entity resident in one country makes a long-term investment in a business in another country. FDI is a modest component of FSM economic activity. The current FSM regulatory system for FDI is complex as there are National and State Government foreign investment regulations. The FSM has long listed FDI reform as an agenda item for action but it has not been a sustained priority. Reform is difficult and the efforts involve five parties, the National and the four State Governments. In addition to FDI permits, other FSM agencies collect firm-level data from FDI businesses, such as corporate registration, social security, and tax/revenue information.

The FSM Statistics Division publishes annual Balance of Payments (BOP) and International Investment Position (IIP) statistics that record external financial transactions, based on IMF guidance. The most recent data report is for FY2018. While a line for net investment is listed in the data, it may be in error since it duplicates another reporting line.

To illustrate possible reporting on the role of FDI in the FSM economy, this report takes existing data on FSM private-sector GDP and allocates it to either FDI or “local” businesses. The underlying GDP presentation draws on revenue from the sale of goods and services reported by the FSM private sector on tax forms as gross revenue.

- » Over the FY2017-FY2022 period, FDI firms accounted for an increasing share of FSM private-sector GDP. The FDI share of private-sector GDP averaged 14.0 percent. The role of FDI varied among FSM States, with 12 percent average (FY2017-FY2022) in Chuuk, 26 percent in Kosrae, 12 percent in Pohnpei, and 21 percent in Yap.
- » FDI and local businesses can also be analyzed by industry. FDI businesses are more focused on finance/banking, which represented 45 percent of FY2017-FY2019 FDI GDP, while local businesses are more focused on wholesale/retail, which represented 42 percent of local business GDP.

Some specific steps could improve our knowledge of FDI in the FSM:

- » BOP statistics can be updated with corporate registration and FDI permit information from the five FSM governments on a regular basis.
- » Regularly scheduled publication of routine information on FDI. For example, using tax data to compute annual information on FDI businesses’ role in the economy could be incorporated in the reporting. The Statistics Division is best positioned to implement such FDI reporting.

FSM SME Data

To date, FSM small and medium enterprise (SME) information has not been available and information on the structure of the business sector is not part of regular reporting. However, the FSM did conduct an Enterprise Survey in 2009 that might indicate an approach going forward. In addition, an administrative data system at the FSM Social Security Administration contains quarterly business information that can be used to develop SME statistics based on employment levels for each firm. EconMAP used 2022 (calendar year) social security data for employees and businesses to analyze the number of businesses by their level of employment.

- » In 2022 there were 1,076 businesses that paid social security taxes. Of that number, 331 (31 percent) reported no employees, while 3 businesses had 100 or more employees.
- » Many FSM businesses were small, with 42 percent of private sector firms having between 1-4 employees. This group of businesses paid 11 percent of wages and accounted for 14 percent of private employment.
- » The three largest businesses, with 100 or more employees, accounted for less than 1 percent of businesses, 9 percent of wages paid, and 6 percent of private employment.

Some specific steps could improve our knowledge of FSM SMEs:

- » SME information can be developed for the FSM through the routine analysis of existing social security data. If routine analysis and publications about SME roles

and activities are desired, consideration can be given to a publication strategy for information on SMEs. The Statistics Division is well positioned for this reporting, with its existing access to information in the FSM's social security and tax system.

- » For additional reporting on the business sector, the FSM can conduct economic censuses or business surveys. These could be informative for broader social and economic policies.
- » Improving information about the informal sector is challenging. Carefully constructed household and economic activity surveys may more directly address this sector. Moreover, existing FSM censuses and surveys can be better utilized to reflect on household business activities, including publishing additional information from questionnaire responses.

I. FSM's COVID Pandemic Response and Experience

This report section presents information on the FSM's COVID response experience in three segments. First, it provides a timeline of key health and economic responses along with a description of the resources used to address COVID, both local and through donor grants. Second, it describes the mitigation efforts to address the decline in the private sector economy. And third, it recounts the FSM's economic experience across the COVID Period and Post-COVID fiscal year 2023.

A. FSM Health and Economic Response Initiated with Donor Support

i. COVID Leads to Collapse in International Travel

The FSM's COVID experience reflected regional and worldwide trends and experience, but in the case of the FSM, COVID health events took place over a three-year interval from early 2020 through December 2022 (see [Figure 1](#)).

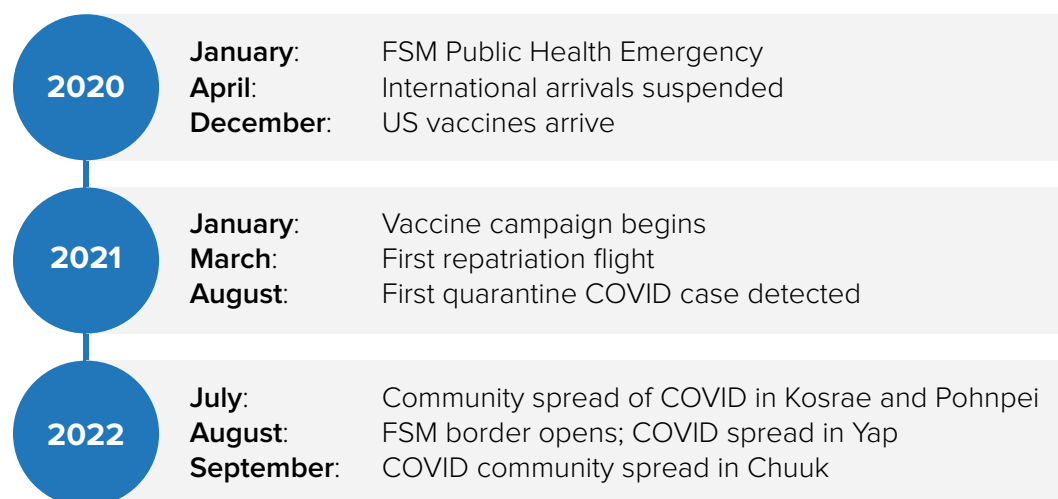
In mid-December 2019, a “pneumonia-like” illness emerged in the city of Wuhan, China and after information shared between doctors was made public, Chinese officials notified the World Health Organization (WHO) about the spreading disease on 31 December 2019. By 31 December, 27 patients were hospitalized, many of them in critical condition. Within several days, Hong Kong, Singapore, Taipei, China, and Vietnam instituted health screening of travelers arriving from Wuhan. China reported its first death on 11 January 2020, while the first laboratory-confirmed cases were recorded in Thailand (13 January) and Japan (15 January). These developments and the evidence of human-to-human transmission led to health screening of travelers across Asia and targeted restrictions on travelers from certain areas of China.

- » By 31 January 2020, as WHO declared a “public health emergency of international concern,” Wuhan was in lockdown and travel restrictions and quarantines were underway. At that time there were 9,720 confirmed cases in China where 213 people had died, and 106 cases in 19 countries outside of China.¹
- » By 11 March 2020, when WHO declared COVID-19 a “pandemic,” there were more than 118,000 cases in 114 nations and 4,291 recorded deaths worldwide. The WHO Director-General’s declaration noted that countries must “balance between protecting health, minimizing economic and social disruption, and respecting human rights.”

The FSM's initial actions in response to COVID reflected an effort to prevent entry of COVID into the FSM to protect health:

- » On 31 January 2020 the FSM President declared a public health emergency which banned outward travel to mainland China or any country where the virus was present and required that FSM citizens and residents returning from a country where the virus was present had to stay in a country, state, or territory with no

1 WHO data for China includes cases in Hong Kong, Macau, and Taipei. See: World Health Organization. 2020. *Novel Coronavirus (2019-nCoV) Situation Report-11*. 31 January. <https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200131-sitrep-11-ncov.pdf>.

Figure 1: Timeline of Key FSM COVID Health Events

Source: EconMAP analysis of FSM documents and press accounts.

COVID cases for 14 days immediately prior to re-entry. The FSM was one of the first nations to implement travel restrictions.²

- » The President clarified his directive on 1 February 2020, saying that Guam and Hawaii were treated as being separate from the US mainland, as neither had COVID cases, so that FSM residents in those areas could return to the FSM. In addition, outbound travel for urgent medical reasons could be approved if treatment was unavailable in the FSM.
- » The President amended the travel ban on 4 February 2020 to lift the ban on outbound travel, except for mainland China. United Airlines, the primary means of international travel to and from the FSM, could then allow departures from the FSM to resume.
- » *The Kaselehlle Press*, the FSM's primary newspaper ran a headline "New coronavirus... diligence, yes... panic, no!"³ The paper reported that shipping would continue uninterrupted, so stockpiling and hoarding were unnecessary, and further, that the COVID mortality rate at 2 percent was far less than the prior SARS virus of 10 percent. "So far, NO Pacific Island State has yet had a confirmed case... and all are working to ensure that remains the case.... Still, vigilance is required. Panic is not."

2 As a frame of reference, the US Centers for Disease Control and Prevention (CDC) began screening passengers on direct and connecting flights from Wuhan, China to San Francisco, New York City and Los Angeles on 17 January 2020 and on 31 January 2020 began to restrict entry of foreign nationals other than immediate family of U.S. citizens and permanent residents who had traveled in China in the previous 14 days.

3 "New coronavirus... diligence, yes... panic, no!" *The Kaselehlle Press*, 10-23 February 2020. This report draws many of its examples from events unfolding in Pohnpei State. The primary FSM newspaper, *The Kaselehlle Press*, is based in Pohnpei State, so the Pohnpei COVID experience is better documented as compared to other FSM States.

- » The FSM Congress extended the Declaration of Emergency on 12 February 2020 and provided access to disaster relief funds.⁴ Further, the Congressional resolution lifted the travel restrictions and quarantine requirements imposed on arrivals from countries other than China, but provided that the President could reimpose such restrictions and requirements as necessary, and at any time, based on new information. While the new policy was in effect, the Executive Branch did not notify the airlines or enforcement officers at ports of entry of the change. On 14 February 2020, the President reimposed the 14-day quarantine requirement as the FSM states lacked the capacity to handle COVID and they needed to construct quarantine facilities and conduct training.

The FSM governmental response to COVID and the implementation of border restrictions fell primarily to the four FSM States: Chuuk, Kosrae, Pohnpei, and Yap. (Pohnpei State includes Palikir, the national capital of the FSM.) FSM State Governments provide public health and operate hospitals, airports, and seaports. For example, by early February, the Pohnpei State Department of Health was screening incoming air passengers, and the Pohnpei Port Authority had set up an isolation room at the airport.

Air traffic plummeted with the FSM restrictions and the moves worldwide to lock down travel. Airlines reduced their schedules. On 12 May 2020, United Airlines, the primary airline serving the FSM announced a reduced Pacific region flight schedule, noting that “United will be operating an estimated 85% fewer flights in May and June 2020 compared to the same period last year.” United projected only two flights touching down in the three largest FSM population centers, Chuuk, Pohnpei, and Yap during June 2020.⁵

While actual arrival and departure passenger counts are not published by the FSM, changes in aircraft and port fees collected by the FSM State Governments illustrate the severe contraction in arrivals due to COVID.⁶

- » Chuuk State reported a 65 percent decline in transportation collection revenues from FY2019 (\$1,096,114) to FY2021 (\$379,984). Chuuk’s revenues appear to cover fees collected at the airport and seaport.⁷
- » Pohnpei State Port Authority reported a 75.5 percent decline in departure and landing fees from FY2019 (\$651,350) to FY2021 (\$159,339). Pohnpei reported that seaport charges declined by 38 percent over the same period.

4 This is the first of numerous FSM Congress actions to extend the Declaration of Emergency. Twenty-First Congress of the Federated States of Micronesia, Third Regular Session, 2020; Congressional Resolution NO. 21-117, 12 February 2020. https://www.c fsm.gov.fm/wp-content/uploads/2024/07/CR_21-117.pdf.

5 *Media Release from United Airlines*, Guam: 12 May 2020. Posted on the US Embassy in the FSM website. <https://fm.usembassy.gov/news-release-united-airlines-announces-updated-flight-schedules-for-guam-saipan-palau-and-micronesia/>.

6 The FSM National Government has not published any travel arrival information since calendar year 2019. For the prior years the FSM only published information on non-FSM citizen movements. <https://stats.gov.fm/topics/social/international-visitors-arrival/>. An indirect source of information on travel changes can be found in the revenue collected by the individual airports for passenger departure fees and aircraft landing fees.

7 This FSM State information is from financial statement audits for the State Government or state component units such as a Port Authority that are posted by the FSM Office of the National Public Auditor. <http://www.fsmopa.fm/audits.htm>.

- » Yap State reported an 84 percent decline in air transportation revenue from FY2019 (\$192,921) to FY2021 (\$30,697).⁸

ii. FSM Health Operations Evolved with Pandemic

The FSM's COVID health operations went through three phases: protecting the population by minimizing the risk of importing COVID, distributing vaccines, and addressing community spread when COVID arrived as quarantine requirements were reduced. Under its COVID response, the FSM's overarching goal was to minimize the risk of importation and local transmission of COVID. Later, as vaccinations were being developed, the objective was to delay reopening travel until it was possible to vaccinate the population.

2020 health operations

When COVID emerged in Asia in 2020, the FSM was already planning a campaign against measles. However, the nation reoriented its challenge to facing COVID. During the year, donors delivered critical medical assistance; National and State Governments established quarantine protocols; and repatriation efforts were initiated.

Government communication about COVID and government operations was an early concern. The managing editor of *The Kaselehlle Press* editorialized that “uncertainty/fear breeds where information is scarce or withheld” and that the public had too many fears and concerns because they lacked good information. Further, the paper wrote, the governments are not doing “the community any favors” when announcements and communications are delayed. The role of the internet and social media (to spread rumors and misinformation) heightened the need for timely government communication.⁹

Donations. The health effort in 2020 prepared for the eventuality of COVID. Donors provided funding and, in some cases, supplies to support the FSM, enabling the stockpiling of personal protective equipment (PPE) and funding the purchase of ventilators for FSM hospitals. Donors provided financial and in-kind support, with contributions from ADB, Australia, People's Republic of China, Israel, Japan, and the US as well as private donations. Quarantine facilities were built and established. For example, the People's Republic of China provided 30 containerized isolation units to be distributed among the FSM States, while the US military built quarantine units. Some donors partnered with FSM women's groups to have masks made locally. The first US shipment of vaccines arrived at the end of 2020.

Travel restrictions and quarantine requirements. By 8 April 2020, entry requirements established by each FSM State, and agreed to by the FSM National Government, essentially stopped all travel between FSM states and the arrival of any international travelers. The decision was that “no passengers, from any jurisdiction—international or from within the FSM—are to disembark in ... ANY FSM state if they are traveling on an international air carrier.” Crew members could disembark, such as for the purpose of maintenance, but not leave their operations area. Further, outbound travel from the FSM to COVID-affected jurisdictions remained prohibited for all FSM citizens, with limited

⁸ Kosrae State's financial statements did not have a breakout of the “fee” revenue category.

⁹ *The Kaselehlle Press*, 22 April 2020.

exceptions.¹⁰ Behind the restrictive travel barrier, businesses and schools remained open, and while social distancing was recommended, it was not required.¹¹

FSM citizens' deaths in the United States from COVID were beginning to be reported. As of 30 May 2020, the FSM Consulate General in Portland, Oregon reported that 52 FSM citizens living in seven United States had contracted COVID, of which 8 had died and 19 had recovered. A few weeks later, as of 21 July 2020, 64 FSM citizens had confirmed cases in the mainland US of which 11 had died according to the Portland Consulate. (This scope of data reporting did not include the larger migrant populations in Hawaii or Guam.)

While travel on an international air carrier was blocked, travel within the FSM remained possible by domestic aircraft or by boat. The implementation of quarantine restrictions for arrival by boat became the first of several conflicts between the FSM National and Pohnpei State Governments:

- » April 2020. Pohnpei State took actions against the National Government to enforce the Pohnpei State Government's required quarantine of all arriving ship passengers. A National Government patrol vessel, FSS Micronesia, arrived back at the Pohnpei dock 10 April 2020 following patrol and resupply in Chuuk State and an emergency medical evacuation of two patients from Chuuk. The medical patients were placed in isolation at Pohnpei State Hospital. The 17 crew members and National Police Officers were held in quarantine on the vessel by Pohnpei State Police officers. The FSM National Government filed a petition with the FSM Supreme Court that the detention was unlawful and that Pohnpei State was violating the FSM National Government's ability to navigate FSM waters.¹² Court hearings were held on the case, but on 24 April 2020 the FSM Supreme Court ordered the case closed, as the matter was moot since the officers were no longer in quarantine. The court did not rule on the legal issues.
- » May 2020. The first front-page newspaper headline in May was "FSM National and State governments again at loggerheads over Pohnpei quarantine requirements." Here the arrival of another FSM vessel, FSS Independence, led to a confrontation between armed National and Pohnpei State police forces. According to Pohnpei State, while National Police officers kept State law enforcement busy at the main port gate, other National Police officers escorted passengers off the vessel and out of the port. The National Government press release reported that National Police cleared security and then departed with "essential emergency personnel" without any disturbance or protest.¹³
- » June 2020. Procedural irregularities and lack of communication led to problems with FSM domestic air travel as well. Eleven students from the College of

10 "Governor Sigras confirms to President Panuelo, Kosrae State's intention to prohibit the disembarkation of passengers from air carriers," communication dated 8 April 2020. *The Kaselehlie Press*, 22 April 2020. Note, non-FSM citizens were allowed to depart the FSM at any time. Also, FSM citizens who were legal residents abroad or medical referrals were allowed to leave the FSM.

11 25 August 2020 FSM President signed a nationwide COVID-19 social distancing decree. Without a case of COVID, social distancing was encouraged but not mandated. With a case of COVID, social distancing would be strictly enforced.

12 "FSM claims the Pohnpei action to quarantine National Police officers is unconstitutional," *The Kaselehlie Press*, 22 April 2020.

13 *The Kaselehlie Press*, 6 May 2020.

Micronesia (located in Pohnpei) left on the Caroline Islands Air (CIA) flight on 9 June 2020 to return to Yap State. However, the flight left Pohnpei without prior notice or temperature checks. The 11 students and six crew members were temporarily stranded in Chuuk State upon landing.

Repatriation efforts. Establishing repatriations was an important FSM policy goal during 2020. The end of air travel arrivals left FSM citizens stranded overseas and separated from home. During 2020, the National Government supported stranded citizens financially and on three occasions organized repatriation flights. However, each 2020 repatriation flight was cancelled.

In May 2020, the FSM President announced \$300,000 to support FSM citizens stranded in Guam and Hawaii, with support set at \$1,000 per adult or \$1,500 per family, subject to having an application approved. If a current resident of FSM was stranded abroad, they were free to apply for support while waiting for flights to resume. If an overseas FSM citizen was moving to the FSM, they had to show travel had been booked prior to the border closing to apply for assistance. Separately, the FSM committed to pay dorm fees for FSM students stranded in Guam. A 30 May 2020 FSM Congress resolution called for a plan for the repatriation of citizens, students, residents, and members of the Diplomatic Corps once quarantine and isolation facilities meet “acceptable standards.”

FSM State health agencies and hospitals were undertaking to establish quarantine and isolation sites, develop COVID protocols, and train staff in advance of any future spread of COVID. These same steps were also required to be able to execute repatriation plans. Initial repatriation requirements were to require COVID testing two days prior to entry into the FSM, followed by an individual State-mandated quarantine requirement, and a second test before leaving quarantine. However, as plans developed, the operational protocol shifted to a 14-day quarantine requirement in Guam prior to boarding a flight, followed by a 14-day testing and quarantine period in an FSM State facility.

Plans to repatriate citizens stranded overseas in 2020 had to wait until State Government quarantine and isolation procedures were found to be operational and acceptable. Simulations with FSM National and State Government staff were used to evaluate the readiness of FSM States to operate quarantine sites and to address any positive COVID test results.

- » June. Pohnpei State had a series of COVID simulation exercises to evaluate its readiness for repatriation and a positive COVID case. Pohnpei State COVID-19 Task Force and National Government officials conducted an exercise to assess and simulate the State’s capacity and procedures for handling repatriations once started. The simulation found gaps in cleaning and following safety protocols. In August 2020, Pohnpei State conducted a second simulation exercise, and while the State showed improvement, it was agreed that it was not yet ready for repatriation.
- » July. FSM National and Kosrae State officials conducted an assessment in mid-July that found sufficient gaps to delay opening for repatriations. However, an additional simulation done a few days later showed improvements.
- » September. While Yap was ready for a simulation exercise by mid-September, National Government staff did not have a way to travel there by “domestic” air carrier. Yap implemented a real quarantine action when a fishing boat went aground on 18 September and the crew had to be rescued. The life raft was towed

to the Yap dock and temporary housing was established to isolate the crew until they departed.

- » Chuuk State was not ready to have a simulation in 2020.

Three repatriation events were announced by the FSM National Government in the last three months of 2020, but all three were cancelled:

- » 10 October 2020. The first repatriation flight from Guam to Pohnpei was scheduled on 10 October, bringing patients and their attendants from Guam, possibly some students, and 2 doctors who were stranded on Guam when the shutdown occurred. This repatriation did not occur.
- » 30 October 2020. The FSM President announced that the FSM would execute its first repatriation event of FSM citizens from COVID-free RMI on 30 October, but it would execute the process as if the RMI had COVID. This would fully test how the FSM executed its return protocols. (At this time, Guam had about 297 stranded FSM citizens while the RMI had about 40 stranded FSM citizens.) However, on 29 October 2020, the FSM President delayed the repatriation of FSM citizens from the RMI scheduled for the next day. There were three reasons: the RMI announced 2 positive COVID cases at its Kwajalein quarantine facility for arrivals from Hawaii on 28 October 2020; Pohnpei State had not finalized its contract for quarantine space; and critically, of 23 FSM citizens in the RMI scheduled to repatriate, only one-half had completed COVID testing.¹⁴
- » 5 December 2020. In November, the FSM National Government agreed that the US Government would provide a humanitarian flight from Guam to Pohnpei of FSM citizens and diplomats. The flight was to be 5 December 2020, with 14 quarantine days in Guam (with testing) prior to the flight, followed by 14 quarantine days in Pohnpei (with testing). The flight would be by military and not civilian aircraft. Just prior to the flight, the FSM President met with members of the Pohnpei State Legislature. Press articles suggested that Pohnpei leaders wanted the flight cancelled and might adopt a resolution objecting to the flight. (No resolution was adopted.) On 1 December 2020, the FSM Government indefinitely postponed the scheduled repatriation, with passengers having mostly completed the Guam quarantine period. According to the President, “My decision to indefinitely postpone this first repatriation flight stems entirely from safety concerns, some of which are due to an emerging capacity shortfall issue with our healthcare responders at the Pohnpei State Hospital. I have demanded an airtight repatriation regime, and I have been briefed on possible, if unlikely, scenarios that could result in COVID-19 spreading into the community. I cannot and will not allow that to happen.”¹⁵ Reportedly, the President had also learned that no one in Pohnpei was trained to use the ventilators that donors had provided.¹⁶

14 In contrast, the RMI did repatriations early on from the FSM. In March 2020, RMI students attending a high school in the FSM were returned home and kept in quarantine for 14 days. The FSM, like the RMI, was COVID-free, so the risk was small.

15 President’s press release: <https://gov.fm/index.php/component/content/article/35-pio-articles/news-and-updates/399-fsm-national-government-indefinitely-postpones-december-5th-repatriation-flight-cancels-operation-christmas-drop?Itemid=177>.

16 “Letter to the Editor” from Ausen T. Lambert, Speaker, Tenth Pohnpei Legislature, *The Kaselehlie Press*, 16 December 2020.

Long-running personnel issues at the Pohnpei State Hospital became a focus with this cancelled repatriation. Beginning in July 2020, the Pohnpei Hospital faced a medical personnel crisis as two doctors resigned due to their overtime pay being restricted. Overtime pay was now being capped at 30 percent of base pay such that staff were working uncompensated hours and expatriate health workers saw this as breaking their agreed-upon salary package. Following the cancellation of the repatriation flight due to the problems at the State Hospital, the Pohnpei State Legislature adopted a resolution requesting that the Governor replace the Director of Pohnpei Department of Health Services due to staffing losses, patient complaints, and low hospital staff morale.¹⁷

The planned arrival of an FSM vessel and its crewmembers to Pohnpei from Japan occurred 18 November 2020 with the arrival of the MV Caroline Voyager. The FSM vessel had arrived in Japan's Port of Osaka on 26 August 2020 for necessary maintenance. Beginning 29 September, the crew was in strict confinement/quarantine on the ship at the port and crewmembers were tested on 29 September and 1 October and then again 28 and 29 October with all crewmembers testing negative for the virus. The ship departed Japan on 4 November 2022 and crew member temperatures were monitored and recorded while at sea for 14 days. The vessel arrived in Pohnpei 18 November 2020 and the crew remained in quarantine on the vessel, with a series of COVID tests, the last on 3 December. Pohnpei State officials extended the quarantine for an unplanned additional 7 days before the crew was released.¹⁸ Overall, the crew was in quarantine for 9 weeks: 5 weeks at port in Japan, 2 weeks at sea, and 2 weeks at port in the FSM.

The end of 2020. The year 2020 came to an end with no active COVID cases or community spread of COVID. Without repatriations (beyond the vessel MV Caroline Voyager) the FSM had not found any COVID cases among travelers in quarantine. Unlike most countries, the FSM (and several other Pacific Island nations) had avoided importing COVID during the February-March 2020 period when the virus spread worldwide. With the stability provided by no COVID cases and no arrivals in the FSM, schools in three of the four States closed temporarily but otherwise remained open and in-person activities continued, although social distancing was recommended. Behind its closed border, residents of the FSM were able to live more normal lives than residents of most nations across the world.

Efforts were made to plan for the time when COVID would come to the FSM. In May 2020 the Pohnpei Legislature undertook the difficult consideration of establishing temporary enforcement measures for social distancing in the event that Pohnpei got its first COVID case. Here the discussion was to ban gatherings of certain sizes, restrict in-person schooling, and establish what businesses were essential and could continue remain open with numerical restrictions on customers in the establishment.¹⁹

The health care system itself was significantly improved over 2020 with donor support. For example, at the beginning of the COVID pandemic, the FSM had 8 ventilators across the four hospitals; by the end of the year, there were 58. COVID testing

17 "Pohnpei legislators adopt resolution requesting Governor to dismiss Director of Health Services and appoint a new Director," *The Kaselehlle Press*, 16 December 2020.

18 <https://micronesiablog.blogspot.com/2020/12/christmas-drop-canceled-voyager.html>.

19 "Pohnpei Legislature considering enforcement measures if Pohnpei gets confirmed case of COVID-19," *The Kaselehlle Press*, 3 June-16 June 2020.

capabilities were fully established by year's end. However, the States mostly still had not completed all required isolation rooms and quarantine facilities at year's end.

In the very last days of 2020, on 28 December, the first shipment—1,600 doses—of US-provided Moderna vaccines arrived. On 31 December 2020, the first ten individuals were vaccinated at a launch event for the FSM COVID vaccination campaign. The FSM President was one of the ten individuals, and a video of his vaccination was shared with the public to promote the campaign.

2021 health operations

Beginning in 2021, with the regular arrival of vaccines from the US, the FSM National and State Governments' operational health goals expanded to focus on the mass vaccination of the FSM population. Secondly, the FSM Governments worked to implement repatriation flights for stranded citizens and allow the entry of essential workers.

Donations and vaccine campaign. After arriving in the FSM on 28 December 2020, the first batch of US-supplied vaccines were prioritized for health workers. Initially, US-supplied vaccines arrived in Pohnpei and were reshipped by the FSM National Government to the three other FSM States. During January 2021, as more vaccines arrived, the FSM States focused on health care workers, first responders, frontline essential workers, and residents aged 65 or older. The FSM received the 2-dose Moderna vaccine from the US as it could be stored at standard freezer temperatures (-25 to -15 degrees C) and once thawed, stored for up to 30 days in a standard refrigerator.²⁰ Although Moderna was selected for the FSM based on its easier cold-chain storage requirements, it was a fortuitous outcome as Moderna turned out to be the most effective of the vaccines available from the United States in 2021.²¹

The FSM vaccine program proceeded apace, but all year lagged behind the other US Affiliated Pacific Islands (USAPI) of American Samoa, Guam, Marshall Islands, Northern Mariana Islands, and Palau. The approved ages for the US-provided vaccines were extended to younger ages throughout the year. The US Centers for Disease Control and Prevention (CDC) and Pacific Island Health Officers Association (PIHOA) established vaccination-rate goals to be 80 percent of the vaccine-eligible population. Initially, the vaccine was approved for those age 18 and older, then later for age 12 and older, and by year's end vaccines were approved for age 5 and older. At the end of 2021, the FSM had fully vaccinated 48 percent of the eligible population, as compared to 50 percent

20 The other 2-dose vaccine (Pfizer-BioNTech) required super-cold freezer storage (-80 to -60 degrees C) – a requirement that could not be met in the FSM. See: American Hospital Association, “Vaccine Storage Requirements” March 2021. <https://www.aha.org/system/files/media/file/2021/03/infographic-vaccine-storage.pdf>.

21 US Department of Health and Human Services--Centers for Disease Control and Prevention, *Morbidity and Mortality Weekly Report*, September 24, 2021 / Vol. 70 / No. 38. “Comparative Effectiveness of Moderna, Pfizer-BioNTech, and Janssen (Johnson & Johnson) Vaccines in Preventing COVID-19 Hospitalizations Among Adults Without Immunocompromising Conditions — United States, March–August 2021.” Key finding: “Among U.S. adults without immunocompromising conditions, vaccine effectiveness against COVID-19 hospitalization during March 11–August 15, 2021, was higher for the Moderna vaccine (93%) than the Pfizer-BioNTech vaccine (88%) and the Janssen vaccine (71%).” (Janssen vaccine is another name for the Johnson & Johnson vaccine.) <https://pubmed.ncbi.nlm.nih.gov/34555004/>.

for the RMI, 75 percent for American Samoa, 82 percent for Guam and the Northern Mariana Islands, and 100 percent for Palau.

During the year, FSM leadership was concerned about the slow pace of FSM vaccinations. FSM Senators and the FSM President discussed the role misinformation on social media played in spreading fear and concerns about vaccines. The FSM President noted that one way to increase the vaccination rate was to require vaccinations.²²

The FSM took steps to increase its vaccination rate:

- » On 28 July 2021, the FSM Congress passed its eleventh resolution to amend and extend the President's Public Health Emergency Declaration dated 31 January 2020. This resolution noted that 50 percent of the eligible adult population of the FSM was fully vaccinated, and that the FSM COVID vaccination goal is to transition from "COVID-19 Free" to "COVID-19 Protected" with at least 70 percent of the eligible population vaccinated. The resolution required all FSM citizens living in the FSM to be vaccinated, subject to protocols of the COVID Task Force. There were limited enforcement measures in the resolution. However, the resolution required all employees of the National Government to comply within 30 days or be placed on leave without pay.²³ This FSM Congress action made the FSM one of the first nations to mandate COVID vaccinations.
- » On 10 August 2021, the FSM President signed a decree that required vaccinations in order to receive payments from the National Government. Immediately, all individuals and organizations receiving financial assistance from the FSM National Government (except for recipients of FSM Social Security checks) had to provide evidence that they and every person in their organization had been vaccinated. By the end of August, all recipients of FSM Social Security checks had to provide documentation of their completed vaccination status to receive their check. And from the end of August, all individuals working for the National Government in any capacity—public servants, political appointees, elected officials, consultants—had to provide evidence of their COVID vaccination to the FSM COVID-19 Task Force and the Office of Personnel.
- » The FSM government frequently communicated to its citizens on the social networking service Facebook. Government COVID policies generated considerable controversy with FSM citizens, but also with people around the world commenting on FSM Government posts announcing policies. Following the FSM announcement mandating vaccinations, one FSM citizen responded on the website by threatening to assassinate the FSM President. The man was arrested and criminally charged in August 2021.²⁴

22 "President Panuelo discusses COVID-19 vaccination efforts, repatriation plans, with the Congressional Committee to Wait; mid-May offered as a tentative repatriation timeframe for citizens stranded in COVID-10 affected jurisdictions," *The Kaselehlle Press*, 31 March 2021.

23 https://fsmembassy.fm/wp-content/uploads/2021/07/CR_22-33_CD2_2.pdf Note, the enacted resolution is not posted on the FSM Congress site; rather, an earlier version: https://www.c fsm.gov.fm/wp-content/uploads/2024/07/CR_22-33.pdf.

24 On 8 July 2022 the FSM Supreme Court found the accused not guilty because, while the government had successfully shown that the accused used the pseudonym that was used to threaten the President in 2020 and at the beginning of 2021, the government could not prove that the accused used that pseudonym on 11 August 2021. "Court clears man of charges that he threatened to assassinate the FSM President," *The Kaselehlle Press*, 20 July 2022.

The FSM and its international partners took steps to counter misinformation:

- » The FSM vaccination rate was lower than other Pacific areas and within the FSM, the largest population states of Chuuk and Pohnpei had lower rates than the small-population states of Kosrae and Yap. To counter this, the United Nations Children's Fund (UNICEF), WHO, and the FSM Department of Health organized an orientation on 19 May 2021 for the Municipal Chiefs, who are the traditional leaders of Pohnpei State. The Chiefs reported that low demand for vaccines was due to lack of knowledge coupled with negative rumors, fake social media news and conspiracy theories. The Chiefs agreed to organize community information sessions.²⁵
- » The US CDC sent staff to Pohnpei to meet with groups and answer questions about the vaccines in sessions organized by the Pohnpei Rotary Club and UNICEF.²⁶ During one June session, the CDC staff had a panel discussion with religious leaders, answered questions and encouraged their support of vaccinations. During a later June session, the CDC epidemiologist addressed concerns about vaccines and pregnant women and diabetics, as well the transmission of COVID from human remains. One key message was that it takes six weeks for vaccines to be fully effective, so no one should wait until COVID is in the FSM. Regarding "local medicine," the CDC recommended that it was ok to use the local remedy, but to also get vaccinated.

Repatriation efforts. FSM travel restrictions stayed in effect during 2021. Entry to the FSM was closely controlled through a government process with a required quarantine in Guam with a COVID test regime, followed by a required quarantine in the FSM State of arrival, also with COVID test requirements. Over the course of 2021, each State initiated the repatriation of citizens. However, the process did not always run smoothly and conflicts between the National and Pohnpei State Governments emerged again during the year.

The year started with the repatriation of the MV Chief Mailo from the Philippines where it been repaired.

- » According to Pohnpei State officials, they first knew this second repatriation was taking place on 3 January 2021 when the vessel arrived at nearby Pakin Atoll and in a radio call reported they were short of fuel, food, and water. The vessel sought permission to dock in Pohnpei for resupply, but this was denied by Pohnpei State officials. After further consideration the vessel was allowed to anchor inside the lagoon on 6 January 2021. The crew had reportedly been confined to their vessel since 22 September 2020, and each crew member had tested negative 3 times. However, on 7 January 2021, one crew member tested positive in two tests and was isolated on the ship. This briefly ended the FSM's "COVID-free" status.²⁷ Subsequent testing in January determined that the case was "historical" and posed

25 "Department of Health and Social Affairs, UNICEF and WHO met with Municipal Chiefs to increase low vaccination coverage," *The Kaselehlie Press*, 9 June 2021.

26 News accounts focused on activities taking place in Pohnpei State and provided limited visibility to activities in other FSM States.

27 "Crew member aboard MV Chief Mailo tests positive for COVID-19 in Pohnpei waters," *The Kaselehlie Press*, 20 January 2021.

no threat to the FSM. The World Health Organization restored its “COVID-free” status designation to the FSM.²⁸

- » On 28 January 2021 the FSM President wrote a letter to the Pohnpei Governor that he had authorized the crew’s disembarkation in the FSM, as the crew had completed their quarantine and isolation periods. The Pohnpei Governor responded that State Resolutions prohibited disembarkation in Pohnpei of anyone from a COVID-infected area.²⁹ Under a newspaper headline “Pohnpei accuses the FSM of intentionally violating the State’s COVID-19 protections in its handling of Chief Mailo.” Pohnpei State officials voiced their alarm and anger about the FSM National Government breach of quarantine protocols and demanded that MV Chief Mailo depart for its home port in Chuuk.³⁰

Repatriation by air started in May 2021 and by the end of the year citizens had been repatriated to each FSM State. During the quarantine period, individual COVID-positive cases were identified.

- » The first 28 arrivals to the FSM since March of 2020 arrived in Pohnpei by a US Coast Guard flight on 13 May 2021; another flight with 14 people arrived the next day. These “humanitarian” flights included medical patients and several diplomats. The passengers were all fully vaccinated, spent 7 days in Guam quarantine and were tested before departing Guam. In Pohnpei, the passengers were quarantined for an additional 7 days. All passengers tested negative for COVID before being released.³¹
- » On 8 June 2021, an Air Marshall Islands repatriation flight from Majuro to Pohnpei took place. This was a low-risk flight since the RMI was also one of the very few nations in the world without COVID.
- » Subsequent United Airlines repatriation flights to Chuuk, Kosrae, Pohnpei, and Yap occurred on a periodic basis and positive COVID cases were detected and isolated while travelers were in quarantine. The quarantine period in Guam worked as intended; for example, COVID testing of 56 passengers prior to boarding a flight to Pohnpei found one who tested positive. That person and two contacts were removed from the flight to Pohnpei. Quarantine upon arrival also worked as intended. By the end of the year Kosrae had detected a positive COVID case in quarantine on 21 July 2021, as did Pohnpei on 9 August 2021, and Yap on 27 October 2021. Chuuk’s first case did not occur until 4 June 2022.
- » The FSM took steps to adjust the repatriation process. When weaknesses were detected in Pohnpei quarantine procedures, the pace of repatriation was reduced. When the “COVID-19 Delta Variant” emerged worldwide, the FSM increased the

28 “On the Occasion of the Medical Clearance of the Crew of the MV Chief Mailo,” Address by President H. E. David W. Panuelo, *Facebook-Office of the President, Federated States of Micronesia*. 27 January 2021. <https://www.facebook.com/piofsm/videos/424243675556311/>.

29 “WHO declares FSM to again be COVID-19 free, Positive case historical and not contagious,” *The Kaselehlle Press*, 3 February 2021.

30 *The Kaselehlle Press*, 17 February 2021. The article describes the incident where an FSM National Government police vessel approached the anchored ship to vaccinate the crew and passenger, but without wearing full personal protective equipment and did not immediately enter quarantine once onshore as required under Pohnpei protocols.

31 *The Kaselehlle Press*, 26 May 2021.

quarantine period in Guam from 7 to 10 days and implemented 2 COVID tests rather than one to board a flight to the FSM.

- » New conflict between Pohnpei State and the National Government emerged in October 2021 when the two parties did not agree on who should be on a repatriation flight. The National list included diplomatic personnel, while Pohnpei's list included only stranded citizens from Pohnpei. The repatriation flight was postponed due to the conflict. Also, in October, Pohnpei State announced that it was scaling back its repatriation effort to 50 passengers per flight and one flight per month.
- » In November 2021, the FSM moved to bring in essential workers to support the operation of state enterprises and to complete construction projects. Essential workers would arrive by cruise vessel, regular flights, and by charter flight from China.

The end of 2021. At year's end, the FSM remained COVID-free, without community spread of COVID. Repatriation flights were in place in all States and positive COVID cases had been caught during quarantine. Officially, the FSM reported that about 72 percent of adults 18 years and older were fully vaccinated at the end of November. However, the FSM also suggested that the real vaccination rate—based on population changes since the 2010 Census—might be closer to 79.8 percent.³² (This would be consistent with a 10 percent decline in the base population since 2010, implying considerable outward migration.)³³ In addition, by year's end, vaccines were available for those aged 5 and older, while the first booster shots were also available. Repatriations had brought home 662 citizens and residents by 30 September 2021 and had continued through 15 December 2021, before a temporary pause was planned due to the emerging Omicron COVID variant.

2022 health operations

FSM health operations in 2022 are best characterized as waiting for and preparing for the inevitable community spread of COVID in the FSM as quarantine periods were shortened. The Government reduced quarantine requirements and at the same announced that the FSM would open its borders 1 August 2022. Community spread of COVID first came in July 2022 although the timing varied by FSM State. The FSM Government characterized this as a transition from COVID-free to COVID-protected.

Repatriation and vaccination efforts. 2022 began with surges in Omicron variant COVID cases in Hawaii and throughout the US. However, in January the FSM amended its repatriation procedures to shorten the number of days of quarantine in Guam from 10 to 7 days, with one COVID test on the 5th or 6th day.

32 "What the FSM knows about the Omicron Variant of COVID-19, how the FSM is responding to it, & best advice for citizens (Get vaccinated, get boosted)," *The Kaselehlie Press*, 15 December 2021.

33 FSM Department of Health & Social Affairs maintained a Facebook page with regular posts. The periodic "FSM COVID-19 UPDATE" would report on vaccination rates by age group. (<https://www.facebook.com/fsmhealth.fm>) The population base used was from *Basic Tabulations – 2010 Census of Population and Housing*, Table B04 (<https://stats.gov.fm/download/18/population-statistics/600/fsm-basic-tabulation-2010-census-of-population-and-housing.xlsx>). The FSM Statistics Division maintains population projections that could have been used, except that it did not have age categories that corresponded to the age thresholds for vaccine approvals, age 18 and older, age 12 and over, and age 5 and over. <https://stats.gov.fm/download/18/population-statistics/594/population-projections-2020-2025.xlsx>.

- » On 9 January 2022 the FSM announced the next repatriation flight to each FSM State. However, the first two flights, to Pohnpei and Chuuk, were delayed and Guam quarantine extended when 15 of 80 persons tested positive for COVID. Upon arrival, Pohnpei State increased its usual 7-day quarantine to 14 days. Scheduled repatriation flights to Kosrae and Yap were canceled, and all repatriation flights were put on hold. Guam was experiencing 700-800 daily COVID cases at that time.
- » As of February 2022, the FSM had repatriated 1,451 people, but at the same time about 4,000 people had left the COVID-free FSM for COVID-infected US areas. Vaccination efforts continued. For example, the US Embassy sponsored 3 vaccine drives that inoculated 450 people as well as donating a passenger van to carry health workers for Pohnpei State vaccination efforts. As of 13 March 2022, the FSM had fully vaccinated 54,127 persons, who represented 65.6 percent of the vaccine-eligible population. State vaccination rates were 83.7 percent for Yap, 72.5 percent for Kosrae, 66.1 percent for Pohnpei, and 59.5 percent for Chuuk.³⁴
- » The FSM National Government announced its resumption of repatriation flights in April with the quarantine in Guam reduced from 7 to 5 days and a recommendation that the FSM States reduce the time at their designated quarantine facility to 3 days, combined with restriction of movement and home quarantine. In addition, the National Government announced that the border would fully reopen in August 2022.
- » Similar to the compensation issues that Pohnpei State Hospital faced in 2020, Yap State Hospital faced a personnel crisis that culminated in 39 Yap medical staff resigning their positions in 2022. In 2020, the Yap Hospital Chief of Staff reported that Yap needed to recruit more doctors to prepare for COVID, but that Yap's compensation was not competitive, even as compared to the other FSM States. Doctor pay was temporarily increased in FY2020, but the Yap Legislature declined to extend the higher rate of pay in FY2021 and doctors' salaries returned to FY2020 levels. In addition there were periods when hospital staff worked overtime without pay. By FY2022, medical staff compensation and personnel management issues led medical staff to seek a meeting with the Governor to discuss understaffing, low salaries, working without contracts, and the refusal of the Legislature to release US grant funds for wage increases. Not able to meet with the Governor and facing prosecution for threatening a strike, 39 Yap staff resigned.³⁵ Yap had to stop repatriations while waiting to take on staff from other FSM States and overseas.
- » Demonstrating the FSM Government's commitment to open its border, the FSM Congress enacted the Health Border Protection Act to go into effect on 1 August 2022. The Act created the statutory basis for requiring vaccinations for entry into the FSM, after the health emergency ended.³⁶

34 *FSM COVID-19 Vaccination Report* (13 March 2022), PIHOA. The population base used to compute the percentages was derived from the 2010 Census for those age 18 and older and from the school roster for those age 5 to 17.

35 In April, the FSM President declared an emergency in response to the mass resignation of doctors and nurses at Yap State Hospital. The FSM Government assisted Yap in the emergency hiring of medical personnel and considered legal action over the "strike threat."

36 https://www.cfsm.gov.fm/wp-content/uploads/2024/07/PUBLIC_LAW_NO_22-134.pdf. The law requiring COVID vaccines for travellers entering the FSM was lifted 29 July 2023. <https://gov.fm/president-simina-signs-into-law-public-law-no-23-15-to-remove-the-covid-19-vaccination-mandate-for-all-persons-entering-the-fsm/>.

FSM National Government and Pohnpei State disputes. On 25 May 2022, the FSM National Government sued Pohnpei State Government over its requirement that a Pohnpei State-issued “Certificate of Qualified Entry” was required for passengers to deplane in Pohnpei and enter Pohnpei State quarantine. According to United Airlines, Pohnpei State had told United not to board passengers without a Certificate. As the National Government was in conflict with State Government on this matter, United Airlines said it would not board passengers for Pohnpei until the issue was resolved. The FSM Supreme Court issued a temporary restraining order on 27 May 2022 barring Pohnpei officials from informing United Airlines that a Certificate was required or for requiring a Certificate to enter quarantine in Pohnpei.³⁷ A repatriation flight from Guam arrived as scheduled on 28 May 2022 without incident.

The next repatriation flight to Pohnpei arrived 12 June 2022 and travelers entered quarantine. However, quarantine procedures had been changed. On 16 June 2022 FSM National Police arrested Pohnpei’s Acting Governor, Director of the Department of Public Safety, COVID-19 Task Force coordinator, Public Information Officer, and State Radio Commissioner and detained them in the Pohnpei State jail, several overnight. They were charged with 223 counts of criminal wrongdoing regarding the repatriation of 71 travelers that arrived early on 12 June 2022. The five State officials were charged with breaching civil rights, false imprisonment, and multiple violations of emergency decrees and standard operating procedures for Covid-19-related quarantine.

The charges focused on the assignment of quarantine facilities and the shift from 5 to 7 days of quarantine. Seventy travelers were assigned to the small Emergency Medical Unit rather than the larger Medical Monitoring Area, while the arriving FSM President was allowed to quarantine at home. The Unit had an insufficient number of rooms, resulting in some passengers sleeping in hallways and the lobby.³⁸ According to Pohnpei State officials, they had asked National Government officials for a 4-day delay in the flight in order to disinfect the larger quarantine facility. This delay was because two COVID-positive quarantine cases (from the 28 May 2022 flight) were to be released on 11 June 2022 and Pohnpei needed time to disinfect the facility and to make needed plumbing repairs. The FSM Government did not delay the flight.³⁹

July 2022 events and community spread. Government actions in July continued to prepare for COVID, but also included actions that helped increase the probability of community spread.

37 Two press articles: “Pohnpei State and FSM National government heads trade barbs on COVID responsibilities” and “FSM files suit against Pohnpei alleging unconstitutional disruption of repatriation efforts,” *The Kaselehlie Press*, 8 June 2022.

38 <https://fsmembassy.fm/fsm-files-criminal-charges-against-pohnpei-state-officials-for-alleged-violations-of-civilrights-conspiracy-obstruction-breaches-of-quarantine-standard-operating-procedures/>.

39 On 21 March 2023, the Supreme Court of the Federated States of Micronesia ordered the dismissal, with prejudice, of all criminal charges in the case. According to the Court, “This case was the result of misplaced hopes...Pohnpei COVID officials were hoping that the June 11-12, 2022 repatriation flight would either be postponed to the June 15th flight from Guam when both the Emergency Medical Unit (EMU) and the Medical Monitoring Area (MMA) would be cleaned and available...And the national COVID officials were hoping that the MMA would be cleaned and made ready for the 71 passengers that had been quarantined at its expense on Guam for three days...In what may have been an ill-advised contest of wills, neither’s hopes were realized. Accordingly, the counts...are all dismissed with prejudice. This case is closed.” https://www.mvariety.com/news/fsm-supreme-court-dismisses-charges-against-pohnpei-officials/article_92c4afb0-d3b7-11ed-89f8-b78551d8d1d1.html.

- » The FSM vaccination campaign continued for the month of July prior to opening the border on 1 August 2022. Those 5 and older were eligible for vaccines and booster shots were also being distributed. In addition, the outer islands were now prioritized. The Government of Japan, in coordination with UNICEF, funded \$9 million to purchase 5 trucks and 4 boats to be dispersed across the four FSM States for vaccine delivery. Two trucks and one boat were handed over on 1 July 2022 in Pohnpei, with the other donations delivered directly to the other States. This donation complemented Japan's 2021 provision of over 70 cold boxes for transporting vaccines and 35 freezers for vaccines through the UNICEF cold chain project.
- » Repatriations continued in July with reduced quarantine times in Guam and upon FSM arrival. COVID-positive travelers were identified in quarantine in each FSM State. The US also provided the FSM with medicine to treat COVID. The anti-viral tablet Paxlovid reduced the chance of hospitalization from COVID, and the FSM used this medicine for COVID cases found in quarantine.
- » The FSM held its first Micronesian Exposition in Pohnpei over a five-day period: 18 July–22 July 2022. This was a cultural celebration with participants from each FSM State. Each State was devoted to sharing one State's dance, music, and traditions. Large numbers of participants came from each State, some even taking a multi-day voyage from Yap.
- » During the week of the Expo, the first community transmission of COVID was detected in Kosrae on 18 July 2022 and in Pohnpei on 19 July 2022. (These were cases not detected in quarantine or related to travel.) By the end of the Expo, Pohnpei State had reported more than 400 confirmed cases. The Expo returned COVID-positive travelers to their home States, but community spread was slow to come to Yap and Chuuk.
- » In the case of Yap, on return to Yap from the Expo on 29 July 2022, 150 of 151 passengers aboard the Hapilmohol-2 Field Ship tested positive for COVID and went into quarantine. Yap established a 7-day quarantine requirement.
- » In the case of Chuuk, the Governor wanted to delay "opening" until November and maintain a 14-day quarantine. However, the FSM President reported (as of 28 July 2022) that the FSM Department of Justice advised Chuuk that doing so would be unlawful and the nation must open its borders 1 August 2022. Following more consultations, Chuuk State agreed to take a reduced number of flights (and passengers) and the National Government agreed to accept a 14-day quarantine period in Chuuk.
- » As of 31 July 2022, the FSM reported 5,258 cumulative COVID cases with 9 deaths (1 in Kosrae and 8 in Pohnpei). The vaccination rate for those ages 5 and older was 75 percent.

August 2022 – FSM border opens. The President of the FSM issued a decree, effective 1 August 2022 that there would be no lockdowns within any FSM State. This followed the enactment of an internal "border" lockdown by one municipality in Pohnpei State. Not all of the nation immediately opened the border. Yap operated a 7-day quarantine and had many people in quarantine at the beginning of August, while Chuuk operated a 14-day quarantine.

The first community transmission of COVID was detected in Yap 16 August 2022 and in Chuuk on 24 September 2022. Travel to the outer islands of Chuuk and Yap was restricted and medical teams continued to travel to those islands to provide vaccinations or conduct test-to-treat activities. With internal State travel bans (and the infrequency of field trip ships) the outer islands of FSM States had delayed transmission of COVID. The first report of outer island community transmission in Chuuk was 29 December 2022, in Yap it was 5 January 2023, and in Pohnpei it was 23 January 2023.

US CDC teams supported FSM State health personnel in testing and treatment operations during the community spread in each FSM State. CDC officials' analysis of the mortality as of 8 August 2022 was that one third of deaths were either unvaccinated or partially vaccinated and that none of the people who died had received any treatments that might have saved their lives. This illustrated that it was necessary to treat patients at home who could not travel for health care.

Overall death rates in the FSM were low, with 58 COVID deaths (Chuuk-27, Kosrae-3, Pohnpei-23, and Yap-5). Notably, the FSM had access to Paxlovid, an antiviral medication that stops the COVID virus from multiplying and reduces the progression to severe COVID that may lead to hospitalization or death.⁴⁰ The US Government directly supplied the drug to the FSM. One emergent finding was that Paxlovid had a significant beneficial impact if COVID cases sought timely medical care. Among nations, after adjusting to a lower standard population of 100,000, the FSM had one of the lower reported death rates from COVID at 54 deaths per 100,000 population.⁴¹ This compares favorably to the very high US death rate of 341/100,000 and other Pacific rates: New Zealand (53/100,000), Japan (58/100,000), Taipei, China (74/100,000), and Australia (77/100,000).

Observations on the COVID health response

In reviewing the FSM experience and response from the vantage point of 2024, it is clear that the FSM health response benefited from external in-kind and financial support from Australia, China, European Union, Japan, the US, and international organizations, including ADB, UNICEF, World Bank and WHO.

- » This support included vaccines, personal protective equipment (PPE), test kits, and laboratory support as well as providing physical infrastructure for quarantine and medical services. Weekly reports from one-on-one US CDC/ Pacific Island

40 The US Food and Drug Administration granted an "Emergency Use Authorization" for Paxlovid on 22 December 2021 and by April 2022 the US Government had contracted to purchase 20 million courses of the treatment. On 25 May 2023 the US Food and Drug Administration fully approved the oral antiviral Paxlovid for the treatment of mild-to-moderate COVID-19 in adults who are at risk of progression to severe COVID-19, including hospitalization or death.

41 Data for the US and other Pacific countries are from Johns Hopkins University, Coronavirus Resource Center (<https://coronavirus.jhu.edu/>) as of 16 March 2023. (The web site no longer has a look-up tool and only provides raw data.) Johns Hopkins reported 61 COVID deaths and computed the FSM ratio as 53.60 deaths per 100,000 people. Johns Hopkins used an FSM population base of 113,806 for its calculation. However, the FSM Statistics Division recently shared a graphic that showed a preliminary 2023 Census count to be approximately 73,000. (This Census information is from a PowerPoint handout distributed by the FSM Statistics Division at the 2024 Resources & Development Conference and is not currently available on a public website.) Using this updated 2023 FSM Census population count of 73,000, the updated ratio is 83.6/100,000. Note that other countries reported lower COVID death rates than the FSM, but in some cases likely reflect incomplete data reporting.

Health Officers Association (PIHOA) meetings with each FSM State COVID team documented the progress the FSM made over time.

- » Specific donations such as Japan's delivery of a medical vessel for each FSM State substantially increased capabilities for serving neighboring islands for COVID and future crises.
- » Weekly virtual technical assistance contacts with the PIHOA and officials at the US Department of Health and Human Services and the US CDC benefited the FSM and established a regional support system, as did medical teams sent to the FSM.

US Government and PIHOA staff provided an overarching "lessons learned" summary across the US Affiliated Pacific Islands (USAPI), including the FSM. They found "delaying community transmission allowed USAPI to establish testing capacity, immunize large proportions of their populations, and use novel COVID-19 therapeutics to reduce severe disease and mortality." The report also found the community transmission was a spillover from the in-country quarantine facilities and noted that border closures came at an economic cost. Looking forward, the team found that the COVID pandemic highlighted the need to build laboratory and clinical capacity, to streamline government procurement processes during an emergency, to fix the problems with local health inventory systems, and to improve collaboration between Pacific areas and donors.⁴²

The FSM faced challenges in three areas during its COVID health response:

- » The institutional structure where the National Government depends on State Governments to implement policies easily led to conflict. The repetitive conflicts between Pohnpei State and the National Government highlight this challenge. In the case of Chuuk and Yap, much more distant FSM States, the National Government was often in the position of simply agreeing with State policies.
- » COVID exposed existing strains in the personnel systems of the FSM State hospitals where foreign contract workers faced problems with pay and working conditions. This created health coverage gaps in two FSM States.
- » FSM population data used for planning health supplies, tracking the rate of vaccinations, evaluating FSM COVID fatalities, and for making decisions about quarantine and border controls was inaccurate. The FSM used its 2010 Census population of about 103,000 as the basis for reporting vaccine program progress. But the FSM did not have accurate information on the outgoing migration of residents since 2010. As a result, the actual percentage of FSM vaccinated residents was greater than reported, while the actual rate of COVID deaths was higher. In the case of quarantine policy decisions, the understatement of vaccination coverage helped delay reopening FSM borders, which delayed the economic recovery.

42 Cash McGinley HL, Hancock WT, Kern Allely S, Jenssen M, Chutaro E, Camacho J, et al. (2023) COVID-19 in the US-affiliated Pacific Islands: A timeline of events and lessons learned from March 2020–November 2022. *PLOS Global Public Health*, 16 August 2023;3(8). <https://pubmed.ncbi.nlm.nih.gov/37585385/>.

iii. FSM Responded to Economic and Fiscal Crises

Economic and fiscal crises projected

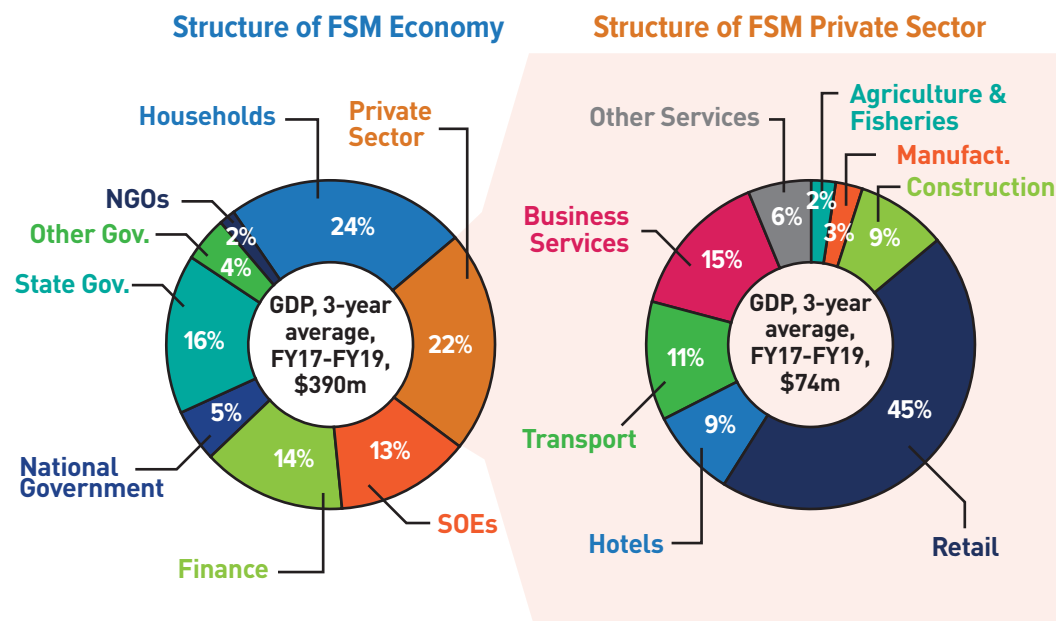
The government economic response to COVID-19 incorporated projections of the impact of declining visitors and disruptions in fisheries on the business sector and government revenues. Before COVID, the private sector represented 22 percent of FSM's economy and retail activities dominated the private sector at 45 percent (see [Figure 2](#)). Visitor activity, which is quite small, is reflected in the hotel and transport industries where it represented 20 percent of private sector GDP.

In early March 2020, following the FSM declaration of a Public Health Emergency and the issuance of travel advisories, the FSM Congress held a special session to review the economic impacts of COVID on the nation, with a focus on the hospitality industry.⁴³ Resort closures, followed by employees being laid off in Chuuk and Yap, was cited as an immediate concern. The Macroeconomic Advisor to the FSM reported that surveys were going out to hotels and travel operators and that the National Government had three planned responses:

- » Fast track public projects and infrastructure, focused on those that could be completed by local contractors;
- » Increase internal FSM travel by purposely holding conferences and meetings in all FSM States rather than Pohnpei State; and
- » Paying hotels to function as quarantine sites in an effort to stimulate hotel revenue.

43 "Economic impacts of COVID-19 related to travel restrictions discussed during Committee to Wait on the President," *The Kaselehlie Press*, 9 March 2020.

Figure 2: Structure of FSM Pre-COVID GDP and Composition of Private Sector GDP, FY2017-FY2019 (3-year average)



Source: EconMAP analysis of FSM economy (prepared September 2021).

Congress members asked about using soft/low interest loans or tax breaks to support businesses. In response to congressional suggestions, the Macroeconomic Advisor said the government would look at loan and tax cut approaches, but needed to focus on steps that could be taken internally and quickly.

FSM legislative actions

On 23 March 2020, the FSM Congress appropriated \$1 million as a contribution to a Tourism Sector Mitigation Fund.⁴⁴ An additional transfer of \$500,000 for the Fund came from the FSM National Oceanic Marine Resources Authority (NORMA). This transfer originated from US Government payments under a multilateral fisheries agreement.⁴⁵

The statutory creation of the Tourism Sector Mitigation Fund came a few days later, on 3 April 2020.⁴⁶ The fund was to be used to partially offset the economic losses of the tourism businesses and individuals working in the tourism industry who were laid off due to the COVID epidemic. Money for the fund would include appropriations by the Congress of the FSM and the State legislatures, US grants, and funds from international organizations. The legislation (including its subsequent amendments) had the fund administered by a committee of FSM Department representatives and submitting quarterly reports to the FSM Congress. This initial legislation stipulated:

- » Tourism businesses seeking relief were required to show prior year tax returns in order to establish losses claimed under the Fund. Individuals in the tourism sector who were seeking compensation for lost wages were required to submit their last paycheck stub and a statement from their employer as evidence of their unemployment.
- » Tourism sector businesses were defined to include hotel operators, car rentals, tour operators, resorts, dive shops, airlines or any other tourist-specific business.
- » The Fund was set to expire at the end of FY2021 and any unexpended funds would be moved to the Disaster Relief Fund.

On 7 April 2020, the FSM President announced a proposed FSM COVID-19 Economic Stimulus Package with an initial financing need of \$15 million to mitigate the projected 10 percent decline in the FSM economy.

- » The first phase of the stimulus would help tourism sector businesses. Salary subsidies would keep as many people working as possible and compensate firms that continued to operate while experiencing a decline in income. Also proposed was tax, social security, and debt relief to qualified businesses.

44 FSM Public Law No. 21-94, 23 March 2020. https://www.cfsm.gov.fm/wp-content/uploads/2024/07/PUBLIC_LAW_NO_21-94.pdf.

45 The US Government makes payments under the Treaty on Fisheries between the Governments of certain Pacific Island States and the Government of the United States of America. Some of the payments are allocated to a Project Development Fund that in turn are divided between the parties to the Treaty. The Treaty finances are implemented by the Director General of the Pacific Islands Forum Fisheries Agency ("FFA"). Examples of prior FSM use of the Project Development Fund can be found in: Office of the National Public Auditor, FSM, *NORMA's Use & Management of the Project Development Fund: Characterized By Poor Controls, Accountability and Transparency Issues, Fiscal Years 2012 – 2014*, Report No. 2015-09, 30 September 2015. <http://www.fsmopa.fm/files/onpa/2014/PDF%20FINAL%20REPORT%209%2030%202015.pdf>.

46 FSM Public Law No. 21-104, 3 April 2020. https://www.cfsm.gov.fm/wp-content/uploads/2024/07/PUBLIC_LAW_NO_21-104.pdf.

- » The second phase of the stimulus would extend support to sectors beyond tourism.
- » The Economic Stimulus Package would be in addition to the US-funded Pandemic Unemployment Assistance Program that would provide financial assistance to anyone who lost their job due to COVID, including the self-employed.
- » The proposed \$15 million Economic Stimulus Program and the \$20 million Health Action Plan, which focused on health sector infrastructure, would be both implemented at the same time.

The Economic Stimulus Package became law on 22 April 2020.⁴⁷ In addition to the prior \$1.5 million provided for the Tourism Sector Mitigation Fund, the new law directed that National Government revenue, derived from fishing access fees and income taxes levied on major corporations incorporated in the FSM that was usually deposited into the FSM trust fund, be redirected to the Tourism Sector Mitigation Fund from 22 April 2020 through 30 September 2020. This temporary diversion was estimated to be about \$9 million. In addition, the FSM National Government reported that \$3 million of financial assistance from the ADB would go into the Fund and that the FSM Congress had been asked to provide an additional \$2 million in FY2021.⁴⁸

Formal economic analyses prepared

3 June 2020. A formal economic analysis was prepared by EconMAP and released 3 June 2020.⁴⁹ EconMAP projected the impact of border restrictions on the FSM and its subsequent impact on industries, GDP growth, employment, and on the government's fiscal position. The projections assumed that public health restrictions on arrivals would remain in place through FY2021 and that a return to normal access and post-pandemic economic activity would begin in October 2021 (beginning of FY2022). Other basic assumptions made for each sector/area were:

- » Fisheries: Export of fish on commercial flights from small-scale fishing activity was projected to decline, export of skipjack tuna from Pohnpei was expected to remain unchanged, and the fish catch through Yap was expected to increase. Fishing fees were expected to remain unchanged, with stable fishing fee daily rates and full demand for available fishing days.

47 FSM Public Law No. 21-105, 22 April 2020. https://www.cfsm.gov.fm/wp-content/uploads/2024/07/PUBLIC_LAW_NO_21-105.pdf.

48 FSM Information Services Press Release, "21st FSM Congress Approves the Economic Stimulus Package, President Panuelo Signs it Into Law; Businesses Encouraged to Apply for Wage Subsidies and Submit Taxes on Time to Receive Gross Tax Revenue Rebates." 22 April 2020. <https://fsmgov.org/fsmun/pubheal02.pdf>.

49 EconMAP/Graduate School USA. 2020, *Technical Note: Assessing the Impact of COVID-19 on the Federated States of Micronesia Economy*, 3 June 2020. [Assessing the Impact of COVID-19 on the Federated States of Micronesia Economy](#). This research was funded through the US Department of the Interior's Office of Insular Affairs, with projections prepared for Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

- » Hotels and Restaurants: While tourism is not large in the FSM, the hotel and restaurant sector accounted for 1.7 percent GDP during FY2016-FY2018.⁵⁰ Hotels, which cater to both visitors from overseas and interstate FSM travelers, were running virtually empty in 2020. Only about 10 percent of the output of the hotel and restaurant sector is derived from domestic demand from in-state residents. With minimal out-of-state travelers, sector output was projected to fall to exceptionally low levels.
- » Construction: Projections were for construction to fall by 7 percent in FY2020 and a further 6 percent in FY2021.
- » Transport and communication: The private sector components of the sector were projected to decline by 80 percent through FY2021 as compared to FY2019.
- » Public sector: No change in overall public expenditures was assumed, but spending on travel, fuel, utilities would likely decline, while health spending would increase. The projection did not include the then-announced FSM government tourism support package or incorporate donor support that was in the pipeline to address COVID impact. A majority of the projected significant increase in the health budget was assumed to be donor-financed.

The study's sponsor, US Department of the Interior's Office of Insular Affairs, noted that the projections did not assume any additional external donor assistance and were prepared in the absence of any confirmed domestic COVID cases. Further, the Office noted that if cases were present, the economic situation would be worse.⁵¹ The projections covered four areas (see **Figures 3-6**):

- » Major industries: The analysis projected that fisheries would grow in FY2020 and FY2021 (following a weak year in FY2019). The hotel and restaurant sector was projected to fall by 46 percent in FY2020 and then a further 75 percent in FY2021, reflecting the lack of tourists and minimal interstate visitors. Similarly, the transport and communications sectors were projected to decline by 27 percent in FY2020 and a further 14 percent in FY2021. Construction activity was projected to fall modestly, reflecting the likely constraints to project implementation during the COVID-19 pandemic.⁵²
- » GDP: The analysis projected a GDP fall of 4.9 percent in FY2020, and a further 2.0 percent fall in FY2021, a combined reduction of 6.7 percent over the two-year period. The transport and communications sector was responsible for 2.1 percent of the overall decline. Tourism was projected to be responsible for a slightly lower proportion of the loss at 1.5 percent. While hotels and restaurants

50 The FSM's GDP-by-industry statistics have not been recently updated to reflect a more comprehensive treatment of the tourism sector. A portion of activities now reported in the transport sector would best be reported in a broadened tourism sector category. While updates have been completed for Palau and the RMI, data issues that reduce the accuracy of industry level output estimates for the FSM must first be addressed. It is hoped that that FSM authorities will commit to produce and share with the Statistics Division the required industry-level data derived from the gross revenue tax base. This would allow updates of GDP-by-industry statistics.

51 US Department of the Interior. 2020. *OIA News: Initial Economic Impact of COVID-19 Reported for Micronesia, the Marshall Islands, and Palau* (6/22/2020 web post). <https://www.doi.gov/oia/press/initial-economic-impact-covid-19-reported-micronesia-marshall-islands-and-palau>.

52 The large wholesale/retail sector is not shown in the figure as its decline closely mirrors the economy-wide projections; that sector's decline includes an estimated 85 percent reduction in demand for aviation gas.

were proportionately hit the hardest, their minor contribution in recent years to GDP reduced their projected impact on the overall economy. The reduction in the wholesale and retail trade was consistent with the overall reduction in the economy during the two years and contributed 0.8 percent of the total loss in the economy.

- » Employment: The analysis projected employment to fall by 1,841 jobs over FY2020 and FY2021. This should be understood as a reduction in full-time-equivalent positions rather than a specific reduction in employed workers, as firms were likely to keep people on at reduced hours. The hotel and restaurant sector was projected to lose 669 jobs given the near absence of commercial flights into the FSM. An additional loss of 609 jobs across transport, shipping, port services, aviation, and airport ground handling was projected, along with 248 further reductions anticipated in retail/wholesale trade, and 167 in construction. The report stated that the mitigation programs available through the FSM stimulus package, US CARES Act, and ADB programs should greatly assist in reducing poverty and alleviating the burden of the crisis on households.
- » Government revenue and expenditure: During FY2020-FY2021, the four FSM States were projected to suffer from reduced tax revenues. However, in terms of total state government revenues and reflecting the dominance of Compact flows, the projected proportional reduction of total revenues was more moderate: 1.2 percent for Chuuk, 0.9 percent for Kosrae, 1.0 percent for Pohnpei, and 1.4 percent for Yap. The National Government had achieved large fiscal surpluses in previous years, averaging 15 percent of GDP from FY2015 through FY2019. The overall fiscal position of the National Government was thus projected to deteriorate over time.⁵³

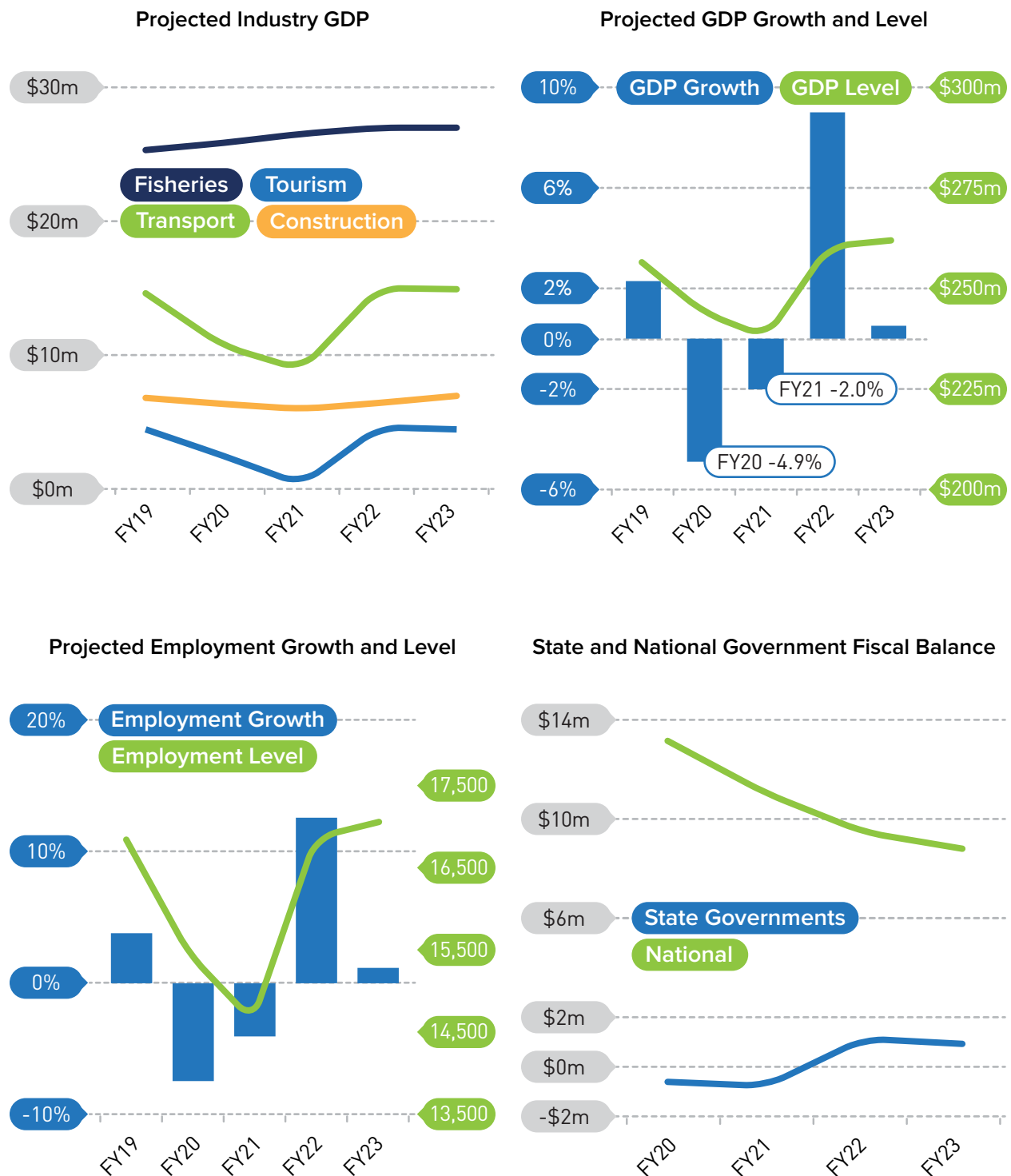
The June 2020 economic analysis reported that significant donor grants from the US Government and the ADB were in process to pay for the health response, to finance fiscal gaps, and to support the economic adjustment program. While the National Government had sufficient resources to cover COVID impact, the minor loss in tax revenues and the substantial additional cost for COVID health related expenses in each FSM State was expected to require transfers from the National Government and FSM's donor partners.

25 June 2020. The International Monetary Fund prepared a June 2020 economic assessment that projected the impact of COVID on the FSM economy.⁵⁴ This assessment was requested by the ADB as it was planning the COVID-19 Pandemic Response Option program for the FSM. The IMF projected that FSM inflation-adjusted GDP would contract 3.8 percent in FY2020, but gradually recover in FY2021. The projection noted that the risks were skewed to the downside; a longer containment period and uncertainties about the intensity and duration of COVID could result in further decline, as would the FSM experiencing a COVID outbreak.

53 The fiscal balance figure does not present FY2019 in order to have a better scale for seeing the National and State Governments together on one graphic. The National Government's fiscal balance in FY2019 was \$67.9 million. This reflected an unusual level of corporate tax receipts that year from the FSM domicile for major Japanese corporations. The State Government fiscal balance was positive at \$300,000.

54 International Monetary Fund, "Federated States of Micronesia—Assessment Letter for the Asian Development Bank," 25 June 2020. <https://www.adb.org/sites/default/files/linked-documents/50028-003-imf-fsm.pdf>.

Figures 3-6: May 2020 Projection of COVID-19 Impact on FSM's Industry, GDP, Employment, and Government (FY2019-FY2023)



Source: EconMAP Technical Note, 3 June 2020, "Assessing the Impact of COVID-19 on the Federated States of Micronesia Economy," (Graduate School USA, PITI-VITI, Honolulu, HI).

Further FSM economic response

As the COVID pandemic stretched beyond FY2020, the FSM National Government extended the time period for the Tourism Sector Mitigation Fund to support businesses. It also implemented the US Government's unemployment program to support workers who had lost their job and ADB-funded social protection programs that benefited low income households, community groups, and nonprofits.

In contrast to the usual structure of FSM government operations where the State Governments are program implementers, the COVID economic response was handled by National Government staff. In some cases, this required the establishment of new offices at the FSM State level. Economic operations were centralized in the National Government Department of Finance & Administration. This "National" implementation approach contrasted to the COVID health response where the FSM undertook its COVID preparedness and response efforts through an established "disaster" response framework (see [Figure 7](#)).⁵⁵ This framework incorporates the FSM political and operational structure: external donors work through the National Government, which in turn works with State Governments to implement programs. In some cases, there are operational structures below the States in the municipalities. For the COVID health response, the National Government relied on State Government hospitals, health departments, and ports of entry to execute the FSM health response. For the FSM economic response, the National Government was the implementing entity for programs.

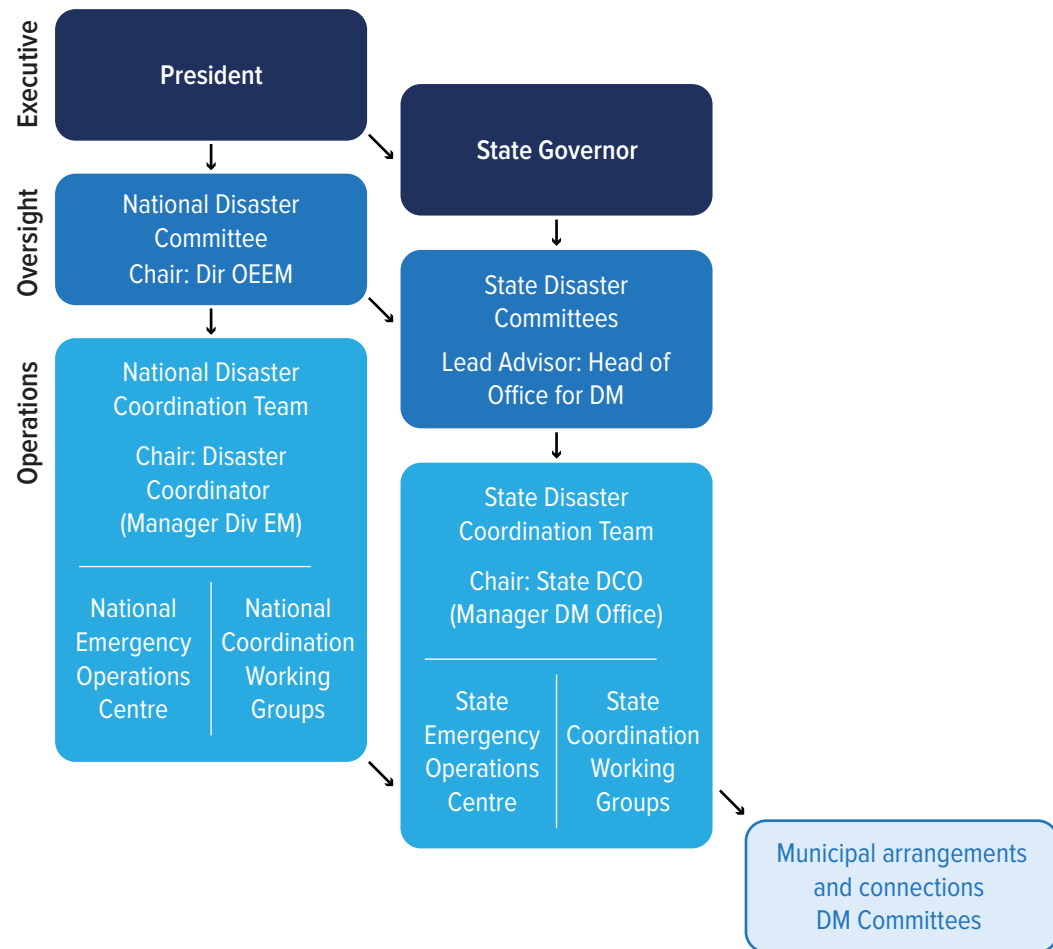
iv. Donor Programs Supported FSM's COVID Response

The FSM benefited from numerous significant contributions from multilateral organizations and individual governments that supported its response to the COVID crisis in 2020 and continued to support the FSM through 2022. As the largest donors, the ADB reports it provided 13 COVID-related projects totaling \$29.67 million, while the US reported it provided the FSM more than \$100 million in support, including significant in-kind support. Numerous other donors provided further assistance, through grants and in-kind support. The section below is not a full accounting of donor assistance but captures the scope of donor activities.

ADB

ADB regional actions. During the first four months of 2020, ADB responded to COVID-19's growing negative impact on its developing member countries (DMCs) with a \$6.5 billion package to address the immediate needs of its DMCs as they responded to the health and economic consequences of the pandemic and an additional \$13 billion in

55 For background on the disaster framework, see: Asian Disaster Preparedness Center, UN Office for Disaster Risk Reduction, *Disaster Risk Reduction in the Federated States of Micronesia: Status Report 2022* <https://www.undrr.org/publication/disaster-risk-reduction-federated-states-micronesia-status-report-2022> and Center for Excellence in Disaster Management & Humanitarian Assistance, *Federated States of Micronesia: Disaster Management Reference Handbook*, November 2022. <https://www.preventionweb.net/publication/federated-states-micronesia-disaster-management-reference-handbook-2022>.

Figure 7: Disaster Management Organization in the FSM

Source: Adapted from - *Federated States of Micronesia: Disaster Management Reference Handbook*, November 2022 (Center for Excellence in Disaster Management & Humanitarian Assistance).

available countercyclical expenditure financing.⁵⁶ These additional funds supported the ADB COVID-19 Pandemic Response Option (CPRO) and increased the total size of ADB's response package to about \$20 billion. In addition, the ADB extended access to its Contingent Disaster Financing (CDF) to health-related emergencies, such as COVID-19.

ADB FSM actions. The ADB reports it provided the FSM with COVID-related projects totaling \$29.67 million, including \$27.50 million through 5 grants and \$2.17 million in technical assistance projects.⁵⁷ During 2020-2023, the FSM engaged with the ADB to secure grants that directly supported government operations during a

56 By 11 March 2020, when the World Health Organization (WHO) determined that the world public health emergency had become a global pandemic, ADB had provided \$32.3 million in regional COVID assistance, but not yet any funds to the FSM.

57 ADB. 2023. *ADB COVID-19 Response: Federated States of Micronesia*. <https://www.adb.org/where-we-work/micronesia/covid-19-response> The technical assistance projects covered multiple Pacific Island nations.

period of revenue shortfalls and COVID spending, as well as businesses, workers, and households.

The ADB grants were:

- » \$470,000, COVID-19 Emergency Response Project (ADB Project No. 54135-001, Grant 0691), approved 31 March 2020, grant dated 7 April 2020, funded by the ADB Asia Pacific Disaster Response Fund. This was the first COVID-directed donor grant for the FSM. The project supported: procurement of essential supplies, overtime salary and recruitment of emergency health workers, transport and supply-chain logistics, quarantine costs, and supplies required for disease preparedness.
- » \$6 million, Pacific Disaster Resilience Program (Phase 2), (ADB Project No. 50028-002, Grant 0669), approved 27 September 2019 to respond to future disaster needs from ADB's Special Funds. The ADB Board of Directors modified the grant's terms on 13 April 2020 to include health-related emergencies. The FSM requested these funds for its COVID response.
- » \$1,030,000, COVID-19 Emergency Response Project (ADB Project No. 54135-003, Grant 0722), approved 29 July 2020, grant dated 7 August 2020; funded by the Asia Pacific Disaster Response Fund – Government of Japan for COVID-19. The project supported preserving services for communities affected by the COVID pandemic, including the provision of essential goods and supplies such as personal protective equipment required for COVID-19 preparedness and response; payment of overtime for essential workforce and recruitment of emergency health workers; transportation and supply-chain logistics; and supporting the costs of quarantining suspected or confirmed COVID-19 patients.
- » \$6 million, Pacific Disaster Resilience Program (Phase 3), (ADB Project No. 50028-003, Grant 0756), approved 24 November 2020, grant dated 11 December 2020; funded by ADB's Special Funds. The grant's purpose included supporting public spending to meet short-term and medium-term post-disaster and emergency financing needs.
- » \$14 million, Health Expenditure and Livelihoods Support (ADB Project No. 54309-001, Grant 0751-FSM), approved 27 November 2020. The grant was to provide business stimulus and enhance the social protection of vulnerable groups. Funds aided women in business and supported the FSM government's COVID health response. The grant provided financial support, including wage subsidies and tax rebates for tourism businesses that were hard-hit by the pandemic, and loans to micro and small businesses. Temporary unemployment assistance was given to migrant workers who lost their job due to COVID.⁵⁸

In addition, the FSM benefited from ADB support that funded technical assistance projects and in-kind supplies for the health sector.

United States

The US Government provided COVID support to US states and territories as well as the Freely Associated States (FAS), including the FSM, through a series of four 2020 laws that addressed the COVID pandemic. These laws provided resources to federal

58 ADB. 2020. *ADB's \$14 Million Grant to Support FSM's COVID-19 Response* (03 November 2020) <https://www.adb.org/news/videos/adb-s-14-million-grant-support-fsm-s-covid-19-response>.

agencies to cover COVID-related costs (domestically and overseas) and for new activities, such as Operation Warp Speed, to develop and produce COVID vaccines, and to fund new unemployment insurance programs for workers who lost their job due to COVID. According to the US Congressional Budget Office, these 2020 laws increased the US budget deficit by about \$3.3 trillion.⁵⁹

In most cases, COVID pandemic laws added funds to existing federal programs, some of which already had authorization to support the Freely Associated States, including the FSM. However, in one key instance, the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) created several new unemployment programs, and the FSM was named as a “US state” for purposes of two new US Department of Labor (DOL) COVID-19 pandemic unemployment insurance programs.⁶⁰

Overall, the US provided the FSM with more than \$100 million in COVID funding according to the US Embassy in the FSM.⁶¹ Four US agencies provided COVID-related grant assistance directly to the FSM: the Departments of Education, Health and Human Services, the Interior, and Labor. In addition, the US provided significant in-kind support, such as vaccines. US agency responses included:⁶²

- » Department of Education provided Higher Education Emergency Relief grants to the College of Micronesia (COM). According to COM financial audits, it received \$18.3 million in assistance, with \$9.5 million for student aid and \$8.8 million for institutional support.⁶³

59 US Congressional Budget Office. *The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020*, 6 June 2020 <https://www.cbo.gov/publication/56403> and *2021 Summary Estimate for Divisions M Through FF, H.R. 133, Consolidated Appropriations Act, 2021, Public Law 116-260 Enacted on December 27, 2020*, 14 January 2021. https://www.cbo.gov/system/files/2021-01/PL_116-260_Summary.pdf

Note: this accounting does not include the \$1.9 trillion American Rescue Plan Act, enacted on 11 March 2021 that included an economic stimulus package. In addition, this Act further extended COVID unemployment programs, including for the Freely Associated States.

60 *US Public Law 116-136*, 3/26/2020. The RMI and Palau were also named as US states for these two programs. <https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf>.

61 Opinion Editorial by US Ambassador Cantor, “The FSM and the United States: Partners in fighting COVID-19,” *The Kaselehlie Press*, 3 February 2021. According to EconMAP’s compilation of support (awards) and data from the FSM on the expenditure of COVID education and unemployment grants, total COVID grants provided to the FSM was about \$119 million. Note, not all grant funds were necessarily drawn down, such as the employment grant. There are numerous compilations of US assistance: “The United States All-of-Government Response to COVID-19 in Pacific Island Countries” (US Department of State, 9/18/2020) <https://2017-2021.state.gov/the-united-states-all-of-government-response-to-covid-19-in-pacific-island-countries/index.html>; “Federal Assistance to the U.S. Territories and Freely Associated States during the Coronavirus Disease 2019 (COVID-19) Pandemic” (US Department of the Interior, undated) <https://www.doi.gov/oia/covid19>; and “Interior Office of Insular Affairs Announces Full and Final Allocation of \$55 Million in Cares Act Funds to Insular Areas” (US Department of the Interior, 11/1/2021) <https://www.doi.gov/oia/press/Interior-Office-of-Insular-Affairs-Announces-Full-and-Final-Allocation-of-%2455-Million-in-Cares-Act-Funds-to-Insular-Areas#>. The FSM also received extensive in-kind assistance, such as COVID vaccines, from the US.

62 Other US agencies also provided funding under the COVID-related legislative acts. For example, US Department of Commerce provided support to agriculture entrepreneurs and for economic planning.

63 The grant program was initially established under the CARES Act (March 2020); it was extended in January 2021 under the Coronavirus Response and Relief Supplemental Appropriations Act; and then further extended in March 2021 under the American Rescue Plan Act.

- » Department of Health and Human Services reports it awarded the FSM \$54.6 million under 6 COVID-related appropriations and through several agencies.⁶⁴
 - Centers for Disease Control and Prevention (CDC) was the largest share of HHS grants and provided the FSM with 29 grants totaling \$31.1 million through US congressional acts that addressed COVID-19. Grant areas supported included: vaccination activities, detection and mitigation of COVID, epidemiology and lab capacity.⁶⁵
 - Health Resources and Services Administration provided the FSM with grants that supported health centers in each FSM State.
 - Assistant Secretary for Preparedness and Response awarded funds for hospital preparation. Importantly, this office also worked with CDC to provide ventilators and PPE supplies from the US Strategic National Stockpile. Numerous flights were used to deliver these supplies.
 - Throughout the COVID pandemic, the FSM received supplies, vaccines, and treatment medicines from the US that are not captured in this reporting of awarded health grants.
- » Department of the Interior provided \$10 million to the FSM in new grant awards to address COVID.
 - Under the CARES Act, Interior provided \$10 million: with \$2.7 million for the National Government; \$3.1 million for Chuuk; \$900,000 for Kosrae; \$2.1 million for Pohnpei; and \$1.2 million for Yap. These funds were focused on quarantine facilities and related needs.⁶⁶
 - Interior also provided \$859,000 funding to the Pacific Island Health Officers Association (PIHOA) to provide COVID test kits and testing equipment throughout the Pacific, including to the FSM.
 - Interior concurred with FSM government representatives to use \$7.4 million in prior-year Compact sector grant funding for health-related COVID preparedness and planning.
 - Ongoing Interior funding also supported the development of economic statistics and projections for the FAS, including for the FSM.
- » Department of Labor committed \$36 million to the FSM for the unemployment programs established through the CARES Act. According to FSM financial audits, the FSM expended \$22.9 million over three years, FY2020-FY2023.⁶⁷

64 The US Health and Human Services accounting of FSM COVID expenditures appears to relabel HHS grants that existed prior to COVID as “COVID-related” grants. This may simply reflect that funding was shifted to “COVID” appropriations/budget bills and thus was counted as COVID grants. The categorization issue is seen elsewhere as well. For example, on 4 April 2023, the US Department of the Treasury awarded the FSM \$14.3 million to help pay for a fiber optic cable between FSM islands under the “Coronavirus Capital Projects Fund” that was enacted 11 March 2021 in the American Rescue Plan Act.

65 CDC data was last updated 5 September 2023. https://data.cdc.gov/Administrative/COVID-19-State-Tribal-Local-and-Territorial-Fundin/tt3f-rr33/about_data.

66 <https://www.doi.gov/oia/press/Interior-Office-of-Insular-Affairs-Announces-Full-and-Final-Allocation-of-%2455-Million-in-Cares-Act-Funds-to-Insular-Areas> (1 November 2021).

67 http://www.fsmopa.fm/FSM_SA_2011.htm.

- » Department of State and US Agency for International Development support included funding to the Catholic Relief Service, International Organization for Migration (IOM), UNICEF, and the World Health Organization, for activities across the Pacific region that included COVID projects in the FSM. For example, USAID provided \$5 million to support the UN World Food Program's logistics program in the Pacific, bringing critical COVID supplies to Pacific Island nations, including the FSM. With USAID support, UNICEF provided hygiene kits to 183 schools across the FSM.
- » The US Embassy in the FSM undertook its own initiatives. For example, in February 2022, it sponsored a third COVID vaccination drive, with 200 persons vaccinated. Later in 2022, the Embassy donated a 15-passenger van to the Pohnpei State Department of Health to carry health workers throughout the island to provide COVID vaccinations.
- » Department of Defense contributed to the FSM's COVID efforts, with Seabees constructing handwashing stations in Yap and Pohnpei and working on the Pohnpei quarantine site.

Other donors

Australia provided funds for three major COVID-related projects, two of which were implemented by aid partners. Working with the International Organization for Migration (IOM), Australia provided \$300,000 (US\$) in 2020 to a project for medical dispensaries and health centers. The project's overall objective was to support the FSM's capacity to prevent, detect, and respond to COVID, as well as meeting the needs of local communities, especially women and girls. This project improved dispensary water systems, bathrooms, and provided hygiene supplies. In 2022, at the time of COVID community spread, Australia chartered a plane to fly in about \$75,000 (US\$) of needed supplies, including masks, medical gowns, field tents, and oximeters. Also in 2022, in partnership with UNICEF, Australia committed \$260,000 to help schools reopen safely, with improved hygiene facilities and practices. Australia supported medical work through the WHO and provided grants to FSM groups, such as the Micronesian Red Cross Society, Rotary Club, and Sokehs Pah Women Group.

The European Union supported the FSM COVID response through its financial support of regional initiatives that included the WHO, the UN World Food Program (WFP), and The Pacific Community (SPC).

Japan provided funds through international organizations and directly to the FSM to support its COVID response.

- » In June 2020, Japan donated \$3.5 million to the FSM to purchase medical equipment from Japan. In July 2020, Japan provided \$1.03 million through an ADB grant to purchase COVID-related supplies, pay overtime costs of emergency health workers, and support the cost of quarantine operations. Later, in September 2020, Japan turned over \$3.2 million worth of construction equipment from a 2016 project that was used in constructing quarantine facilities in the four FSM States.
- » In early 2021 Japan initiated a \$9.6 million initiative with WHO and UNICEF to improve immunization coverage (including COVID vaccines) in five Pacific Island countries, including the FSM, RMI, and Palau. Japan also initiated a \$9.0 million project with UNICEF to support the swift distribution of COVID vaccines in 10

Pacific Island nations, including the FSM, RMI, and Palau. The project provided cold chain equipment including medical equipment such as cold-storage facilities and transportation, as “Last One Mile Support” to ensure vaccines could reach every corner of each nation. In 2021, Japan committed an additional \$3.7 million to the FSM to provide boats and trucks for vaccine distribution. Japan and UNICEF delivered cold boxes, electric and solar-powered freezers, and temperature monitors in October of 2021.

- » On 1 July 2022, Japan and UNICEF delivered five trucks and four boats to deliver vaccines to areas that are geographically hard to access. These resources arrived a few weeks in advance of COVID community spread in Kosrae and Pohnpei States.

New Zealand provided support to the FSM for COVID. For example, the FSM reported using \$850,000 (US\$) from New Zealand to pay part of the cost of the repatriation process, such as pre-quarantine operations in Guam and repatriating FSM citizens from Wuhan, China to the FSM through New Zealand. In addition, New Zealand provided about \$250,000 (US\$) to WHO to support FSM COVID efforts.

People’s Republic of China (China) provided the FSM with monetary donations and significant in-kind support. Monetary contributions to address COVID totaled \$550,000 as of 6 September 2022, and supported several areas of the FSM National Government response to COVID. Initial funds supported the health response and were often matched with in-kind support. China also provided funds (\$150,000) that the FSM used to pay part of the cost of the repatriation process, such as the cost of pre-quarantine operations in Guam. Following community spread of COVID, China contributed \$200,000 for COVID related relief and recovery efforts. In-kind support was significant. China provided 30 modular isolation units at a cost of \$1.2 million. Each air-conditioned unit contained two hospital beds and a full bathroom. The 30 units were distributed among the FSM States: 12 in Chuuk, 4 in Kosrae, 10 in Pohnpei, and 4 in Yap. China also provided supplies such as masks and personal protective equipment through multiple shipments. For example, in June 2020, China’s Ambassador reported that medical supplies to date were valued at \$150,000.

World Bank provided \$2.5 million in emergency response funds to the FSM in May 2020 to support the country’s fight against COVID-19. The activities funded included the purchase of medical equipment, pharmaceuticals, and PPE. The FSM was able to quickly draw down these funds as they came from the “Contingency Emergency Response Component” of the World Bank FSM “Maritime Investment Project.” The World Bank subsequently added an additional grant to the Maritime Investment Project to make up for the funds already spent by the FSM on its COVID response.

World Health Organization provided COVID-related supplies and support with help from Australia, the European Union, and New Zealand.

Additional donors were mentioned in the FSM newspaper. Noteworthy were the private sector contributions: Tan Siu Liu Foundation (related to the Pohnpei fish processing operation, Luen Thai Fishing Venture), the Pohnpei Japan Club, Care Micronesia Foundation, and the Waitt Foundation (related to the Micronesian Conservation Trust). Community members also contributed to the COVID response, constructing restrooms at schools and making masks.

B. FSM Implemented Economic Mitigation Programs

The economic responses of the FSM government were three-fold. First, it implemented business support through the Tourism Sector Mitigation Fund and a micro/small enterprise loan program. Second, it implemented an ADB-supported social assistance program. And third, it implemented the US-funded unemployment program.

i. Economic Relief Program for Businesses

The FSM implemented two economic relief programs for businesses: Tourism Sector Mitigation Fund activities and the ADB-funded micro/small enterprise loan program.

Tourism Sector Mitigation Fund activities

The FSM National Government's Tourism Sector Mitigation Fund was used to offset the economic losses of tourism industry businesses and laid-off tourism industry workers during the COVID epidemic. There were numerous changes to the Tourism Fund over its three years of implementation:

- » The March 2020 plan, as it was conceptualized, was for the Fund to provide support for tourism sector businesses that had over a 30 percent decline in revenue. The revenue loss percentage was to be computed by comparing the firm's prior tax return for the first quarter of 2020 (January-March) with the firm's tax return for the first quarter of 2019 (January-March). The qualifying business categories were hotel operators, car rentals, tour operators, resorts, or any other tourism-specific business not listed.
 - o For approved businesses the fund would pay: gross revenue tax, social security, Interest payments on bank loans, and a salary subsidy of \$75 every two weeks per employee of the business.
 - o For unemployed tourism workers, the fund would provide a \$75 payment every two weeks to the laid off employee. For a worker to qualify for the program they would need to provide their last paycheck stub and a statement from their employer as evidence of their unemployment.
 - o Program costs were estimated from a review of FSM FY2019 tax data that identified tourism businesses by FSM State and aggregated their total revenue, wages/salaries paid, social security payments, and number of employees. This data review found 166 tourism businesses, with revenue of \$43.3 million, wage/salary payments of \$5.2 million to 870 employees, and Social Security payments of \$740,024. Of the 166 businesses, 69 were in Pohnpei (355 employees), 38 in Chuuk (274 employees), 35 in Yap (204 employees), and 24 in Kosrae (37 employees). The cost to implement the program for 4 quarters (12 months) was \$3.6 million.
- » By 7 April 2020, as the economy was projected to contract by 10 percent, the FSM President announced the FSM COVID Economic Stimulus Package with an initial

financing requirement of \$15 million. The Package relied on the Tourism Sector Mitigation Fund for implementation.⁶⁸

- The FSM President emphasized the salary subsidies as a way to keep as many people in the tourism sector working as possible and to compensate businesses that continued to operate even with a decline in income.⁶⁹
- Later, once it was understood that the US unemployment program would more than cover the lost income of FSM-citizen unemployed workers, the Fund did not need to address their unemployment condition.
- To receive funds, a tourism company with a 10 percent or more reduction in revenue would receive: a wage subsidy to cover 75 percent of firm wages, interest payments to banks on loans, and a 100 percent rebate for tax and social security payments.
- On 13 May 2020 a ceremony was held for the first payments from the Tourism Mitigation Fund and \$567,074 was distributed to 55 businesses (18 in Chuuk, 6 in Kosrae, 20 in Pohnpei, and 11 in Yap). One hundred firms were being assessed for assistance. The FSM government reported that the 500 workers in the tourism sector who had lost their jobs or had their hours reduced because of COVID would qualify for US unemployment assistance.
- » On 18 June 2020 the FSM enacted amendments to the Tourism Sector Mitigation Fund law and listed the benefits for tourism businesses as a series of rebates: 100 percent reimbursement of wages and salaries paid, 100 percent reimbursement of social security paid, 100 percent reimbursement of gross revenue taxes paid, and 100 percent reimbursement of bank interest paid.
 - On 17 August 2020, FSM officials reported to the FSM Congress that the government had spent \$1.8 million of the \$16 million available for the Fund. Citizen concerns about delayed payments were said to result from companies with out-of-date tax filings. The President reported that about 40 unemployed workers had been turned back from the US unemployment program and that the administration was attempting to pay benefits to these workers.
- » On 3 December 2020, the Tourism Sector Mitigation Fund law was further amended to allow non-tourism related firms to qualify, if the firm business relies significantly on the supply of goods and services to the tourism sector and the business can demonstrate it had been significantly impacted by the COVID public health emergency.⁷⁰ In February 2021, the law was further amended to change the “and” to “or,” making it easier for firms to qualify for program benefits.
 - As of 12 January 2021, 157 businesses had benefited from \$3.6 million of assistance.
 - By January 2022, 267 businesses had benefited from \$8.0 million of assistance (see [Table 1](#)). Businesses in Pohnpei State dominated the program,

68 The Fund was established in law (PL 21-104, 3 April 2020) and funded with \$1 million that was appropriated in advance of the Fund being set up (PL 21-94, 23 March 2020). It was later given additional funds through a redirection of fishery fees (PL 21-105, 22 April 2020).

69 The FSM had signed an agreement on 3 April 2020 with US Labor Department to enter the CARES Act unemployment programs, but details were not yet established at that time.

70 PL 21-211. https://www.cfsm.gov.fm/wp-content/uploads/2024/07/PUBLIC_LAW_NO_21-211.pdf.

Table 1: Tourism Sector Mitigation Fund Expenditures by Category and by State, as of January 2022

| Expenditures by Category | Chuuk | Kosrae | Pohnpei | Yap | Total |
|--------------------------|--------------------|------------------|--------------------|--------------------|--------------------|
| Number of businesses | 43 | 64 | 120 | 40 | 267 |
| Direct stimulus payments | \$1,984,312 | \$601,987 | \$3,134,892 | \$1,182,363 | \$6,903,554 |
| Interest paid | \$357,590 | \$41,767 | \$440,883 | \$266,259 | \$1,106,499 |
| Total payments | \$2,341,902 | \$643,754 | \$3,575,775 | \$1,448,622 | \$8,010,053 |
| Payments per business | \$54,463 | \$10,059 | \$29,798 | \$36,216 | \$30,000 |

Source: 25 January 2022 presentation by the FSM Secretary of Finance and Administration (*The Kaselehlle Press*, 2 February 2022).

representing 45 percent of both the number of recipients and total payments. With respect to total payments, Chuuk businesses accounted for 29 percent, with Yap at 18 percent and Kosrae at 8 percent.

- » The Tourism Sector Mitigation Fund period of operation ended at the end of calendar year 2022. On 24 August 2023 the FSM Office of the National Public Auditor released the report of its “Inspection of the Tourism Sector Mitigation Fund” covering the 4 May 2020–28 February 2023 period.⁷¹ The report included information on program operations as well as an assessment of whether program implementation was in accordance with the requirements and the intent of the law establishing the Fund.
 - According to the report, the Fund spent \$14.3 million over the period. Funding came from three sources, an appropriation that provided \$1 million (PL 21-94), a bill that redirected \$12.8 million of fishing access fees into the Tourism Sector Mitigation Fund (PL 21-105), and a \$500,000 transfer from the fisheries-related Project Development Fund.
 - Expenditures were focused on the hotel/motel/apartment business category and geographically most were made within Pohnpei State (see [Table 2](#)). The hotel/motel/apartment business category accounted for 41.8 percent of total program expenditures, followed by the dive/tour/gift shop category with 14.8 percent and restaurants/bars with 13.9 percent.⁷²
 - For the \$12.2 million in funds spent on business categories that were allocated by FSM State, Pohnpei businesses received 49.3 percent of the funds, followed by Chuuk with 26 percent, Yap with 14.4 percent, and Kosrae with 10.3 percent.
 - The Fund made interest payments on behalf of tourism businesses that had outstanding loans amounting to \$1.8 million. (These loans are further discussed

⁷¹ http://www.fsmopa.fm/files/onpa/2023/TMF%20Final%20Inspection%20Report_8-24-23.pdf.

⁷² Other businesses that were determined to qualify under Public Law No. 21-104 (as amended): laundromats, travel agencies, fish markets, sakau markets, cinemas, retail stores, salons & spas, tattoo shops, water bottlers, car washes, and liquefied petroleum gas distributors.

Table 2: Tourism Sector Mitigation Fund Expenditures by Sector and State, May 2020-February 2023

| Business Sector Type | Chuuk | Kosrae | Pohnpei | Yap | Totals |
|--|--------------------|--------------------|--------------------|--------------------|---------------------|
| Car Rental & Taxi Services | \$93,586 | \$126,398 | \$475,265 | \$88,489 | \$783,738 |
| Dive, Tour & Gift Shops | \$985,450 | \$377,039 | \$393,274 | \$354,065 | \$2,109,828 |
| Hotel, Motel & Apartments | \$1,688,360 | \$639,893 | \$2,487,864 | \$1,151,648 | \$5,967,765 |
| Restaurant, Bar & Grill | \$245,676 | \$66,359 | \$1,518,420 | \$147,281 | \$1,977,736 |
| Other Businesses | \$160,697 | \$51,689 | \$1,141,212 | \$12,184 | \$1,365,782 |
| Tourism Business Loan Interest | | | | | \$1,807,472 |
| Unemployment and Individual Assistance | | | | | \$260,484 |
| Total | \$3,173,769 | \$1,261,378 | \$6,016,035 | \$1,753,667 | \$14,272,805 |

Source: Reproduced from FSM Office of the National Public Auditor Report No. 2023-09.

in the next section.) In addition, unemployment and individual assistance payments of \$260,484 were made.⁷³

- The Audit report found that the law's requirement that four FSM Departments administer the distribution of funds was not followed. Further, some payments were made to ineligible individuals, payments were made without proper support, and some payment calculations were flawed, resulting in over and under payments.

FSM Development Bank COVID programs

The FSM Development Bank implemented its own COVID response program that was later tied to National Government programming. Further, the Bank implemented an ADB-supported COVID program. COVID had a serious impact on the FSM Development Bank: Loan approvals fell 57 percent in 2020 (calendar year) from 2019, from \$22.99 million in 2019 to \$9.85 million in 2020. The Bank's non-performing loan portfolio grew from \$7.8 million in 2019 to \$20.5 million in 2020. This mirrored the FSM-wide economic contraction caused by the COVID border shutdown. (See [Table 3](#).)

Interest deferment program. The bank initiated an "active loan deferment" program in February 2020 for eligible borrowers affected by the COVID-19 pandemic. By the end of 2020, 40 loans totaling \$13.3 million out of the bank's \$43.4 million in outstanding loans were part of the program. In June 2020, the FSM National Government amended the Tourism Sector Mitigation Fund law and specified the program would fund a 100 percent rebate of interest on business loans paid by tourism sector businesses. Subsequently, the FSM National Government provided interest subsidy payments to the FSM Development Bank totaling \$1.5 million, during 2020 and through 30 June 2022.

⁷³ According to an ADB grant assessment, the unemployment payments were for migrant workers. <https://www.adb.org/sites/default/files/project-documents/54309/54309-001-pcr-en.pdf>.

Table 3: FSM Development Bank: COVID Impact, FSM Interest Subsidy, and ADB Social Protection Grant

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------|------------|------------|------------|------------|
| COVID impact on loans | | | | | |
| Outstanding loan value, \$ millions (a) | \$42.76 | \$43.42 | \$41.81 | \$45.20 | \$42.45 |
| Outstanding tourism loan value, \$ millions (a) | \$8.55 | \$11.13 | \$11.20 | \$10.38 | \$10.46 |
| Total non-performing loans, \$ millions (a) | \$7.83 | \$20.51 | \$20.54 | \$25.26 | \$15.46 |
| Number loan approvals (a) | 628 | not listed | not listed | 923 | 1018 |
| Loan approval value, \$ millions (a) | \$22.99 | \$9.85 | \$14.41 | \$22.48 | \$15.97 |
| Tourism loan approval value, \$ millions (b) | \$4.52 | \$0.73 | \$0.06 | \$0.00 | \$0.21 |
| FSM Development Bank & National Government COVID Response | | | | | |
| Number of loans under active deferment | | 40 | 26 | 27 | |
| Value of deferred loans, \$ millions | | \$13.30 | \$12.40 | \$11.80 | |
| FSM interest subsidy for loan interest payment deferment due to COVID, \$ | | \$651,600 | \$641,275 | \$220,411 | |
| ADB Social Protection Grant response (2021--ongoing) | | | | | |
| Number of micro & small loans | | | 280 | 104 | 54 |
| Number of micro & small loans to women | | | not listed | 39 | 30 |
| Value of micro & small loans, \$ millions | | | \$2.37 | \$1.01 | \$0.67 |
| Value of micro & small loans to women, \$ millions | | | \$1.34 | not listed | not listed |

Source: FSM Development Bank Annual Reports and Financial Statements, Calendar Years 2019-2023.

Notes:

(a) Incorporates ADB micro/small business loan program when operational

(b) Excludes ADB micro/small business loan program when operational

Table reference to women refers to women-owned and/or women-managed businesses.

ADB loan program. The FSM Development Bank was also engaged to implement a micro-and-small business loan program under the Asia Development Bank (ADB)'s grant for Health Expenditure and Livelihoods Support program. The program was part of ADB's assistance to the FSM to mitigate socioeconomic impacts of COVID. Out of its \$14-million grant for social protection programming, the ADB allocated \$3 million for loans to micro- and small-sized businesses. This micro/small enterprise loan program was for the FSM Development Bank to provide eligible businesses with interest-free new loans totaling \$2.5 million for a period of two years. The program aimed to stabilize the FSM's economy during the COVID pandemic and allow the FSM to emerge with a stronger economic outlook.

As implemented, the micro and small business new loan program structure was:

- » Available to any small business with no more than \$40,000 of annual gross revenue.
- » New loans were targeted such that 50 percent of the new loans were for women-owned and women-co-owned micro-and-small businesses.⁷⁴
- » Microenterprise loans had a maximum of \$10,000, while small business loans had a maximum of \$30,000.
- » The interest rate was 3 percent per year, with 100 percent interest rate relief for 2 years and then subject to review.
- » Repayment plans were 2 years for microenterprises and 5 years for small businesses.
- » Initial loan availability was from 1 January 2021 to 30 September 2021.⁷⁵

The first year of program operation, 2021, saw approval of 280 loans for a total of \$2.37 million. In the next two years, the number of approved loans fell to 104 (2022) and 54 (2023), and the total value was lower each year as well (See [Table 4](#)). The FSM Development Bank reported each year on whether it had met its target to have women as a majority of the program beneficiaries. In 2021, the Bank reported that 57 percent of loan value (\$1.34 million) went to women-owned or women-led firms. In 2022, the Bank shifted its metric to a count of loans, rather than value, and reported that 39 loans (34 percent of the total) went to women-owned or women-run firms, while in 2023, 30 of 54 loans (56 percent) went to women-owned and women-managed firms.

The FSM Development Bank celebrated the program and published loan data each year in its *Annual Report*, allocating the micro/small business loans between 7 economic categories. For example, from the 2021 *Annual Report*, “We want to highlight this program in that it has helped to establish or substantially improve micro & small enterprises all over the FSM. In 2021, there were 280 micro & small loans amounting to \$2.4 million, representing first-time business loan borrowers in small retail shops for tailors & dress sellers, food take-out operators/caterers, retail stores in remote areas, laundry mat owners, taxi operators and truck rental owners, as well as small-scale farmers and fishermen, among the many. We proudly highlight that about 57% of these small-to-micro businesses are women-owned businesses.”

In 2021, the average loan was \$8,452 and the wholesale/retail category accounted for 47 percent of loans and 42 percent of loan values. The Agriculture, Forestry, and Fishing category was second largest with 19 percent of loans and 22 percent of the value. These two business categories remained significant in the program in 2022 and 2023. However, once the arrival of COVID in 2022 ended border restrictions it was possible to envision the revival of tourism. The tourism category in 2022 had 27 loans, valued at \$252,073 and it represented 26 percent of loans and 25 percent of loan value (see [Table 4](#)).

74 FSM documents use different language for this gender target. “Owned and co-owned” is from the FSM Development Bank program brochure. The Bank’s 2020 Annual report uses “women-owned or women-led businesses,” and the 2022 Annual Report uses similar terms, “women-owned or women-managed.” However, the Bank’s 2023 Annual Report narrowed the target and refers to “women-owned and women-managed businesses.”

75 <http://www.fsmdb.fm/download/brochures-micro-small-business-loans-final-03102021/>

Table 4: FSM Development Bank, ADB Social Protection Grant Micro/Small Loans

| Sectors | 2021 | | 2022 | | 2023 | |
|-----------------------|-----------------|--------------------|-----------------|--------------------|-----------------|------------------|
| | Number of loans | Amount | Number of loans | Amount | Number of loans | Amount |
| Agri/Forestry/Fishing | 53 | \$530,984 | 35 | \$350,665 | 20 | \$248,857 |
| Manufacturing | 36 | \$112,378 | 0 | \$0 | 4 | \$33,752 |
| Real Estate | 1 | \$6,085 | 1 | \$30,000 | 1 | \$13,906 |
| Services | 42 | \$436,013 | 3 | \$12,527 | 7 | \$86,121 |
| Tourism | 1 | \$30,000 | 27 | \$252,073 | 1 | \$6,000 |
| Transportation | 15 | \$252,449 | 3 | \$80,020 | 7 | \$106,376 |
| Wholesale/Retail | 132 | \$998,742 | 35 | \$284,783 | 14 | \$174,032 |
| TOTAL | 280 | \$2,366,651 | 104 | \$1,010,068 | 54 | \$669,044 |

Source: FSM Development Bank Annual Reports , Calendar Years 2021-2023.

ii. Economic Stability Program for Communities and Households

FSM programs for communities and households were established as funding became available. Most of the FSM programs were supported by the ADB Health Expenditures and Livelihoods Support Program (HEALS) that provided \$14 million in funding. In some cases, the FSM government or other donors augmented the ADB funds.

HEALS program structure

As the impact and longevity of the COVID border closure became clear, the FSM National Government developed its COVID-19 Response Framework that eventually outlined a countercyclical response program of \$58.7 million, comprising (i) the COVID health response, \$29.0 million; (ii) the economic stimulus plan, \$18.4 million; and (iii) a social protection program, \$11.3 million. Donor commitments met most of the FSM's needs.

On 12 November 2020, ADB approved a grant of \$14.0 million to the FSM for the Health Expenditure and Livelihoods Support Program. The program was designed to provide general budgetary support to help finance the government's countercyclical development spending, which aimed to strengthen the health sector; assist affected businesses and individuals; and provide livelihood support and assistance to poor and vulnerable groups. The grant was to enhance the social protection of vulnerable groups and aid women in business. The grant provided financial support, including wage subsidies and tax rebates for tourism businesses that were hard hit by the pandemic and loans to micro and small businesses. Temporary unemployment assistance was to be given to migrant workers who lost their job due to COVID.⁷⁶

76 ADB. 2020. *ADB's \$14 Million Grant to Support FSM's COVID-19 Response* (13 November 2020) <https://www.adb.org/news/videos/adb-s-14-million-grant-support-fsm-s-covid-19-response>; <https://dofa.gov.fm/president-panuelo-develops-stranded-citizens-to-receive-an-additional-1000-per-pers/>.

The Health Expenditure and Livelihoods Support Program contained a series of sub-programs:

- » A \$3 million concessional line of credit through the FSM Development Bank to support 200 SMEs. (This program has been previously discussed.)
- » A \$7 million cash transfer program to low-income households that were not beneficiaries of the US CARES Act unemployment program.
- » A \$1.0 million food security program for community groups to enhance food production through training and distribution of materials.
- » A \$2 million small grants program for community-based NGOs and civil society to enhance COVID-19 awareness.
- » Financial assistance (\$1.0 million) to vulnerable groups for medical expenses, electricity subsidies, solar lamps, and clinical management of family violence.
- » Cash for 900 stranded FSM citizens (\$1.2 million funded by the FSM National Government).
- » Temporary unemployment benefits (\$0.4 million funded by the FSM National Government) for foreign workers not eligible for CARES Act benefits.

HEALS program implementation

The FSM President's State of the Union address on January 2023 addressed the accomplishments of the ADB Health Expenditure and Livelihoods Support Program, which at that time remained an ongoing project.⁷⁷

Low Income Household Assistance Program. This program was originally set up to be a \$6.0 million program but was augmented by pulling \$1.0 million from the ADB food security program. The program was intended to provide temporary cash relief for households outside of the formal labor sector, such as subsistence farmers and fishers, and specifically workers who otherwise were eligible for the US-funded unemployment programs. The program was first rolled out with a pilot effort in Pohnpei State in February 2021 where the FSM National Government worked with the Mayors and Municipal-level COVID task force to distribute the applications. The Municipal Governments signed off on the forms to verify the authenticity of the application. The National Government Department of Finance and Administration checked household income against the US unemployment program registry and FSM Social Security. The FSM National Government prioritized households with zero recordable income before moving to households with minimal income.⁷⁸

As of January 2022, the FSM had received a total of 17,142 applications from eligible households and paid out \$7,896,000 to 7,896 of the applicants. Among all FSM program applicants, 46 percent received payments as of January 2021. However, that proportion ranged among the FSM States, from 60 percent of applicants receiving payments in Chuuk, to a low of 28 percent in Kosrae. Of total payments as of January 2022, 55 percent had gone to households in Chuuk, 31 percent to Pohnpei, 9 percent

⁷⁷ Since that time, public news accounts of the project have waned and there has not been any overall public reporting on project results.

⁷⁸ <https://dofa.gov.fm/president-panuelo-launches-low-income-assistance-social-protection-programming-7000000-to-be-distributed-to-eligible-households/>

Table 5: ADB-Funded Low-Income Household Assistance Program

| Program information as of January 2022 | Chuuk | Kosrae | Pohnpei | Yap | TOTAL |
|--|-------------|-----------|-------------|-----------|--------------------|
| Applications received | 7,200 | 1,082 | 6,686 | 2,174 | 17,142 |
| Applications accepted for payment | 4,358 | 308 | 2,483 | 747 | 7,896 |
| Percentage of applications paid | 60.5% | 28.5% | 37.1% | 34.4% | 46.1% |
| Payments made as of January 2022 | \$4,358,000 | \$308,000 | \$2,483,000 | \$747,000 | \$7,896,000 |
| Payments made per beneficiary | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |

Source: FSM R&D Conference Briefing (*The Kaselehlie Press*, 2 February 2022).

to Yap, and 4 percent to Kosrae (see [Table 5](#)). According to the FSM President, as of January 2023, the program had provided \$9.3 million to 9,300 households.⁷⁹

Food security program. This program was planned to be \$2,000,000 but was reduced when \$1,000,000 was reallocated by the Office of the FSM President to the Low-Income Household Assistance Program due to its popularity. As originally formulated, the funds were for community groups to enhance food production through training and distribution of materials, with the intent to provide subsistence livelihood training, and with an equitable distribution of seeds, planting, and fishing materials, to vulnerable citizens at no cost. As of January 2020, program applications were pending with each State Government, 38 in Chuuk, 42 in Kosrae, 52 in Pohnpei, and 11 in Yap. It was clarified at the briefing that whatever funding assistance was granted would be in the form of payments to vendors for seeds, planting, and fishing materials, as opposed to direct payments to citizens.

Community-based small grants. The community-based COVID-19 awareness program was intended to strengthen awareness of COVID-19, including: education on handwashing and social distancing; distribution of soaps, masks, and informational materials; and piloting a gender-based violence hotline in Pohnpei State. The FSM President launched the grant program on 4 June 2020 with the distribution of 17 grants. The recipients included municipalities, the Catholic community, and organizations of students, senior citizens, women, and youth. Awards ranged from \$12,410 to \$50,000. Eleven more awards were announced on 14 July 2021, ranging from \$27,000 to \$50,000. According to an ADB program assessment, 43 community groups received grants amounting to a total of \$1,744,537.⁸⁰

Financial assistance to vulnerable groups. This program was to support vulnerable groups such as the elderly, people with disabilities, and survivors of gender-based violence. It planned to provide temporary waivers of medical expenses (not otherwise covered), electricity subsidies to an estimated 2,000 low-income households with dependents who have disabilities, distribution of solar lamps to an estimated 5,000

79 13 January 2023, <https://fsmembassy.fm/president-panuelo-provides-state-of-the-nation-address/>.

80 <https://www.adb.org/sites/default/files/project-documents/54309/54309-001-pcr-en.pdf>.

households on remote outer islands and providing clinical management of rape and intimate partner violence kits and consultation for survivors of gender-based violence.

This program was slow to be established, and public information about its implementation is limited. In October 2022, an electric utility assistance program started, with senior citizens eligible to receive \$100 cash cards. The outer island solar lamp program had not been started as of July 2022 and the clinical management of rape program had not been fully implemented as of October 2022. However, important steps regarding long-run medical expense waivers were taken late in 2022 when the National Government and the four State Governments signed a memorandum of understanding to provide medical waivers for citizens without medical insurance. The National Government's objective was that this would benefit economically disadvantaged people and families, as well as persons with disabilities, children, the elderly, and those who have experienced gender-based violence and/or sexual violence.⁸¹

Stranded Citizens Assistance Program. With many citizens stranded abroad and unable to return home, this program was announced in May 2020, with an original allocation of \$300,000 and the purpose of providing \$1,000 to each individual and \$1,500 to stranded families.

During the initial tranche of support payments, about 423 stranded citizens received \$1,000 per person, or \$1,500 per family application. The FSM authorized a second “one-time” payment to stranded citizens to help pay for housing, food, and essential medications. As of January 2022, \$1,174,000 had been provided for this purpose.

Temporary unemployment benefits. According to a 25 January 2022 FSM National Government briefing, the Government had determined that foreign workers were deserving of financial assistance and created an FSM-funded program to assist foreign non-citizens. Using the same rules as the US-funded unemployment programs, \$152,379 had been provided as of January 2022.

iii. US CARES Act Implementation

US Coronavirus Aid, Relief, and Economic Security Act unemployment programs were implemented by the FSM Department of Finance & Administration. Citizens of the FSM, the Republic of the Marshall Islands, Palau, and the United States in the FSM were eligible for the US programs under the CARES Act. Other unemployed foreign workers in FSM were ineligible.

Two CARES Act programs were available to the FSM

- » Pandemic Unemployment Assistance (PUA) temporarily extended unemployment benefits to people who otherwise would not qualify for unemployment insurance benefits. Since the FSM did not have an unemployment insurance program, the PUA was available for all unemployed FSM citizens as well as RMI, Palau, and US citizens in the FSM. For the FSM, it provided \$166 a week for unemployment, from the week ending 8 February 2020 and initially through the week ending on or

81 <https://fsmembassy.fm/medical-waiver-initiative-for-low-income-women-girls-elderly-and-persons-with-disabilities-lacking-health-insurance-democratizes-access-to-essential-health-services/>.

before the week of 26 December 2020. The duration of benefits for an individual was generally limited to 39 weeks.

- » Federal Pandemic Unemployment Compensation (FPUC) increased the level of unemployment benefits to workers affected by the COVID pandemic. Under the FPUC, eligible workers who collected unemployment compensation (including PUA payments) received an extra \$600 in federal benefits each week they were unemployed. For the FSM, the period of initial eligibility was from 3 April 2020 through 31 July 2020.⁸²

FSM CARES Act implementation

The Secretary of the FSM Department of Finance and Administration signed an implementation agreement with the US Department of Labor (US DOL) on 3 April 2020, following the enactment of the CARES Act on 17 March 2020.⁸³ The FSM requested \$40 million for payout to workers and secured a commitment from US DOL of \$36 million.⁸⁴

- » The FSM did not have an existing unemployment system to use for implementation, nor had it received recent US grants from the US DOL. Consequently, it had to establish new offices for implementation. The FSM National Government opened an FSM PUA Office in each of the four FSM States on 17 June 2020.
- » In a ceremony hosted by the FSM President, the first CARES unemployment relief checks were distributed 13 July 2020 to citizens across the FSM. Sixty-five (65) checks were distributed with an average payout of \$4,615 amounting to almost \$300,000. At that point, the FSM had received more than 1,000 applications for unemployment and expected more than 3,000 total residents or about 20 percent of the FSM formal labor force to apply.⁸⁵
- » The FSM's program implementation required the applicant to provide proof (e.g., paystubs, income tax return, bank statements, offer letter) to document employment or self-employment that was impacted by COVID. Further, the cited loss of employment needed to match a list of US DOL eligibility reasons for unemployment or reduced hours. With these implementation requirements, FSM informal workers, such as craft makers and food sellers, could not benefit from the program, nor could foreign workers unless they held RMI, Palau, or US citizenship.
- » The US unemployment programs were extended twice.⁸⁶ The first extension occurred 27 December 2020, when the US Continued Assistance Act extended the PUA program for an additional 11 weeks and reauthorized but modified the FPUC supplement to be \$300 per week from 27 December 2020 to the week ending on or before 14 March 2021. The second extension occurred 11 March 2021, when the US American Rescue Act of 2021 extended the PUA and FPUC programs from 14

⁸² <https://dofa.gov.fm/2445-2/>.

⁸³ <https://dofa.gov.fm/president-panuelo-prepares-for-congress-consideration-the-fsm-covid-19-economic-stimulus-package-which-will-directly-subsidize-lost-salaries-fsm-also-signs-onto-us-department-of-labor/>.

⁸⁴ "FSM secures \$36m for unemployment assistance," *Marshall Islands Journal*, 29 May 2020.

⁸⁵ <https://dofa.gov.fm/president-panuelo-distributes-first-pandemic-unemployment-assistance-program-checks/>.

⁸⁶ <https://dofa.gov.fm/the-pandemic-unemployment-assistance-program-extended-to-september-2021/>.

March 2021 to 6 September 2021, an additional of 29 weeks for an overall total of 79 weeks. Qualified individuals in the FSM would continue to receive their weekly benefit of \$166 plus the FPUC of \$300 per week.

- » In June 2021 the Integrity Unit within the FSM Office of Pandemic Unemployment Assistance conducted staff training on fraud awareness and ethics.⁸⁷ The training covered how to detect and prevent fraudulent schemes such as false reporting, fictitious employer/employee fraud, employer/employee collusion, misrepresentation of income fraud, wage discrepancies, identity-related fraud, forgery and perjury. The office wanted FSM staff to assure that claimants provided proof of employment, verified personal information, and cross-matched claims to FSM Tax and Social Security Administration data to ensure payments were going to real and affected individuals.⁸⁸ In August 2021, the FSM Department of Justice initiated criminal charges against several program recipients for fraudulent applications.⁸⁹
- » FSM officials presented data on the unemployment program at the Resources & Development Conference held in Weno, Chuuk State on 26 January 2022. As of January 2022, the program had paid \$20,973,958 to 1,538 eligible workers, an average per worker payment of \$13,637. There were 406 recipients in Chuuk State with a total of \$5,989,801 in payments, 147 recipients in Kosrae State with a total of \$2,308,914 in payments, 722 recipients in Pohnpei with a total of \$9,227,398 in payments, and 263 recipients in Yap State with a total of \$3,447,845 in payments.⁹⁰

Tax on US unemployment payments revoked

The FSM National Government enacted Public Law 21-145, 2 July 2020 to enact a 25 percent tax on unemployment assistance received from a foreign government grant.⁹¹ While the FSM Constitution delegated to the FSM Congress the power to tax income, it had previously only levied household taxes on wages and salaries and business taxes on gross revenue and the income of “major corporations.” Other sources of household income, such as lease payments, remittances, pensions, social security, and other government payments were not taxed. The new public law contained two provisions:

- » “Any unemployment assistance received by a resident of the Federated States of Micronesia from foreign government grants is subject to ten (10%) percent taxation unless explicitly prohibited by the terms and conditions of the foreign assistance.”
- » “Any unemployment assistance received by a resident of the Federated States of Micronesia from foreign government grants is subject to fifteen (15%) percent deduction for Social Security contribution for the benefit of the recipient unless explicitly prohibited by the terms and conditions of the foreign assistance.”

87 The FY2020 FSM audit reviewed a small sample of 25 transactions that represented 2.5 percent of program expenditures that year and assessed whether the eligibility requirements had been met. The review found that for 17 (or 68 percent) of the 25 transactions, the stated reason for eligibility did not match one of the required reasons. Further, another award went to a claimant whose full-time job was not impacted by COVID. [http://www.fsmopa.fm/files/FY2022/FSMNG_fs20%20\[FINAL%2012.31.21\].pdf](http://www.fsmopa.fm/files/FY2022/FSMNG_fs20%20[FINAL%2012.31.21].pdf).

88 <https://dofa.gov.fm/dofas-pua-office-integrity-unit-training-on-fraud-awareness-and-ethics/>.

89 *The Kaselehlle Press*, 1 September 2021.

90 *The Kaselehlle Press*, 2 February 2022.

91 https://www.cfsm.gov.fm/wp-content/uploads/2024/07/PUBLIC_LAW_NO__21-145.pdf.

- » The FSM Congress overrode the President's veto of the tax law, arguing that the level of unemployment payments was more than enough to compensate workers for unemployment, even after taxation. Further, the revenue generated by taxing this windfall would benefit many other programs in the nation.⁹²

US DOL informed the FSM that neither the 10 percent income tax nor the 15 percent deduction for Social Security contributions from US unemployment was an allowable expense under the grant that provided the benefits. The US DOL letter transmitted to the FSM Congress, 11 January 2021, raised several points as reported in the *Kaselehlle Press*:

- » Payment of these assessments/deductions were not consistent with the purpose of the grant, which was to mitigate the economic effects of the COVID-19 pandemic by paying PUA benefits to covered individuals.
- » The tax assessments and Social Security deductions were not allowable grant costs as the FSM budget request did not include taxation as a cost to the grant.
- » While taxes that a government unit is legally required to pay were allowed under the grant, self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect the Federal program could not be paid.
- » At the time of the agreement, FSM's income tax provision applied only to wage and salaries earned in an employment relationship and US DOL is not the employer of the beneficiaries, and the payment of unemployment compensation does not constitute payment of a wage.
- » The rate of taxation aimed at unemployment beneficiaries exceeded the tax rate the FSM assessed on the wages and salaries of employees in the FSM. Wages and salaries were taxed at the rate of 6 percent for the first \$11,000 earned and 10 percent on the amount over the first \$11,000, while FSM levied a 10 percent rate on all unemployment payments.
- » Further, while the FSM Code requires employees and employers to each contribute 7.5 percent of wages towards social security, the social security payments by self-employed individuals are voluntary.

Subsequently, the FSM National Government ended withholding funds from beneficiary payments and the money withheld was reimbursed to the beneficiaries.

FSM CARES Act expenditures

In total, the FSM CARES program spent \$22.9 million of the \$36 million made available from US DOL as of 30 September 2022. (see [Table 6](#)).⁹³

The compensation provided by the US CARES PUA and FPUC benefits significantly exceeded FSM private sector worker compensation. For example:

⁹² *The Kaselehlle Press*, 3 February 2021.

⁹³ This presentation of expenditures does not capture any spending activity after 30 September 2022. The audited financial statements for FY2023 which were due 9 months after the end of the fiscal year, by 30 June 2024, have not been released as of 30 November 2024.

Table 6: FSM CARES Act Unemployment Expenditures, FY2020-FY2022

| Fiscal Year | Expenditures |
|--------------|---------------------|
| FY2020 | \$5,644,161 |
| FY2021 | \$14,261,597 |
| FY2022 | \$2,977,994 |
| Total | \$22,883,752 |

Source: Audited Financial Statements of the FSM National Government, Schedule of Expenditures of Federal Awards, FY2020, FY2021, and FY2022.

- » The average annual pre-COVID compensation for private sector workers in FSM was \$5,041 per year or about \$97 per week in FY2019.⁹⁴ There is not an FSM National minimum wage; and among FSM States, only Pohnpei has a private sector minimum wage, set at \$1.75 per hour, or \$70 per week.
- » Under the US CARES program, unemployed FSM citizens with PUA and FPUC had weekly unemployment payments as high as \$766 per week (\$166+\$600) when FPUC was at \$600 per week. This was almost 7.9 times the average FSM level of private sector weekly earnings.
- » During the later period when FPUC was \$300 per week, total weekly CARES compensation was \$466 per week (\$166+\$300). This amounted to unemployment payments 4.8 times the average level of FSM private sector weekly earnings.

Because the CARES program was benchmarked to US wage levels and unemployment system compensation, its benefit structure was not aligned to FSM labor market wage rates.

iv. Impact of Mitigation Programs on Household Income

Mitigation programs had two distinct objectives: supporting the business sector suffering through the decline in tourism and supporting unemployed workers and their families. ADB grants supported FSM efforts that provided direct assistance to certain households. The US CARES Act provided unemployment benefits to qualifying unemployed workers in the FSM.

Mitigation programs had beneficial impacts on average household incomes during the COVID pandemic, as they offset the negative impact of declining visitors on average household income in the FSM. Without the various mitigation programs and CARES unemployment benefits, household incomes were originally projected to fall

94 Average annual private sector earnings in FY2019 differed across FSM States: Chuuk at \$3,712 (\$71 per week), Kosrae at \$3,799 (\$73 per week), Pohnpei at \$5,910 (\$114 per week), and Yap at \$4,907 (\$94 per week). <https://piviti.org/storage/dm/2024/02/fsm-econstat-tabs-fy22-pub1-20240228211902184.xlsx>.

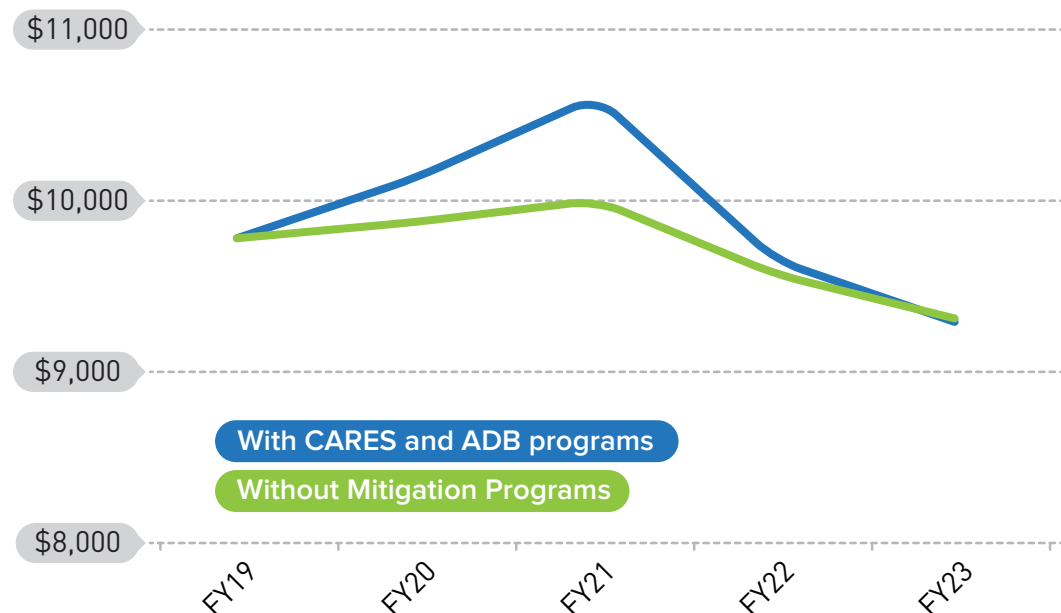
by 6.3 percent, which would have reflected rising levels of distress in the workforce.⁹⁵ However, as events transpired:

- » Household incomes were on a rising trend during COVID years FY2020 and FY2021 even without mitigation programs, but with mitigation household incomes significantly exceeded the trend (see [Figure 8](#)).⁹⁶
- » The beneficial impact of mitigation was captured in FY2020-FY2022 period. Average real household incomes in FY2021 rose to \$10,576 (FY2004 prices), which was 8.1 percent above the FY2019 level and 6.1 percent over average real household income in FY2021 without mitigation.
- » In FY2023, the level of actual household income with mitigation reconverged with the level of simulated household income without migration efforts.

95 The economic model used to prepare economic and fiscal forecasts can be used to simulate the impact of mitigation by comparing household income while receiving the mitigation income to a counterfactual experience that excludes the receipt of mitigation funds. The mitigation programs covered in this analysis are the ADB-funded HEALS programs, and the US-funded US CARES Act unemployment programs. The difference in the 'with' and 'without' scenarios represents the impact of mitigation on average household income. This presentation is constructed by estimating total household income and dividing by an estimate of the number of households. It is a not a direct measure of household income.

96 This presentation of household income changes is illustrative of the impact as updated data to reflect declines in the FSM population and number of households from the recent FSM Census has not been released.

Figure 8: FSM Average Household Income With and Without Mitigation Programs, FY2019-FY2023 (FY2004 prices)



Source: EconMAP analysis of FSM economy (prepared 2024).

C. FSM Economy Sustained by Donor Grants During COVID

To assess the impact of COVID on FSM's economy, economic statistics and projections are used to describe the "COVID Period" of operations, FY2020-FY2022, when substantial travel restrictions remained in place. The "Post-COVID Period" for the economy began with FY2023, after travel restrictions ended and visitors started to return. Economic statistics presented for FY2023 are projections.

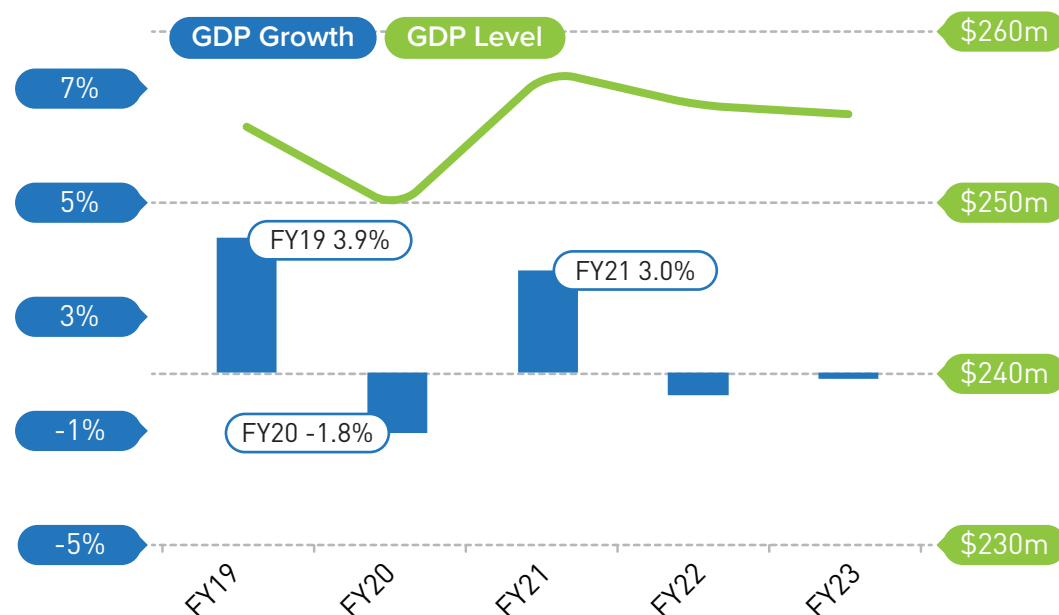
i. GDP fluctuated over the FY2019-FY2023 Period

The FSM's inflation-adjusted GDP initially declined due to the COVID restrictions on travel but was substantially offset with donor support. With the end of the pandemic, GDP performance had returned to its pre-COVID FY2019 level.

COVID Period fiscal years: Immediately prior to COVID, the FSM experienced economic growth, with real GDP growing 3.9 percent in FY2019 (see [Figure 9](#)). With COVID's impact on travel, the FSM economy contracted by 1.8 percent in FY2020, grew by 3.0 percent in FY2021 with donor support, and fell by 0.7 percent in FY2022, bringing the total impact of the pandemic to a 0.5 percent GDP increase over the three-year period (FY2019-FY2022).⁹⁷ Initial estimates at the start of COVID had projected a larger decline in GDP; however, as events transpired, the changes were similar to normal economic fluctuations.

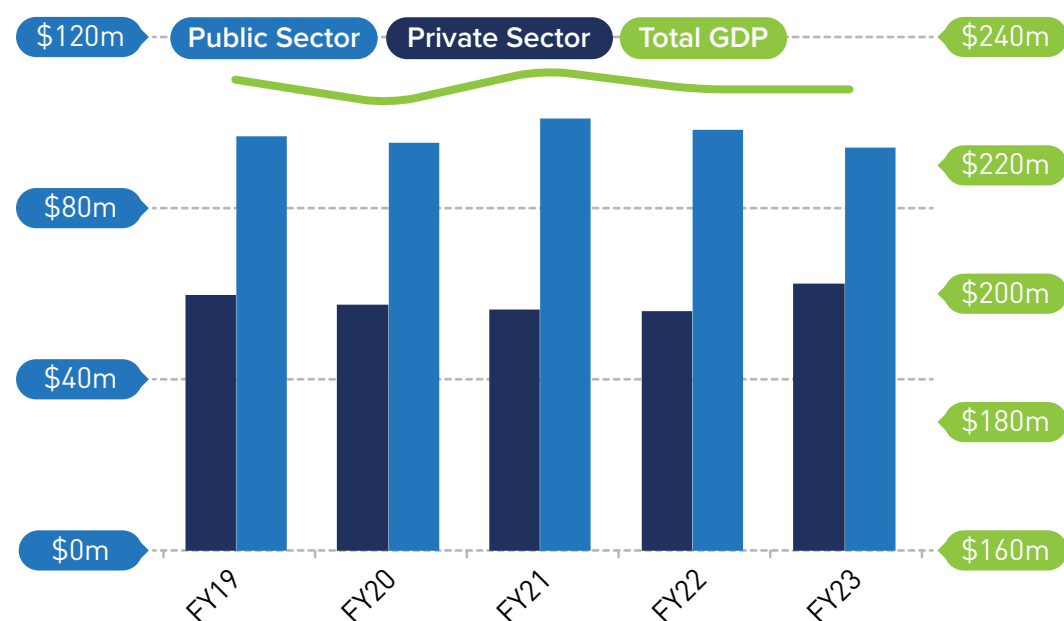
⁹⁷ The data presented in this section through FY2022 is based on preliminary economic statistics, while the data for FY2023 is based on projections derived from a hybrid of actual data and the GSUSA economic model for the FSM.

Figure 9: FSM Real GDP Level and Annual Percent Growth, FY2019-FY2023 (FY2004 prices)



Source: EconMAP analysis of FSM economy (prepared 2024).

Figure 10: FSM Real Private and Public Sector GDP Levels, FY2019-FY2023 (FY2004 prices)



Source: EconMAP analysis of FSM economy (prepared 2024).

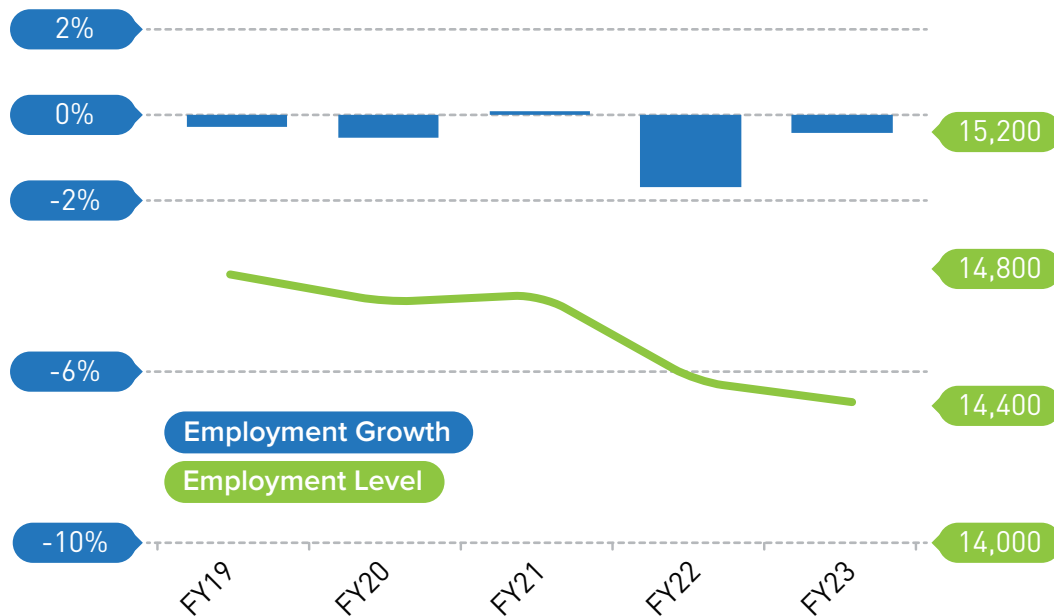
- » Private sector real GDP contracted each year of the COVID period and in FY2022 was 6.3 percent lower than FY2019 (see [Figure 10](#)).⁹⁸
- » Public sector real GDP fell slightly by 1.5 percent from FY2019 to FY2020, but rose 5.8 percent in FY2021 with donor support. The public sector contracted slightly in FY2022.

Post-COVID Period fiscal year: The overall result for FY2023 was a weakening economy, with inflation-adjusted GDP projected to fall slightly by 0.2 percent. While the economic recovery was underway for the private sector (11.1 percent increase in FY2023), public sector GDP was projected to decline by 4.3 percent. The private sector in FY2023, exceeded its FY2019 pre-COVID level, while the larger public sector in FY2023 was below its FY2019 level.

ii. Employment Fell During the COVID Period

During the COVID period, FY2019-FY2022, the FSM saw little change in employment for the first two years. Employment fell slightly from 14,783 in FY2019 to 14,719 in FY2021, two years later. However, in FY2022, when the border and travel reopened, employment began a small decline. The level of employment fell 1.7 percent in FY2022 to 14,473, and fell in FY2023 to 14,412 (see [Figure 11](#)).

⁹⁸ The GDP data in the graphic includes the private and public sectors, excluding households and non-profits.

Figure 11: FSM Employment by Level and Growth, FY2019-FY2023

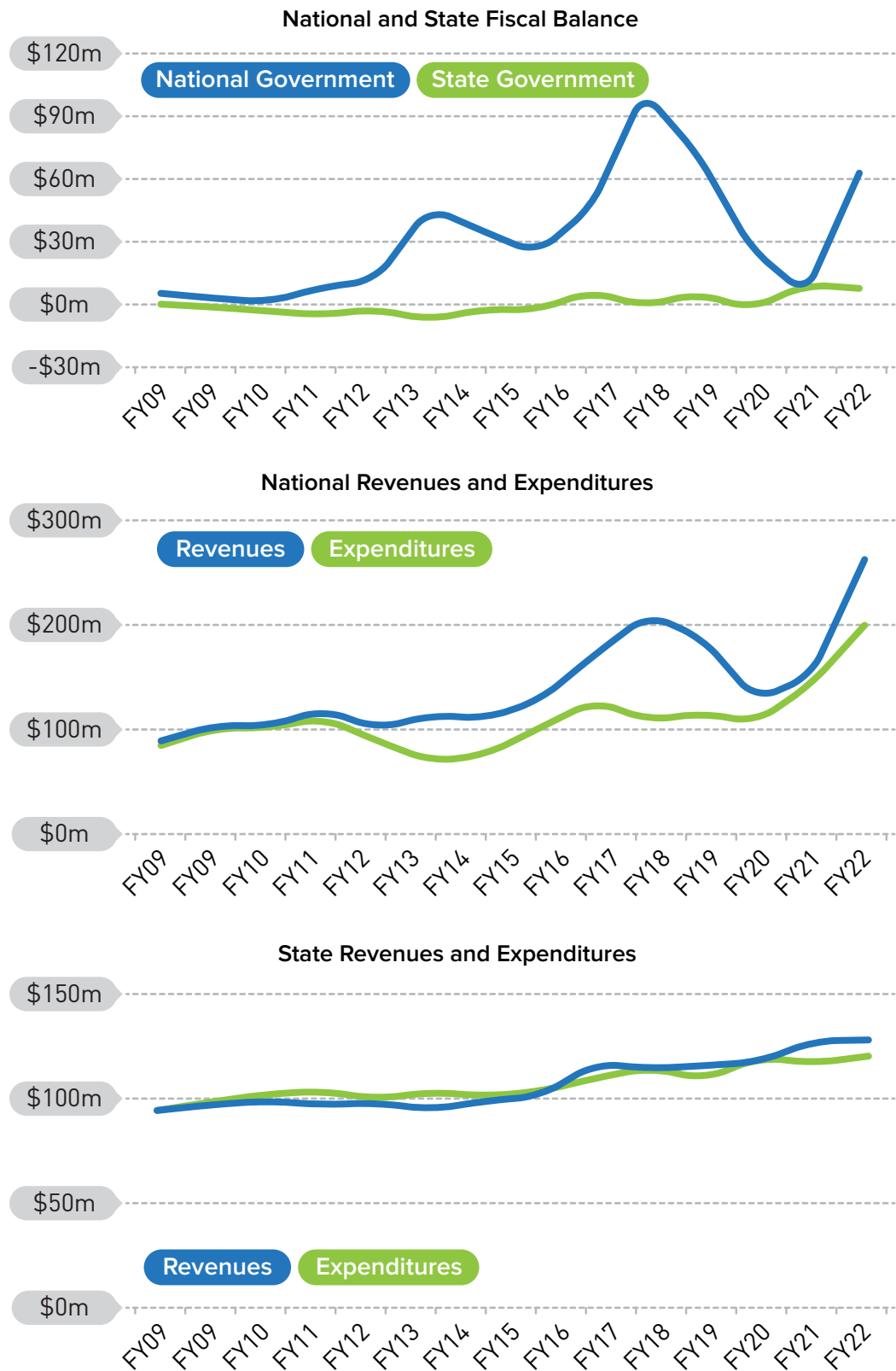
Source: EconMAP analysis of FSM economy (prepared 2024).

iii. Government Fiscal Position Supported by Donor Grants

FSM National and State Government fiscal outcomes for FY2009 to FY2022 are presented in [Figure 12](#).⁹⁹ The presentation of the National and four State Governments together shows a government fiscal surplus of \$97.3 million in FY2018 and \$77.1 million in FY2019. The fiscal surplus fell over the next two years to \$24 million in FY2020 and \$17.4 million in FY2021. In FY2022, it again climbed to \$70.7 million.

- » Fluctuations in National Government revenues drove this volatility. The National Government had a large surplus in FY2018 and FY2019 that reflected an unusual level of corporate tax receipts from the FSM domicile for major Japanese corporations. For FY2020 and FY2021, sovereign rent revenues returned to normal levels from the FSM domicile industry and fishing royalties. Then FY2022 saw another large increase in revenue.
- » The FSM State Governments have budgets that are closer to being in balance, with small deficits and small surpluses over time. During the years of COVID response, the four FSM States together ran a small deficit the first year but small surpluses in FY2021 and FY2022. These were years with large donor grant flows that increased revenue but were also years with increased expenditures to prepare for and address COVID.

⁹⁹ FSM audits are behind schedule. The FY2023 audits that would usually be available mid-2024 are not available. Some of the FY2022 audits were more than one year late. For example, the Pohnpei State audit for FY2022 was due mid-2023 but was released until November 2024. The National Government audit for FY2022 was only posted in October 2024.

Figure 12: FSM National and State Government Fiscal Condition, FY2009-FY2022

Source: EconMAP analysis of FSM economy (prepared 2024).

D. Conclusions

Decisive FSM Government action coupled with generous support from the international donor community protected the FSM population and left the economy well positioned for recovery from the global COVID pandemic. At the onset of the crisis in 2020, the National Government shut the island nation's border and gave the FSM time to prepare for COVID. Setting up its own economic mitigation program allowed the FSM to offset immediate economic losses in its tourism industry. FSM donors provided the financial assistance needed for the health and economic response and to support unemployed workers. Over a two-year period, the FSM Government and donors built quarantine capacity, acquired supplies such as Paxlovid, and distributed vaccines that would protect the population. Meanwhile, the ADB provided resources for low-income households and vulnerable populations and the US CARES Act supported the unemployed. These actions ensured the financial stability and security of the FSM.

The FSM took early action to close its border. As an island nation without a land border, travel to the FSM could be stopped to protect the population from the pandemic until a vaccine could be developed and distributed. The FSM was fortunate to close its border in early April as the end of international arrivals protected the population from the 2020 transmission that circulated worldwide. This gave the FSM time to prepare for COVID, to distribute vaccines, and for Paxlovid to be available, all before community spread of the disease erupted, between July and September 2022.

The FSM prioritized tourism firms and workers in early mitigation efforts. The FSM focused its mitigation payments to COVID-affected businesses on a relatively small number of businesses closely tied to the visitor sector. Unemployed FSM citizen workers were covered by US unemployment payments, and the FSM Government supported unemployed foreign workers who were not covered by the US program. The FSM had no input on the CARES Act payment structure and the payments were several times higher than standard FSM wages. Being unemployed resulted in a financial windfall.

Inaccurate population data hampered the FSM's COVID response. Because the FSM Government lacked data on the extent of its outward migration, it used an inflated population estimate for its vaccination campaign and health system reporting. This resulted in persistent underestimates of the success of the FSM vaccination campaign, as well as understatements of its rate of COVID deaths.

Economic analyses supported FSM's COVID response but had data gaps. Critical data undergirding FSM's COVID response was business and employment information from tax and social security records. These data elements allowed the projection of COVID's impact on the FSM, including changes in GDP, employment, household incomes, and government fiscal balance. However, data on informal economy businesses and workers was lacking. Additional economic activity and household surveys are needed to understand the informal sector.

FSM institutional challenges were evident during the COVID response. The FSM National Government and Pohnpei State Government lacked a mechanism to resolve conflicts. This led to conflict at the port, and drastic National Government action to arrest Pohnpei State leaders. Existing strains in FSM State Government hospital personnel compensation and management caused staffing disruptions in Pohnpei and Yap.

II. Data: Migration, Remittances, FDI, and SMEs

The ADB identified four specific data areas for examination in three of its North Pacific members: migration, remittances, foreign direct investment (FDI), and small and medium enterprise (SME) information. The task was to evaluate existing information and provide insights on how additional information can be developed.

- » Migration and remittances. In the case of small island economies, migration and remittances are closely related with a country's migrants moving overseas and then transferring income home to family members as remittances. This relationship is often cited as a key structure for Pacific economies.¹⁰⁰
- » FDI and SMEs. FDI and SME data represent information on the structure of the business economy, albeit at opposite ends of the scale. FDI is likely tied to large investments in manufacturing or tourism, while SMEs are likely to be comprised of small local firms. FDI is often studied due to its importance in providing capital, management and technology for economic development and growth, but also as it reflects foreign influence in the national economy and society. SMEs often are dynamic new enterprises that may spur economic growth and diversification.

For each of these four areas, this chapter reviews the existing public information from the FSM government and international sources. In several cases, underlying FSM survey/census data and administrative records/data are analyzed to provide additional insights. This demonstrates how existing data and records can be used to enhance migration/remittances and FDI/SME knowledge. Suggestions to improve data availability are also offered.¹⁰¹

A. FSM Migration Data

i. Existing Migration Data

The FSM has a small but dynamic population. FSM citizens migrate to the United States and establish residency, although some later may return to the FSM. Foreign citizens enter the FSM on work permits and become residents of the FSM during their time of employment. A small tourism/visitor sector brings in temporary visitors.

- » Under the terms of the Compact of Free Association with the United States, FSM citizens can move to, reside, and work in the United States freely, without entry visa requirements. This outward migration has been measured through surveys conducted in the United States, computed from airline travel information, and derived from an analysis of passport entries upon arrival and departure from the United States. This migration is well recognized in the FSM, and with a significant

¹⁰⁰ The MIRAB model, standing for "migration-remittances and aid/bureaucracy," was first outlined by Geoff Bertram and R. Watters to reflect the stylized facts and experience of small Pacific islands. See: Geoff Bertram. 2006. "Introduction: The MIRAB model in the twenty-first century," *Asia Pacific Viewpoint*, vol. 47, no. 1, April. https://www.researchgate.net/publication/229449401_The_MIRAB_model_in_the_twenty-first_century. In the North Pacific, researchers have mostly reported on Kiribati, Marshall Islands, and Micronesia, but not Palau.

¹⁰¹ Upon the completion of individual reports on the three FAS nations under this ADB Technical Assistance project, EconMAP will assess the approaches used by the three FAS in these four areas to make recommendations to further improve available data. The recommendations will address survey strategies that can be used to expand data and how administrative data can be enhanced to improve routine information for government policy making.

number of FSM citizens in the US states of Hawaii and Oregon and the territory of Guam, the FSM has established consulates to serve these overseas citizens.

- » The FSM has long augmented its domestic labor force and backfilled for its migrating citizens with a work permit system where employers apply for foreign workers to enter the FSM for work.
- » The economy of the FSM sees a small but steady flow of visitors, including tourists.

Data on the FSM's inward and outward migration can be drawn from demographic and administrative data sources. In addition, the US Government has reported on the migration of FSM citizens to the United States.

FSM census data

To date, the FSM has not published migration data directly from its census data, either in total or by its citizens or by foreign residents. However, across its periodic censuses, demographic data that the FSM collects and has published can illustrate migration trends.

The FSM government has completed and published three population censuses since its independence in 1986; the first in 1994, followed by 2000 and 2010. Data tables from the 2010 Census tables are publicly available on the FSM Department of Resources and Development's Statistics Division website.¹⁰² Other Census results, including questionnaires and prior Census data, are not publicly available from FSM Government websites. However, additional FSM Census information can be found on a Pacific Community website, and the most complete source of FSM Census information is available on a private website hosted in Honolulu, Hawaii.¹⁰³ This includes data from the 1980 and 2000 populations censuses. Currently, the FSM's published population estimate for 2020 is 104,650 and for 2024 is 105,381.¹⁰⁴ The estimates are projections from prior census results. For its COVID response and operation, FSM Government officials based their plans on an assumed FSM 2020 population of 115,023.¹⁰⁵

2023 Census. The FSM's recent 2023 Census has not been published. Technical consultants from the Pacific Community are assessing whether the Census is sufficiently robust to report the results. The Pacific Community efforts are a helpful part of a validation process to see if the 2023 census data was accurate and may compare it to other surveys, traveler data, and administrative records. However, this approach to validating the FSM census is not the recommended approach to evaluate census results. The United Nations Statistics Division recommends that evaluation

¹⁰² <https://stats.gov.fm/topics/social/population-statistics/>.

¹⁰³ The Pacific Data Hub program is led by the Pacific Community (SPC) and supported by the New Zealand Ministry of Foreign Affairs and Trade <https://microdata.pacificdata.org/>. (The Pacific Community (SPC) is the principal scientific and technical organisation in the Pacific region and is governed by 27 country and territory members. Founded in 1947 as the South Pacific Commission (SPC), the name was changed to the Pacific Community in 1997 to reflect the organisation's Pacific-wide membership. The abbreviation "SPC" was retained, given its wide use and recognition throughout the Pacific.) The privately provided source of FSM data <https://www.pacificweb.org/>, is supported by Dr. Michael J. Levin (Honolulu, HI).

¹⁰⁴ See: <https://stats.gov.fm/topics/social/#11-18-wpfd-population-statistics> and <https://stats.gov.fm/download/18/population-statistics/593/populationbysexstateandsensusyear.xlsx>.

¹⁰⁵ *FSM COVID-19 Response Framework: COVID-19 Contingency Plan for the Federated States of Micronesia*, 3 April 2020.

be built into the census project and budget to measure “coverage errors” that arise from omissions or duplications in the enumerations and “content errors” where the reporting or recording of information is in error.¹⁰⁶ Two strategies are used for these UN-recommended evaluations:

- » Post-enumeration surveys are deployed to re-interview a representative sample of the census to evaluate coverage and content errors. Doing this requires advance planning and funding as the survey must be done within a few months of the original enumeration. FSM did not plan for such a survey.
- » Demographic analysis can also be used to evaluate the census. Demographic analysis often uses fertility, mortality, and migration data to develop comparisons between extrapolated population levels and the census result.

Going forward, the FSM should incorporate recommended approaches to evaluate census results. Further improving its capacity to measure migration on an annual basis will improve its population projections. Improved projections matter: during the COVID response, better population data would have facilitated COVID vaccine distribution planning.

The FSM 2023 Census final results are expected to document considerable depopulation of the FSM as citizens have accelerated their outward migration to the United States. Such a finding would be consistent with the recent experience of the Republic of the Marshall Islands. Preliminary information was shared at the January 2024, 3rd Resources & Development Conference. The FSM Statistics Division shared a graphic that showed the 2023 Census count to be approximately 73,000, similar to the FSM 1980 Census count of 73,160.¹⁰⁷ Compared to the 2000 FSM Census count of 107,008 (highest Census count) this is a 32 percent decline in population. The FSM President’s Executive Order (8 May 2024) called for a taskforce of FSM Departments to identify migration-related priorities. A meeting was convened on 9 August 2024 in collaboration with the International Organization for Migration (IOM) to lead the development of the FSM’s first National Migration Policy.¹⁰⁸ There has been limited public discussion of this population decline to date. For example, the August 2024 State and National Leadership Conference did not address population loss in its Communique or Resolutions.¹⁰⁹

Outward migration. FSM household censuses capture the age, ethnicity, citizenship, gender, and place of birth of each resident. In concept, this information can be used to illustrate the outward migration patterns of FSM citizens. For example, a migration analysis can track the number of the age 10- to 14-year-old FSM citizen population cohort in the 1980 Census by assessing that population count 20 years later when that cohort is the age 30- to 34-year-old cohort in the 2000 Census. This age cohort data

106 United Nations, Department of Economic and Social Affairs, Statistics Division, *Principles and Recommendations for Population and Housing Censuses, Revision 3* (2017). https://unstats.un.org/unsd/demographic-social/Standards-and-Methods/files/Principles_and_Recommendations/Population-and-Housing-Censuses/Series_M67rev3-E.pdf.

107 This 2023 Census information is from a PowerPoint handout distributed by the FSM Statistics Division at the 2024 Resources & Development Conference and is not currently available on a public website.

108 IOM Press Release, “FSM establishes taskforce to develop first National Migration Policy,” *The Kaselehlie Press*, 14-27 August 2024.

109 <https://img1.wsimg.com/blobby/go/03465d55-d45f-4daf-a19f-877991a60874/downloads/13th%20SNLC%20Communique%20Resolutions.zip?ver=1724900493625>.

for the “FSM citizen” population is not publicly available in published Census reports. However, since the foreign population in the FSM is relatively small, 3.1 percent in 2010, a cohort analysis by age only, without any consideration of citizenship (or place of birth) could still be informative about outward migration.¹¹⁰

As an example of how a cohort analysis works, [Table 7](#) puts together FSM nationwide cohorts across the 1980, 2000, and 2010 FSM censuses.¹¹¹ The implied out-migration of the 1980 age 10–14-year-old cohort is substantial:

- » During the 1980 to 2000 period, the cohort declined from 9,584 to 6,480, a 32 percent decline over two decades.
- » During the 2000 to 2010 period, the same cohort further declined from 6,480 to 5,583, a further 13.8 percent decline.
- » The overall decline for this 1980 age 10-14-year-old cohort is that 42 percent are “gone” over the longer 1980 to 2010 interval. This implies an astounding amount of out-migration.

A similar story can be told for each of the FSM states using this cohort analysis.¹¹² Again, tracing the implied out-migration of the 1980 age 10–14-year-old cohort across FSM states, it is substantial for all four:

- » For Chuuk, the overall decline for this 1980 age 10-14-year-old cohort is that 49.8 percent are “gone” over the longer 1980 to 2010 interval.
- » For Kosrae, the overall decline for this 1980 age 10-14-year-old cohort is that 55.2 percent are “gone” over the longer 1980 to 2010 interval.
- » For Pohnpei, the overall decline for this 1980 age 10-14-year-old cohort is that 28.3 percent are “gone” over the longer 1980 to 2010 interval.
- » For Yap, the overall decline for this 1980 age 10-14-year-old cohort is that 31.1 percent are “gone” over the longer 1980 to 2010 interval.

State-level cohort migration analysis could be improved with assessments organized by “place of birth” for age cohorts to account for movements between states within the FSM. This approach could account for cases where citizens of the other states migrate within the nation, rather than leaving the FSM.

The bottom line is that the FSM population data has demonstrated substantial outward migration since 1980. For the interval 1980–2010, births (minus deaths) were not great enough to more than offset the outward migration of FSM residents. Additional tabulations of FSM Census data could provide more granular data for reporting on FSM citizen migration and could do so for individual birth years of the population, rather than grouping observations in 5-year cohorts. Likewise, analyses could review

¹¹⁰ Comparing data across censuses assumes that the censuses are of equal quality. If not, some of the observed numerical change may reflect differences in population coverage rather than implied migration. A further factor is deaths that occur for a cohort, but this can be assumed to be so small at younger adult ages.

¹¹¹ The 2023 FSM Census is not addressed in this presentation since data tables have not been released. To see these 5-year cohorts in the 2023 data will require single birth year tables to construct the cohort as this census is 13 years after the 2010 census, and 2023 5-year cohorts will not match up to prior 5-year age interval data.

¹¹² FSM State cohort analysis tables appear in the Appendix.

Table 7: Analysis of FSM Population Census Cohort Data: 1980, 2000, and 2010

| 1980 Census | | 2000 Census | | 2010 Census | | 1980 vs 2010 | | 2000 vs 2010 | |
|------------------|-------------|------------------|-------------|------------------|-------------|--|--|--|--|
| 5-year age group | Cohort size | 5-year age group | Cohort size | 5-year age group | Cohort size | Percent of 1980 cohort present in 2010 | Percent of 1980 cohort missing in 2010 | Percent of 2000 cohort present in 2010 | Percent of 2000 cohort missing in 2010 |
| | | 0—4 | 14,782 | 10—14 | 12,685 | | | | |
| | | 5—9 | 14,168 | 15—19 | 11,988 | | | 84.6% | 15.4% |
| | | 10—14 | 14,213 | 20—24 | 9,361 | | | 65.9% | 34.1% |
| | | 15—19 | 13,230 | 25—29 | 7,648 | | | 57.8% | 42.2% |
| 0—4 | 13,075 | 20—24 | 9,527 | 30—34 | 6,591 | | | 69.2% | 30.8% |
| 5—9 | 11,283 | 25—29 | 7,620 | 35—39 | 5,947 | 52.7% | 47.3% | 78.0% | 22.0% |
| 10—14 | 9,584 | 30—34 | 6,480 | 40—44 | 5,583 | 58.3% | 41.7% | 86.2% | 13.8% |
| 15—19 | 7,732 | 35—39 | 6,016 | 45—49 | 5,191 | 67.1% | 32.9% | 86.3% | 13.7% |
| 20—24 | 6,443 | 40—44 | 5,560 | 50—54 | 4,624 | 71.8% | 28.2% | 83.2% | 16.8% |
| 25—29 | 5,456 | 45—49 | 4,650 | 55—59 | 3,612 | 66.2% | 33.8% | 77.7% | 22.3% |
| 30—34 | 4,158 | 50—54 | 3,205 | 60—64 | 2,292 | 55.1% | 44.9% | 71.5% | 28.5% |
| 35—39 | 2,637 | 55—59 | 1,903 | 65—69 | 1,193 | | | | |
| 40—44 | 2,418 | 60—64 | 1,733 | 70—74 | 925 | | | | |
| 45—49 | 2,408 | 65—69 | 1,487 | 75+ | 1,191 | | | | |
| 50—54 | 1,985 | 70—74 | 993 | | | | | | |
| 55—59 | 1,821 | 75+ | 1,441 | | | | | | |
| 60—64 | 1,568 | | | | | | | | |
| 65—69 | 1,087 | | | | | | | | |
| 70—74 | 670 | | | | | | | | |
| 75+ | 834 | | | | | | | | |

Source: EconMAP analysis of FSM 1980, 2000, 2010 Census data.

gender differences and how the characteristics of those leaving the FSM differ from those remaining. For example, tabulations could compare differences in the education and employment characteristics for FSM citizens who migrate, as compared to those who stay.

Inward migration. The FSM household censuses capture personal characteristics of residents based on citizenship, place of birth, and ethnicity; information relevant to understanding inward migration. For example, the 2010 Census reports 3,210 residents born outside of the FSM and that they constituted 3.1 percent of the population. The FSM census does not collect information on the year of entry or reason for migration, although it does ask for each person's place of residence 5 years earlier. By place of birth, US citizens were the largest group -- at 38.4 percent -- of the non-FSM origin-population, while the Philippines represented 25.8 percent.

US Government data

US Government agencies have collected data and reported on Compact migration into the United States from the Freely Associated States, including the FSM. The US has defined “Compact migrants,” as FAS citizens arriving after each Compact began, and any children under age 18 in the household, including US-born, and therefore US-citizen children.¹¹³

- » Official enumerations of FAS migration. Beginning in 1993, the US Census Bureau reported FAS migration to Guam, Hawaii, and the Northern Mariana Islands for the US Department of the Interior.¹¹⁴ Prior to 2003, the reports detailed the characteristics of Compact migrants, but have not included this information since 2003. The US Census Bureau has not prepared official enumerations of FAS migration to the mainland.
- » Special US Census tabulations. Through special requests, the US Census Bureau has reported two special tabulations from the ongoing American Community Survey to report on FAS migration.¹¹⁵ The American Community Survey covers the 50 states, Puerto Rico, and District of Columbia, but it omits Guam and Northern Mariana Islands from its coverage, which both have FAS populations.¹¹⁶ For the 2005-2009 period, 28,288 FSM Compact migrants were estimated to live in the 50 states, with 8,320 in Hawaii.¹¹⁷

For the 2013-2017 period, Census reported that an estimated 25,555¹¹⁸ migrants born in the FSM had entered the 50 US states after 1986, with 11,440 in Hawaii.¹¹⁹ Again, this data excludes FSM migrants in Guam and the Northern Mariana Islands. In 2008, the US Census recorded 16,358 FSM Compact migrants in Guam and 1,399 in CNMI.

- » US arrival and departure immigration data. US GAO used US Department of Homeland Security’s Customs and Border Protection’s Arrival and Departure Information System data to estimate net arrivals to US areas by travelers with FAS passports. This effort calculated monthly FAS net arrivals to US areas. For 2017-

113 For FAS nation migrants who arrived before the effective dates of their respective Compacts, they and their under age 18 year old children, including US-born children, are not captured in these enumerations.

114 US Department of the Interior, <https://www.doi.gov/oia/reports/Compact-Impact>. The US Compact impact grant program that required FAS migrant enumerations ended at the end of FY2023.

115 These special tabulations were requested by the US Government Accountability Office (US GAO). The US Census’ *American Community Survey* collects data on the ethnicity, place of birth, and citizenship of respondents. For persons born outside of the United States, it asks the year when you last arrived to live in the United States. For statistical validity, multiple years of survey results are pooled when reporting on small subpopulations, such as the number of Compact migrants.

116 The American Community Survey also omits American Samoa and the US Virgin Islands.

117 This measure includes US-born children under the age of 18. US Government Accountability Office. 2011. *Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration*. GAO-12-64, 14 November. <https://www.gao.gov/products/GAO-12-64>.

118 As a survey, the American Community Survey has a margin of error on the estimate which is exacerbated for a small subpopulation; for the 2013-2017 date, the 90 percent margin of error is plus or minus 707.

119 This measure excludes US-born children under age 18. US Government Accountability Office. 2020. *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects*. GAO-20-491, 15 June. <https://www.gao.gov/products/GAO-20-491>.

2019, on average, 3,343 more FSM citizens departed to the US than arrived from the US each year: 3,015 in 2017, 3,080 in 2018, and 3,933 in 2019. One concern about this data source is whether dual US-FSM citizens use different passports to enter versus leave the US.¹²⁰ If occurring, such behavior could easily create a false observation of persistent home-bound migration to the FSM from the United States. For policy makers, summary data from US passport scans could be a source of information on FSM population movements but it is not currently available to FSM officials. Further, the US Government does not routinely derive such data.

- » US transportation data. EconMAP/Graduate School USA had previously used flight data from the US Transportation Department to report measures of net migration from the FSM where almost all flights transit Guam or Hawaii. For the period 1999-2011, the level of FSM net migration averaged 1,596 per year. Data were determined to be unreliable for the period 2012-2016, but for the years 2017-2019 showed an average net outflow of 3,353, a significant 110 percent increase in outward FSM migration.

US Government information on FSM migration to the United States is not reported on a regular basis. Further, the information may not be made available to FSM officials.

FSM wage and salary tax data

While the FSM's small inward migration has been recorded in FSM household surveys and censuses, the inward migration of foreign workers is also captured in administrative data, such as wage and salary tax withholding and social security payment documents that employers file each quarter.¹²¹ These data can be used to report on the number and characteristics of foreign workers in the FSM on an annual or quarterly basis by citizenship, as well as information on earnings and the industry of employment.

For example, in reviewing the composition of the FSM workforce over one decade, 2013-2022, the role of foreign workers in the labor force fell from 10.3 percent in 2013 (1,385 workers) to 7.7 percent in 2022 (961 workers). In addition to the 30.6 percent decline in the foreign work force, the FSM citizen workforce fell by 4.8 percent over the decade, from 12,041 in 2013 to 11,458 in 2022 (see [Figure 13](#)).

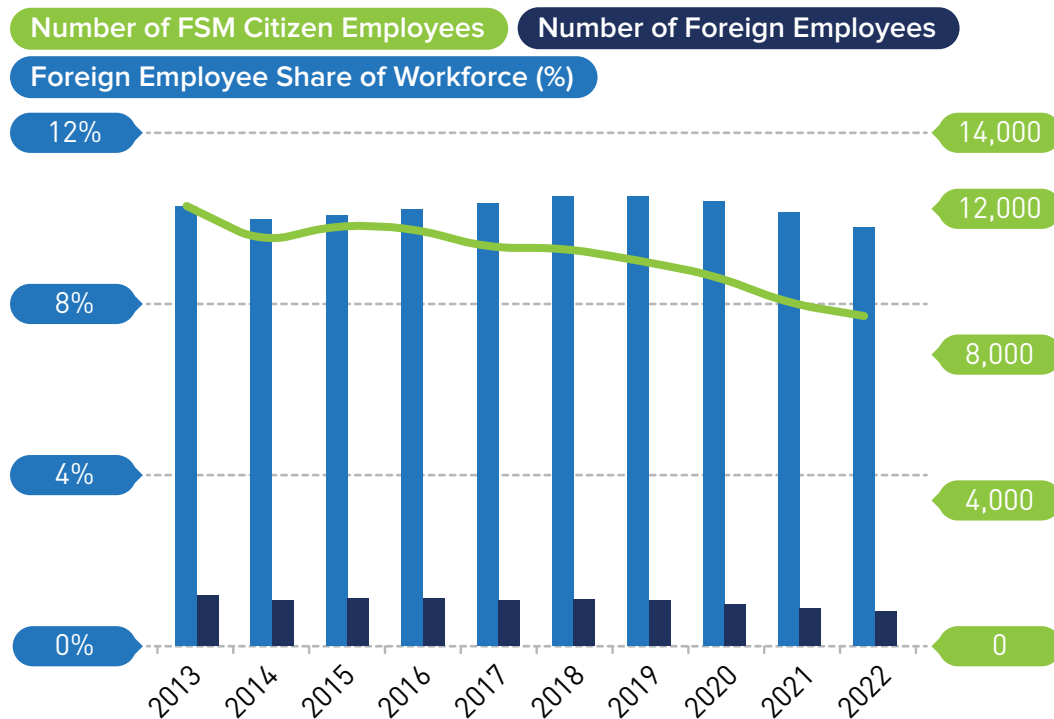
Administrative data can also be used to identify the overall sectoral employment of FSM citizens and foreign workers (see [Figure 14](#)).

- » FSM citizens work primarily for the public sector, where 58 percent worked in 2013, rising to 64 percent in 2022. FSM citizen private sector employment was 37 percent in 2013 and fell to 31 percent in 2022.¹²²
- » In contrast, foreign worker employment is focused on the private sector, with 72 percent in the private sector in 2012, falling to 64 percent in 2022. A significant

120 Entering the United States on a US passport can ease entry at a US airport, while entering the FSM with an FSM passport may also ease entry.

121 The "Employer's Income Tax Withholding Schedule" filed with the FSM Department of Finance and Administration records the name, Social Security number, and citizenship of each employee for each quarter. Similarly, the "Employer's Quarterly Tax Return" filed with the FSM Social Security Administration contains the name and Social Security number of each employee. Citizenship information is captured in the "Application for a FSM Social Security Number."

122 The figures do not sum to 100 percent, as small employment sectors such as non-profits, embassies, and households are not listed.

Figure 13: FSM Citizen and Foreign Employment (2013-2022)

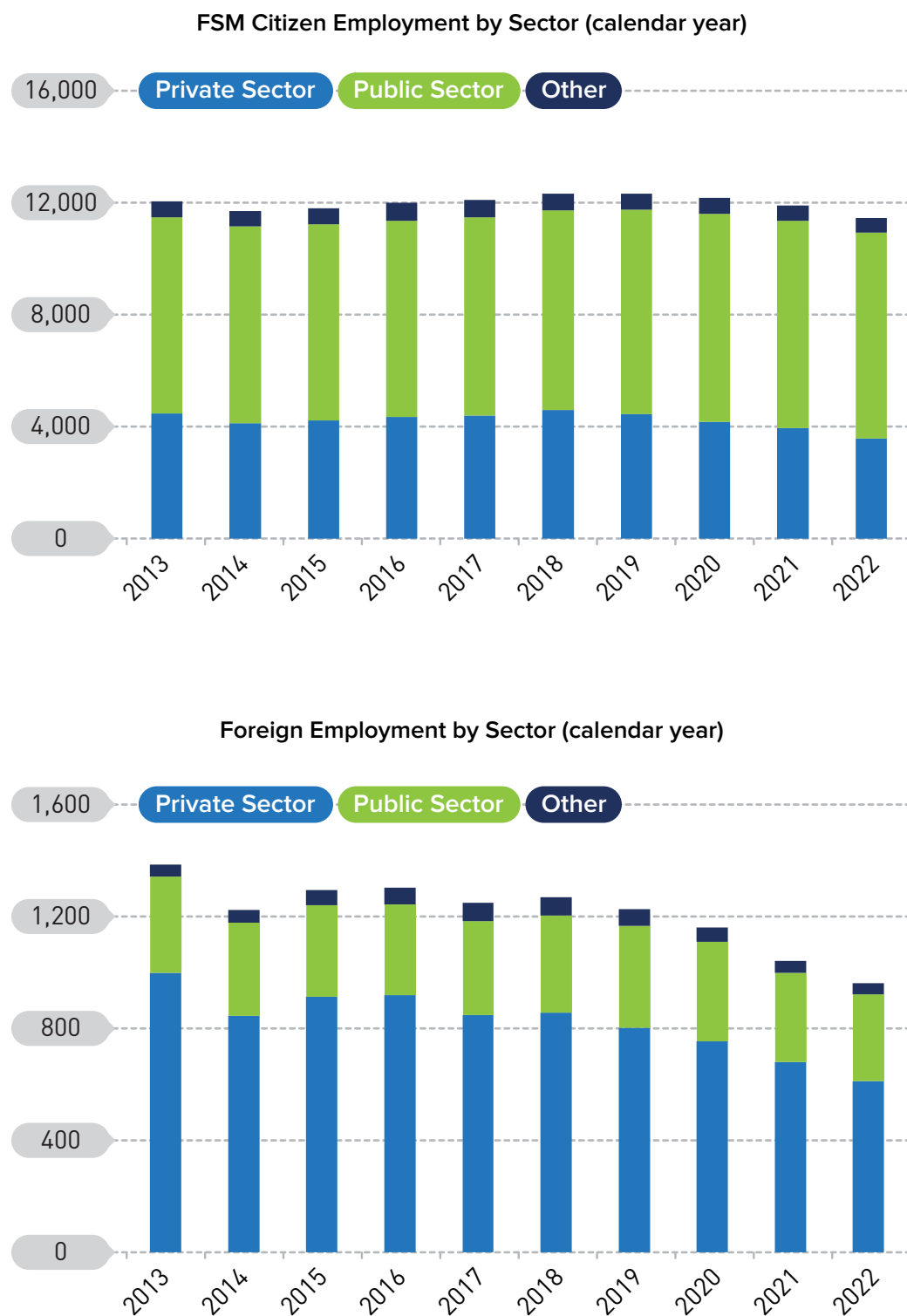
Source: EconMAP analysis of FSM Social Security Administration data.

share of foreign workers are in the public sector, where 25 percent worked in 2013, rising to 32 percent in 2022. The absolute number of public sector foreign workers fell however, from 344 in 2013, to 310 in 2022.

While foreign workers are employed primarily in the private sector, they are concentrated in certain industries. For example, across the last five years, foreign workers have comprised about 30 percent of construction workers and 34 percent of agriculture and fisheries employment. By country, the Philippines is the source of about 63 percent of FSM foreign workers, followed by the United States with 14 percent.

Policy considerations. Census information is useful for long-run analysis of migration trends and changes in the composition of the population and workforce. Once the 2023 FSM Census is published, the presented cohort migration information can be updated, but only if data is published on the population by each year of age.¹²³ For policy makers, no current data source provides timely data on out-migration of FSM citizens. Further, data such as that of FSM citizens' movement across the US border is not readily available to the FSM. For inward migration, FSM government social security tax data represents a timely data source that can track the activities and numbers of the foreign workforce.

¹²³ Because the 2023 Census was not conducted on the standard 5- or 10-year interval, data must be organized for each year of age, so that "cohorts" can be put together for analysis. A best practice for Census reporting would be to have separate tables for each year of age by combinations of gender and citizenship so further analysis is easy to construct.

Figure 14: FSM Citizen and Foreign Employment by Sector (2013-2022)

Source: EconMAP analysis of FSM Social Security Administration data.

ii. FSM Border Management Data

Current Border Management System. In 2008, the FSM implemented an improved Border Management System that was jointly funded by Australia (\$800,000 US\$) and the FSM (\$150,000). The system computerized the recording of all movements through the four FSM international airports, verification of arrivals and departures from inbound and outbound flights, maintenance of a traveler alert list, and identification of overstayers. In addition, computerization was expected to improve passenger processing times and create national statistics to assist tourism and government planning.

The FSM's shift to modern passports started in 2007, with its first issuance of machine-readable passports valid for five years. The FSM has not initiated a move to a biometric passport.¹²⁴

While the FSM border management system is designed to facilitate reporting on visitor arrivals and movements of persons, the FSM has not posted data on these movements since 2019. The most recent data posted is for international arrivals from 2014 to 2019.¹²⁵ For this time period, the level of visitor arrivals show significant volatility, ranging from a high of 39,039 arrivals in 2014 to a low of 18,019 in 2019. This suggests that analytical use of this data requires further validation.¹²⁶ For the 2019 recorded arrivals by purpose of visit, 36.7 percent were for business and 29.3 percent were for leisure. By citizenship of the source market, 34.7 percent of non-FSM citizen arrivals were from Asia and 33.3 percent were from the United States. Other arrivals came from Australia/New Zealand, Europe, and other Pacific islands.

Enhanced Border Management System. Future enhancements to the FSM Border Management System may facilitate the tracking of migration into and out of the FSM. Since the system captures daily data, such enhancements could provide FSM policymakers with real-time information on migration.

There are two primary approaches to capture migration events: computing net arrivals or using passport scans to create travel histories. Broadly, passport data analysis to measure migration can be approached two ways:

1. computing net arrivals by differencing arrivals and departures in total or by citizenship for a given time period, or
2. matching the arrival and departure of unique individuals to create a travel history. An individual that arrives in the FSM and does not depart within a set time period can be classified as an in-bound migrant to the FSM. Conversely, a resident who leaves the FSM and does not return within a set time period can be classified as an out-bound migrant.

¹²⁴ In June 2023, the United Nations Micronesia office announced the launch of a Japan-funded immigration and border management project in the FSM. This project is to strengthen the control of infectious diseases at points of entry in the FSM. This was done in recognition of the challenges to public health that the border transmission of COVID represented to the FSM. At project launch, staff from national and state offices and the seaport authorities identified the need for isolation and quarantine centers, screening areas, and thermal equipment.

¹²⁵ <https://stats.gov.fm/topics/social/international-visitors-arrival/>.

¹²⁶ For example, have screening practices changed the assignment of the “transiting” and “arriving” categories for fishing boat crews who change over in Pohnpei?

Net arrivals. Net arrivals can be measured either across total travel events or for subsets of travelers, such as by purpose of travel or by citizenship by differencing raw numbers of arrivals and departures.¹²⁷ For example, across any set time period, departures and arrivals can be subtracted to establish migration flows. However, this “differencing” analysis approach is inherently incomplete at the start and end periods of the data. Travel is a flow that takes place over time, so some departures recorded in January of a given year (and later months) will match arrivals that took place late in the prior year and could be outside of the analysis period. Similarly, some departures recorded at the end of an analysis year could be matched to arrivals (returns) later on, but remain outside the analysis frame. However, net arrivals over a long time period represent a valid way to look at overall FSM migration movements. Differencing strategies can be deployed based on “purpose” of travel as well as by citizenship.

An additional complexity is that interstate travelers within the FSM utilize the same flights as international travelers. Thus, both domestic and international travelers are recorded by the FSM border management system and are not separately identified. Additionally, travelers to/from Yap and other FSM states travel through the US territory of Guam - i.e. some domestic travel requires exiting and then re-entering the FSM. This mixing of domestic and international travel makes analysis of the FSM border management more complex than is usually the case.

Matched travel history. By matching the arrival and departure of unique individuals, an individual travel history can be assessed within a fixed time period or can be assessed through a “rule-based” approach to identifying a traveler as an inward or outward migrant. The “fixed” time period approach is an individual-based differencing approach. The travel history, “rule-based” approach classifies behavior as inward or outward migration based on a “duration rule.”

- » For example, if a traveler arrives in the FSM and does not exit by a certain number of days they would be classified as a migrant to the FSM. This classification strategy is independent of whether the traveler has permission to remain in the FSM, and/or their declared purpose on arrival. Observing this behavior could identify immigration by a citizen of the FSM (returning from the United States) or by a foreign national entering the FSM.
- » Conversely, if someone departs the FSM, citizen or non-citizen, and does not return by a set amount of time they could be classified as a departing migrant.
- » Separate from statistical objectives, this record matching may also serve as a tool for administering the worker permit program and for border security purposes.
- » Unique to the FSM, this could also provide a mechanism to track migration between FSM states as such moves take place through airports.

Using this approach would provide the FSM national and state governments with a better understanding of population dynamics than is available from household surveys and censuses. This approach represents a best practice methodology to create migration statistics. This travel history approach to estimating permanent and long-term

¹²⁷ Using net arrivals requires a consistent and clear treatment of transiting fishing boat crews and/or travelers who visit multiple FSM States. The ideal data for the FSM would be to have net arrivals for each State.

migration statistics has been implemented recently in New Zealand¹²⁸ and is also used in Australia.¹²⁹ Outlining the approach undertaken in New Zealand, the key features are:

- » Immigration records alone are used – i.e. no separate arrival/departure cards.
- » Travel histories are generated for each individual. This depends on the ability to precisely link arrivals and departures, enabling measurement of the exact time that each traveler spends in New Zealand or overseas after crossing the border.
- » Residence status is determined using a 12-out-of-16-month rule: if a traveler remains in New Zealand for 12 out of a 16-month interval, they are deemed to be a resident, and are deemed non-resident if outside New Zealand for 12 out of 16 months. This allows the consideration of frequent travelers with multiple movements.
- » Estimation methods are used to allocate the status of travelers for the most recent months.

The FSM has the data collection system needed to implement this approach, since all persons crossing the border, including FSM citizens, are recorded. The key implementation question is whether the quality of the data allows the precise linkage of travel histories for each traveler. In addition, data exchange must be established between immigration and the FSM Statistics Division for implementing this analysis. The FSM border management system is not currently set up to calculate the travel history of months away from the FSM, but tracks non-FSM citizen arrivals.

To enhance data quality and produce regular migration reports using a travel history duration model would require additional investment. Areas of investment would include:

- » An initial feasibility study would need to evaluate the suitability of the current border data collection and other institutional factors in order to move forward.¹³⁰
- » Improved data cleaning and editing. Some of this could be achieved programmatically, but it will always need manual input on at least an annual basis.
- » Programming to organize the travel records into individual travel histories, to generate the continuous day history and identify migration events. This could entail the deployment of statistical techniques to guide matching for the creation of individual travel histories.¹³¹
- » Establishing and maintaining the analytical capacity to compile and review the results, ensure the process is working, and disseminate the findings in a form useful to stakeholders.

128 <https://www.stats.govt.nz/methods/outcomes-versus-intentions-measuring-migration-based-on-travel-histories>.

129 <https://population.gov.au/population-topics/topic-overseas-migration>.

130 The coverage of persons passing through seaports may need special attention.

131 See, Varghese P Kuruvilla. 2023. A Comprehensive Guide to Fuzzy Matching/Fuzzy Logic. 12 September 2023, <https://nanonets.com/blog/fuzzy-matching-fuzzy-logic/>; Aaron R. Kaufman and Aja Klevs. 2021. Adaptive Fuzzy String Matching: How to Merge Datasets with Only One (Messy) Identifying Field. *Political Analysis* published online by Cambridge University Press, 11 October 2021, <https://www.cambridge.org/core/journals/political-analysis/article/adaptive-fuzzy-string-matching-how-to-merge-datasets-with-only-one-messy-identifying-field/275D7890548359215AC728C1E35B53CE>.

If the FSM decided to develop the travel history approach to generate migration statistics, the generation of overseas travel statistics should require a relatively low additional investment.

iii. Steps to Improve FSM Migration Data

There are two areas of opportunity to improve existing information on FSM migration:

- » Existing census and survey information could be further tabulated to reveal migration patterns. This approach would create a valuable source for understanding and measuring long-term trends but is less valuable for current policy making or for forecasting trends.
- » Improved information on foreign worker migration can be developed using a combination of tax/social security data, and/or passport clearance information. Linking this information would provide real-time information on this foreign population in the FSM.

The FSM could implement travel history matching through its border management system, which would allow travel information to segment FSM citizen vs foreign travelers. Technical assistance to support this effort could be sought from the immigration offices of New Zealand or Australia since they already use this approach. Beyond providing real-time migration information, the passport match data would support other data needs as well:

- » Balance of Payments (BOP) statistics could be improved with better travel data. FSM residents spend substantially when traveling abroad, and this is currently a data gap for the BOP current account estimates for travel services import statistics. Improving BOP data would flow into improved GDP expenditure estimates.
- » Certain program compliance could benefit. Matching would be useful for immigration and border control purposes, which is an FSM Government interest. Linking information from the border control system with worker permit data would also provide information for foreign work permit program compliance.

Lastly, consideration can be given to a publication strategy for information on migration. Such a publication could also include information on remittances, which stem from migration actions. As data can be drawn from multiple sources across the government, organizing the analysis and publication will require cooperation across departments and a clear lead agency responsible for reporting and disseminating information.

B. FSM Remittance Data

i. Background on Remittance Measurement

Remittances are payments by residents of a country to households in another country, and a reflection of the migration of people. The FSM is on both sides of remittance flows, with outbound remittances from foreign workers who send some of their earnings home, as well as FSM citizens who send funds abroad to family members and inbound remittances from FSM citizens who have migrated to the United States and send some of their earnings to family in the FSM. The structure of FSM two-way

remittances would also be found in the US territories of American Samoa and the Commonwealth of the Northern Mariana Islands. This is not the usual one-way structure of Pacific Island remittances where citizens of Pacific islands go abroad to work and send funds home.

The IMF and the World Bank have both worked to strengthen the conceptual basis for measuring remittances and to support developing data for these measures.

IMF. The IMF has addressed remittance concepts and definitions. The 2009 IMF balance of payments (BOP) guidance updated concepts to address increased globalization, including the increased economic integration of migrant workers and their associated remittance flows.¹³² The IMF stated that remittance flows for some economies represent a sizable and stable source of funds that can exceed official aid or foreign direct investment. In addition, these flows to households may reduce poverty and support consumption.

Remittances represent household income from foreign economies arising mainly from temporary or permanent migration. The IMF definition of “personal remittances” includes cash and in-kind transfers between resident and non-resident households, plus compensation of employees, less taxes, social contributions, transport and travel costs. This compensation category covers the net earnings of residents of the host nation who work abroad for less than a year for a non-resident employer. (After one year abroad, under the IMF definitions, a migrant worker is “resident” in the destination country.) Special guidance applies for students and embassy staff who retain their resident status beyond one year.¹³³

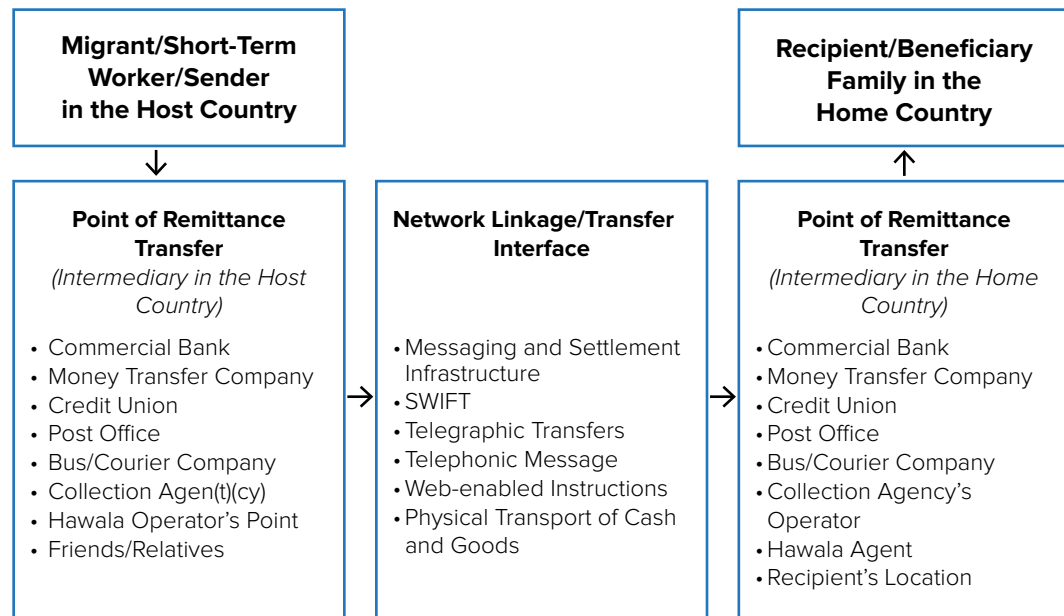
Remittances can include cash that flows through formal channels such as banks and wire transfers or informal channels such as money or goods carried or shipped across the border (see **Figure 15**).

IMF guidance for data compilers of remittance information focuses on four data sources, each with strengths and weaknesses:

- » International Transactions Reporting Systems: Collect individual transaction data from banks and through foreign exchange activities. The value of this as a data source depends on the government’s reporting requirements, including whether data is structured by the sending and originating country and the level of reporting threshold values. This source may not cover money transfer operators and will not cover informal remittances.
- » Money Transfer Operators: This source may capture more detail than is captured in the bank clearance data but will be a subset of remittance activities.
- » Surveys of Households: Questions on remittances can be incorporated in censuses, labor market surveys, living standards assessments, and household income and expenditure surveys. Surveys will not capture time series information and will suffer from reporting gaps.

132 International Monetary Fund, *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6), 2009. <https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/31/Balance-of-Payments-Manual-Sixth-Edition-22588>. IMF, International Transactions in Remittances: Guide for Compilers and Users, 2009. <https://www.imf.org/external/np/sta/bop/remitt.htm>.

133 The presentation in this report only covers cash and in-kind support that moves between resident and non-resident households.

Figure 15: Remittance Channels for Migrants to Send Funds to Home Country

Source: Source: IMF, *International Transactions in Remittances: Guide for Compilers and Users*, 2009.

- » Indirect Data Sources: This approach uses administrative data, demographic profiles, and econometric methods to estimate remittances. These techniques may build on other information, including survey data.

World Bank. The World Bank hosts a multi-donor trust fund to implement the Global Knowledge Partnership on Migration and Development (KNOMAD), with a focus on improving migration and development. It has established a working group to improve data on remittance flows.¹³⁴ Forty-one nations are participating in this effort (as of May 31, 2022); however, no Pacific Island nation is taking part, nor is the United States, which is the primary destination for North Pacific Island nation migrants.

Research studies. Two studies have focused on remittances in the Pacific. However, neither had significant coverage of FSM remittance information.

- » An ADB study assessed remittances across the Pacific, finding that remittances “respond to an implicit social contract, contribute to human capital formation, and can be seen as a form of intergenerational transfer.”¹³⁵ Remittances were seen as supporting consumption, but also future migration. However, in the case of part of the FSM (Yap State) and the RMI, remittances flowed to migrants in the US. This is a function of relatively high per capita income in Yap State within the FSM. For the RMI, these flows are due to US aid and lease payments in the RMI, the high cost of education in the US, and the relatively low-paying jobs for RMI migrants in the US.

¹³⁴ <https://www.knomad.org/>.

¹³⁵ John Connell and Richard P.C. Brown, *Remittances in the Pacific: An Overview*, Asian Development Bank, March 2005. [Remittances in the Pacific: An Overview | Asian Development Bank \(adb.org\)](#).

- » An IMF working paper reviewed Pacific migration and remittance practices.¹³⁶ It found that migration in the Pacific consisted of families settling abroad for long time periods, but maintaining close ties to relatives, villages, and churches at home. These ties were altruistic, rather than investment-oriented as seen elsewhere in Asia. The IMF paper noted that Micronesia (and the Marshall Islands) benefit from remittances from the large number of citizens who reside in the United States, but that the recorded inflows are surprisingly small.

ii. Existing Remittance Data

The FSM publishes limited information on remittances, but remittance data is incorporated in its Balance of Payments statistics, and censuses and household surveys.

Balance of Payments remittance presentations

FSM Balance of Payments statistics. The FSM Statistics Division publishes annual Balance of Payments (BOP) statistics. However, data on household remittances, both outflows and inflows, are not itemized but incorporated into summary categories.¹³⁷ The FSM does not publish any other data on remittances, such as flows through the banking sector.

Graduate School, USA. EconMAP maintains a time series of household remittances as part of its Balance of Payments data in support of the FSM's Statistics Division. The March 2024 publication, *Federated States of Micronesia: Fiscal Year 2022 Statistical Appendices (Preliminary)*, contains BOP data for FY2004-FY2018.¹³⁸

- » Under secondary income inflows, “Household remittances” are listed as \$27.0 million in FY2018. Secondary income outflows of “Household remittances” are listed as \$15.6 million in FY2018. The outflows are further disaggregated: “to FSM households living abroad” at \$1.2 million and “by foreign workers in the FSM” at \$14.4 million.
- » For estimating inflows of household remittances, FSM household surveys and surveys of FSM migrants in the United States provide data points for inward remittance flows. For the intervening years, this data is adjusted for inflation and for an increasing number of FSM migrants in the United States. Data points are established from the 1998 and 2005 FSM Household Income and Expenditures Surveys (HIES) and from two surveys of FSM households in the United States done in 1999 and 2006.
- » For estimating outflows of household remittances, there are two estimated components: FSM households sending support to family members overseas and foreign workers in the FSM sending part of their earnings home. For the FSM

136 Christopher Brown and Aiko Mineshima, “Remittances in the Pacific Region,” *IMF Working Paper*, WP/07/35, February 2007. <https://www.elibrary.imf.org/downloadpdf/view/journals/001/2007/035/001.2007.issue-035-en.pdf>.

137 The FSM's current posting covers FY2014-FY2018 Balance of Payments. Highly aggregated data is published at: <https://stats.gov.fm/topics/economic-statistics/external-sector-statistics/>. The FSM no longer publishes a *Statistical Yearbook*. The most recent yearbook presented more detailed BOP data for FY1997 to FY2005.

138 <https://pitiviti.org/storage/dm/2024/02/fsm-econstat-tabs-fy22-pub1-20240228211902184.xlsx>.

households, the 1998 HIES is used to establish a data point of family transfers, that are then adjusted each year for changes in FSM GDP. For foreign worker transfers, the count of foreign work permits for 2008 and 2009 is adjusted by GDP growth to create a time series of permits. Based on 2009 information from Western Union on wire transfers, foreign worker transfers are assumed to be \$7,000 each year. This transfer is adjusted by the growth rate of FSM wages.

- » With respect to the four sources of remittance data outlined by the IMF, the EconMAP remittance time series combines data points from household surveys on remittance activity, with administrative data on foreign work permits and financial transaction information to estimate remittances. The current estimation process would benefit from updated Household Income and Expenditure Survey (HIES) information and data collected overseas from the FSM community. Additionally foreign worker permit counts and the basis of foreign worker remittances needs to be updated.

FSM census and household survey data

The most recent FSM 2010 Census and Household Income and Expenditure Survey (HIES) for 2013/14 included questions related to remittances. However, the structure of the questions are not the same across prior FSM Censuses or HIES. In addition, in some cases the questionnaire responses regarding remittances have not been fully tabulated in published tables.

2010 FSM Census. The 2010 census included questions for each member of the household relevant to inward cash remittances. Questions asked if the person had received remittances from outside the FSM in the prior 12 months and the total dollar amount. In addition, a question asked how the money was usually received, with check boxes for: Western Union/MoneyGram, bank, store/shop, post office, or other. Another question asked which country most of the money came from. There were no questions about outbound remittances in the 2010 Census. Further, the 2010 Census did not capture information on gifts/goods, either inbound or outbound.

In published reports from the 2010 Census, 16 percent of persons 15+ years of age (10,832) reported receiving inbound remittances that totaled \$7.7 million and averaged \$714. Remittances came via banks (24 percent), shops/stores (11.3 percent), and other outlets (63 percent). Other outlets presumably included Western Union and MoneyGram. A minor amount (less than 2 percent) of remittances came via the Post Office. Of the 10,832 persons reporting remittances, 44 percent received most remittances from the US mainland, 32 percent from Hawaii, and 21 percent from Guam.

2013/14 FSM Household Income and Expenditure Survey (HIES). The 2013/14 FSM HIES included questions relevant to remittances, both inward and outward.¹³⁹ However, it did not collect enough detailed information to fully identify inward flows of cash and goods to FSM households or outward flows of cash and goods from FSM households. Also, some collected information was not published.

139 See: https://pacificdata.org/data/dataset/spc_fsm_2013_hies_v01_m_v01_a_puf

Inward support to the FSM household:

Remittances and cash gifts: In a questionnaire section labeled “remittances & other cash gifts,” the HIES asks if any member of the household received any money from a member of another household. For each sender of cash, the questionnaire asks if the sender was a US military person; their relationship to the head of the household; and the place the sender resides (FSM-same state, FSM-different state, US mainland, Hawaii, Guam, CNMI, Other Pacific Islands, Other). For the actual remittances/gifts, the questions ask how funds were provided (money transfer in a bank account or by Western Union/MoneyGram; or as cash via friends/relatives or by mail); whether the gift was regular or ad hoc; the purpose of the gift (church gift, traditional ceremony, funeral, wedding/birthday, or living support); and the total amount provided by the sender over a 12-month period.

- » The 2013/14 HIES analysis report found that remittances were \$11.7 million dollars, representing 4.1 percent of total household income. This compared to \$7.0 million in the 2005 HIES, when remittances were 3.2 percent of total household income.
- » The shares of remittances income differed by FSM state: for Chuuk they represented 8.0 percent of total household income, in Kosrae -- 6.9 percent, Pohnpei -- 2.4 percent, and in Yap -- 1.6 percent.
- » While the 2013/14 HIES reporting did not provide tables breaking out the source of remittances from overseas or by FSM state, it did report that at the national level, 95 percent of remittance money came from overseas, mainly from the US mainland (42 percent), Hawaii (28 percent), and Guam (23 percent). Further reporting notes that 9 percent of the money transferred to FSM households came for someone in the US military.
- » While the remittance questions in the HIES asked for the purpose of each transfer: church gift, traditional ceremony, funeral, wedding/birthday, or living support, these breakouts were not published.

Gifts (in-kind): In the HIES Diary questionnaire, households are asked to report for each day of the diary week on any items received for free as a gift that day, either food or non-food items. The questionnaire collected data describing the gift, number/quantity, unit of measure, and estimated value. The questionnaire did not ask any questions about whether the gift originated from outside the FSM.

- » The 2013/14 HIES analysis report found that gifts were \$9.6 million dollars, representing 3.4 percent of total household income. This compared to \$7.9 million in the 2005 HIES, when remittances were 3.6 percent of total household income.
- » The role of in-kind gifts as a fraction of household income were the inverse rank order of remittances: with Yap at 5.3 percent of household income, Pohnpei at 3.8 percent, Kosrae at 3.0 percent, and Chuuk with 1.8 percent.
- » The analysis report does not distinguish whether these in-kind gifts were from the FSM or overseas, as the underlying data collection did not ask that question.

Outward support from the FSM household:

Cash contributions to special occasions: The household expenditure survey asked about household contributions to a series of special occasions: birthdays, funerals,

fundraisers (medical, student, travel, etc.), graduations, housewarmings, traditional functions (customary titles, etc.), other special occasions. This series of questions asked if the recipient was within or outside the FSM.

Provisions of financial support: The household expenditure survey asked about cash “donations” to another household, church, community groups/village sports, school, and other unspecified groups. This series of questions asked if the recipient was within or outside the FSM.

- » Total cash transfer expenditures of households totaled \$11.6 million, with cash transfers for ceremonies reported at \$8.2 million and support to another household at \$1.3 million. The \$1.3 million in support to another household seems very low when considering the transfers of foreign workers in the FSM to family overseas and of households in the FSM who may send some support to the large number of FSM migrants overseas.
- » Even though the underlying survey questions asked whether the recipient was within or outside the FSM, these data are not reported. This is an opportunity for further tabulations.

Goods provided to another household: In the HIES Diary questionnaire, households are asked to report for each day of the diary week on any items they bought as a gift to another household, either food or non-food items. The questionnaire collected data describing the purchased item, number/quantity, unit of measure, and total price. The questionnaire did not ask any questions about whether the other household is inside or outside the FSM.

- » Total expenditures on goods that were purchased for a beneficiary in another household totaled \$3.4 million in 2013/14.

Another set of HIES Diary questions asked if any home-produced items were given away. Item categories included agriculture (taro, mango, cabbage, sakau, etc.), fishing (tuna, reef fish, crab, sea cucumber), livestock (pig, chicken, dog), and handicraft (mats, fans). The questionnaire did not ask any questions about whether the other household is inside or outside the FSM.

- » Total value of goods that were home-produced for the benefit of another household, totaled \$6.2 million in 2013/14.

Prior HIES efforts. The 2005 HIES contained separate questions about remittances received by FSM households from inside and from outside the FSM. In addition, separate questions collected data about gifts received by households from inside and from outside the FSM. This information was fully tabulated in the 2005 report regarding household income. Questions about household expenditures asked for the total annual outlays of cash and cost of goods given to other individuals or families, including asking them to identify if the recipients were in the FSM or outside the FSM. This information is grouped into a single line for reporting, as expenditures on gifts. Reporting is not divided between cash and goods or between inside or outside the FSM. Further, it is unclear how expenses, such as purchased food, grown food, and other donations are allocated for “major local events” such as weddings, christenings, funerals, traditional feasts/events, church activities, school and charity fundraising. Logically, some of these may be internal household expenses, with some transfers to other households inside or outside the FSM.

In looking at the 1998 HIES, the challenge of how to treat the 2005 “major local events” category is apparent. In this survey, gifts (purchased and home-produced) loom large as do expenses for “special occasions,” with weddings, funerals, and traditional titles and activities listed. By comparison, remittances overseas and within the FSM are small, with each about \$500,000 per year.

FSM Banking Board data

The FSM Banking Board oversees the operation of the two banks in the FSM. Currently, it does not have any regulatory jurisdiction over other financial entities operating in the FSM, some of which may be active in transferring remittances into and out of the FSM economy. The Banking Commission does not collect information relevant to measuring and monitoring remittance transfers into and out of the FSM.

However, FSM financial regulation may be revised in the future. The IMF recently stated that as the FSM financial sector expands, it will be important to ensure that lending to the private sector is under prudential regulatory frameworks for both commercial banks and non-banking credit institutions. Specifically, extending the FSM Banking Board’s supervisory authority by placing the FSM Development Bank and credit unions under its supervision, and introducing prudential regulation for non-banking credit institutions, would help protect consumers and contain possible future fiscal and financial risks. Such a move might, in time, be an opportunity to provide reporting and monitoring of remittance flows.

iii. Steps to Improve FSM Remittance Data

Balance of payment remittance data can be improved.

- » First, the assumptions used for the current BOP estimates can be compared to updated information from the most recent census and household surveys and updated as merited. This will require further tabulations of underlying census and survey information by the FSM Statistics Division.
- » Second, if FSM banking regulations expand the role of the FSM Banking Board in the future, reporting requirements could be structured to collect information on remittance transfers.

FSM census and survey remittance data can be improved in two ways:

- » Census and HIES questions should be consistently structured to capture the inward and outward flows of remittances to and from the FSM. This data collection could separate out the categories of regular vs. ad hoc remittances, and cover money and goods. Using the same questions across census and HIES surveys could provide a time series of relevant data on remittance activities.
- » Additionally, collected census and HIES data should be consistently tabulated and published. Currently, while remittance information is covered by census and survey questionnaires, it is sometimes not fully reported in summary documents. Further, there are opportunities to do additional cross tabulation of the information with other demographic characteristics such as citizenship.

Lastly, consideration can be given to a publication strategy for information on remittances. This publication could also include information on migration, which leads to

remittance actions. As data can be drawn from multiple sources across the government, organizing the analysis and publication will require cooperation across departments and a clear lead division responsible for reporting and disseminating the information.

C. FSM FDI Data

i. Background and FSM Regulation of FDI

Foreign Direct Investment (FDI) is cross-border investment where an individual/entity resident in one country makes a long-term investment in a business in another country. This long-term status is a critical aspect of FDI, where the foreign investor has acquired a lasting interest and some control over the operations of the business. Foreign investment flows are presented as annual transactions that result in a stock of foreign-controlled assets.

FDI can have several forms of operation as well as differing motives for the investor. Research on FDI usually focuses on the impact of FDI on economic growth, employment, and trade, but there is also considerable interest in FDI's effects on non-economic areas such as environmental, political, and social sectors.

Research on FDI

Forms of FDI can have different structures: new investment that builds something from the ground up (greenfield investment), such as a hotel or factory; mergers and acquisitions, where a foreign investor acquires an interest in a company through stock purchases; and joint ventures. Several frameworks have been outlined regarding investment motives. One framework includes: access to resources (natural resources or labor) or markets (consumers or suppliers), ability to gain efficiencies (through scale or cheaper inputs); or acquire a strategic asset (technology and patents).¹⁴⁰ In the case of the FSM, access to marine resources or tourism opportunities is a motivation for FDI investment, while access to the FSM market is the basis for other FDI investors, such as banks.

Measuring and understanding FDI is important for understanding the economy and informing economic policies, and it is relevant for informing political and social policies. These two areas of interest about FDI both recognize that FDI can have benefits and costs for the host nation. An example of benefits would be improvement in labor skills through training or the introduction of new production technology, while an example of costs would be increased competition by the FDI entity crowding out domestic firm sales or supply of inputs such as labor.

- » FDI is cited as a key source of economic growth and poverty reduction, with the host country gaining resources for “greenfield” investment, management expertise, and technology. Historically, FDI drives economic expansion with an increasing standard of living; however, individual country experiences can vary. A key consideration is whether FDI benefits or injures local firms and labor. Research on FDI in Pacific Island economies has been limited, and what has been done has not covered the FSM, the RMI, or Palau. Existing Pacific Islands FDI economic research includes:

¹⁴⁰ This formulation is from J.H. Dunning, *Multinational Enterprises and the Global Economy*, Addison-Wesley, 1993.

- o Industry case studies in Fiji and Samoa: In 2003, in the context of a general view that inward FDI and linkages between foreign investors and domestic businesses are beneficial to a Pacific Island country's development, the Secretariat of the Pacific Islands Forum recognized that some Pacific Island country governments were not yet fully convinced on the questions of how and how fast the liberalization process to promote FDI should proceed. The Secretariat commissioned a study that focused on five case studies in two countries of three industries: Fiji (apparel and footwear manufacturing, and tuna fishing) and Samoa (coconut processing and tuna fishing).¹⁴¹ This study found host nation benefits from FDI due to inputs purchased from the domestic economy (fish and coconuts) and the use of local labor (manufacturing). However, it found little benefit from FDI technology or worker training for domestic firms. Further, FDI firms had a negative impact on local firms through competition for supplies (coconuts and tuna). Study recommendations included promoting that FDI firms hire and train local labor, acquire inputs from local sources, and engage in joint activities with local firms.
- o Worldwide FDI statistical analysis: A study of worldwide FDI over a 40-year period (1971-2010), found that FDI impact on economic growth in Pacific Island nations, while positive, was much lower than for other regions of the world and that in the Pacific Islands, FDI crowds out domestic investment.¹⁴²
- o Fiji case study: This study found that FDI had a positive impact on Fiji GDP and employment; and recommended that Fiji continue its proactive policy to attract FDI.¹⁴³
- o Pacific island economic growth: A statistical study assessed the impact of tourism, inward remittances, FDI, and domestic credit on economic growth. The study covered Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu. FDI was found to be positive in 4 of the 5 countries, and most conducive to growth in Fiji and Vanuatu. The study also found that tourism attracted FDI in all five countries.¹⁴⁴
- » Non-economic interest in FDI also stems from historical, environmental, political, and social concerns. For example, for nations that were former colonies, a large role in the economy by foreign investors may extend or restore past colonial relations. In the political realm, FDI operations may raise concerns about undue political influence and corruption. Meanwhile, in the social realm, FDI may require

141 Foreign Investment Advisory Service (A joint service of the International Finance Corporation and The World Bank) "Linkages and flow-on impacts of foreign investment in Pacific island economies: Final Report April 2004", *Secretariat Pacific Islands Forum*. <https://documents1.worldbank.org/curated/pt/432491468098051313/pdf/347030v10rev0EAP0Linkages.pdf>.

142 The study covered 209 countries, including 7 Pacific Island nations. However, it did not include the FAS nations. Simon Feeny, Sasi Iamsiraroj, and Mark McGillivray, "Growth and Foreign Direct Investment in the Pacific," *Economic Modelling*. Volume 37, February 2014, Pages 332-339. <https://www.sciencedirect.com/science/article/abs/pii/S0264999313005154>.

143 T.K. Jayaraman, Baljeet Singh, "Foreign Direct Investment and Employment Creation in Pacific Island Countries: An empirical study of Fiji," *Asia-Pacific Research and Training Network on Trade Working Paper Series*, No. 35, May 2007. <https://econpapers.repec.org/paper/escwpaper/3507.htm>.

144 Ronald Ravinesh Kumar and Peter Josef Stauvermann, 2021. "Tourism and economic growth in the Pacific region: evidence from five small island economies," *Journal of the Asia Pacific Economy*, 22 July 2021. <https://doi.org/10.1080/13547860.2021.1944796>.

the importation of foreign labor that has a large social impact or FDI may have an environmental impact within the host country.¹⁴⁵ Especially in the case where FDI is seeking natural resources, concerns are cited about FDI having an adverse environmental impact.¹⁴⁶ In the case of the FSM, where some FDI is oriented towards fisheries, protecting the environment may not be the short-run objective of the FDI firm, even though it is aligned with the FDI firm's long-term interests. The small body of research on non-economic FDI impact has, to date, not covered the Pacific Islands.

Developing consistent and robust statistics on FDI is important for understanding FDI's role in the economy and to build a broader understanding about other impacts.

FDI policy and regulation framework

In the case of the FSM economy, FDI is a modest component of economic activity. Like other Pacific Island nations, the FSM has laws and regulations that directly affect FDI entities, including foreign investment licensing, corporate registration, foreign labor permits, and taxation.

The FSM National Department of Resources and Development supports and manages the development of the FSM economy and has a Division of Trade and Investment. The Division currently (as of 2024) advertises that investment opportunities are available in the FSM in 10 areas: tourism, fisheries and aquaculture, agricultural production and agro-processing, manufacturing, woodworking, metal recycling, renewable energy, captive insurance, telecommunications, and transportation.¹⁴⁷ The Division further posts an *Investment Guide* (dated 2015) that outlines National Government, as well as FSM State Government FDI regulations.¹⁴⁸ Further, the *Investment Guide* outlines the steps required for foreign investment in the FSM.

The current FSM regulatory system for foreign investment is complex as there are National statutory regulations for foreign investors in certain economic sectors, while each individual FSM State has its own foreign investment regulations for all other foreign investors. This reflects the different roles of the National and State Governments. According to the *Investment Guide*:

- » The FSM National Government regulates banking, insurance, telecommunications, international and interstate transport, fishing in the FSM Exclusive Economic Zone (EEZ), the exploitation of any other resource within the EEZ, and the supply of goods/services under contract to the National Government or under an international aid project approved by the National Government. Examples of FDI

145 Stephen D. Cohen, *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity* (Oxford University Press, 8 February 2007). <https://academic.oup.com/book/9537>.

146 Eric B. Yiadoma, Lord Mensah, and Godfred A. Bokpin, "Environmental Risk and Foreign Direct Investment: the role of Financial Sector Development," *Environmental Challenges* (Volume 9, December 2022). [Environmental Risk and Foreign Direct Investment: the role of Financial Sector Development - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S2468013322000000).

147 See, <https://rd.gov.fm/trade-policies>, listing of investment opportunities as of 24 July 2024.

148 See, *The Federated States of Micronesia Investment Guide: A Step-by-step Handbook for Investors, 2015 Edition*, published by the Division of Trade and Investment, FSM Department of Resources and Development in cooperation with State Governments. <https://img1.wsimg.com/blobby/go/03465d55-d45f-4daf-a19f-877991a60874/downloads/Investment%20Guide.pdf?ver=1719976341535>.

subject to National regulations include any banking operations, airlines operating across FSM State or international borders, and international construction firms contracted by the National Government.

- » FSM States regulate all other economic activities and sectors. Examples of FDI subject to State regulations include retail/wholesale operations, professional services (accounting, legal, medical), and international construction (but not if for a National Government or aid project contract). State regulations are not harmonized across States, with each FSM State having its own laws and regulations. A foreign investor that operates in each FSM State could face four differing regulatory regimes.

A February 2024 presentation to the FSM Resources and Development Conference (held in Yap) outlined the statutory history and status of FSM FDI legislation.¹⁴⁹ According to the presentation, prior to the FSM “Foreign Investment Act of 1997” the FSM had a single foreign investment law that applied to the entire nation and was modeled after the foreign investment regulations of the Trust Territory of the Pacific Islands.¹⁵⁰ Since 1997, there are five sets of laws regulating FDI, all of which have been amended since 1997:

- » National Government : the 1997 Foreign Investment Act was amended in 1998 and further amended by the 2006 insurance law.
- » Chuuk State: the Foreign Investment Act of 2017 created a Registrar of Corporations and required joint ventures.
- » Kosrae State: the Foreign Investment Act of 2005 was amended in 2021.
- » Pohnpei State: the Foreign Investment Act of 2011 was amended in 2018.
- » Yap State: the Foreign Investment Act of 2001 has been amended in 2002, 2005, 2012, and 2022.

Current FDI statutory language is largely not available on FSM National or State government websites. The central repository of FSM law, Legal System of the Federated States of Micronesia, may not reflect current FDI laws or regulations for any FSM State.¹⁵¹ The information provided below on FDI law and regulations should be viewed as provisional, as some of it is not drawn from legislation, but from secondary presentations, including press accounts and descriptions in various government documents. For the National and four State Governments, the *Investment Guide* outlines specific economic sectors by color-coded categories based on the whether foreign investment is permitted, regulated, or prohibited.¹⁵²

149 <https://rd.gov.fm/rd-conference>, see: “Foreign Investment Acts in the FSM” (February 2024), https://drive.google.com/drive/folders/1LzHiU_XVodh8NcU9KAggNkqul3p61Tiw.

150 See discussion of Trust Territory of the Pacific Islands at Commonwealth of the Northern Mariana Islands Law Revision Commission website: <https://cnmilaw.org/tt.php#gsc.tab=0>.

151 <https://www.fsmlaw.org/>.

152 Note, the *Investment Guide* did not always cite the most recent state law in its presentation at the time it was written, so this listing should be considered provisional.

Green List foreign investment activities have no additional required special conditions

- » National Government controlled economic areas of telecommunications, international and interstate transport, fishing in the FSM Exclusive Economic Zone (EEZ), the exploitation of any other resource within the EEZ, and the supply of goods/services under contract to the National Government or under an international aid project approved by the National Government are listed as open for nation-wide FDI with no other restrictions. These investment areas would not be subject to FSM State regulation.
- » Chuuk State's Green List is for joint ventures of alternative energy, eco-tourism, export of local products, extracting of land-based mineral resources, fishing and processing plants, health care facilities, hotel development, intrastate airline and shipping services, mining of seabed resources in Chuuk's territorial waters, professional services, wholesale and retail, and processing and exportation of local products.¹⁵³
- » Kosrae State's Green List includes any economic sector that is not included in the Amber or Red lists.¹⁵⁴
- » Pohnpei State's Green List includes: foreign investments with an initial capitalization exceeding \$1 million for the operation of hotels/establishments (including restaurants, bar/night club, and gift shops within the hotel); a business with initial capitalization exceeding \$500,000 or \$50,000 in the case of a professional service (unless otherwise on the Amber or Red lists), and certain types of businesses with

153 The Chuuk discussion draws on the *Guide (2015)*, but is supplemented by more recent Chuuk legislation, CSL No. 14-17-06, "Chuuk State Foreign Investment Act of 2017." http://www.fsmlaw.org/chuuk/pdf/csl_c/CSL%20NO.%2014-17-06%20EV.docx Any change to Chuuk's FDI law since 2017 is not publicly posted. The FSM National Government posts an outdated 1999 version of Chuuk's FDI law (Act No. 4-47, 10 February 1999) on its website. <https://img1.wsimg.com/blobby/go/03465d55-d45f-4daf-a19f-877991a60874/downloads/Foreign-Investment-Act-Reg-Chuuk.pdf?ver=1719976341536>.

154 This presentation draws primarily from the statutory language found in the 30 September 2021 compilation of the *Kosrae State Code*. https://www.kosraestatelegislature.com/_files/ugd/f1e94d_30c5c7db1d7644a38c8ffe899de99a97.pdf However, this 2021 Kosrae Code compilation does not indicate that it incorporates the 2021 amendment to Kosrae's Foreign Investment Act. Information from the *Investment Guide* is added where it may recognize the discretionary decisions of the Kosrae state government, but the presentation should be considered provisional. Currently, the FSM National Government posts an unrelated 2005 Kosrae mortgage law on its FDI website for Kosrae. <https://img1.wsimg.com/blobby/go/03465d55-d45f-4daf-a19f-877991a60874/downloads/Mortgage-Law%20Kosrae.pdf?ver=1719976341536>.

verifiable local partners that fully control the business with means such as voting rights of common stock of at least 51 percent of the total equity of the business.¹⁵⁵

- » Yap State FDI regulations include no activities with Green List status.¹⁵⁶

Amber list foreign investment activities are allowed if they meet certain requirements

- » National Government establishes additional conditions that must be met by foreign investors for insurance and some banking activities.
- » Chuuk State's 2017 statutory Amber List is casinos, lotteries, and telecommunication and internet service.
- » Kosrae State's Amber List cites real property brokering and tourism (other than ecotourism) in its law. The Kosrae law notes that the Director of the Kosrae State Department of Resources and Economic Affairs may designate through regulations other economic sectors as being on the "amber list." The *Investment Guide* adds to the list live reef fish trade or coral harvesting, as well as other areas not on the Green or Red lists.¹⁵⁷
- » Pohnpei State's Amber List appears to now apply to temporary approvals for up to 36 months for businesses the Registrar of Corporation determines will be of significant benefit to the economy of the State and is requested in connection with a National or Pohnpei State government project, or others.
- » Yap State's Amber List is extensive: commercial fishing (including but not limited to, the catching, processing and commercial exportation of fish caught within the internal waters of the state), exploration and exploitation of ocean seabed minerals and other non-living resources within the state fishery zone, wholesale and retail, handicraft making, barbershop and hairdresser, garment manufacturing, auto repair shop, appliance and small engine repair, electronic repair shop, print shop and shirt printing, video, movie theaters, film developing, construction, vehicle rental, equipment rental, restaurant, bar, billiards/pool hall, farming (poultry and livestock), lawyer, laundromat, tailoring and alterations, taxi; and consulting.

155 The Pohnpei discussion draws primarily from a press account of a Pohnpei State Law 9L-84-18 that was enacted by the Legislature, overriding the Governor's veto on 6 September 2018. Bill Jaynes, "Pohnpei reforms Foreign Investment law," *Pacific Island Times*, 19 September 2018. <https://www.pacificislandtimes.com/post/2018/09/19/pohnpei-reforms-foreign-investment-law/> According to the press article, the enacted bill simplified foreign investment by deleting the preferred joint venture and special investment sectors and dismantling the Discretionary Review Panel. The 2018 law is not currently available on FSM National or Pohnpei State websites. The structure of the 2018 amendments is like the prior 2011 statutory law, see Code of the State of Pohnpei, FSM, Volume II, Title 37, Chapter 7 – Foreign Investment (2012 Edition, Advance Copy). The chapter is the "Pohnpei Foreign Investment Act of 2011, S.L. No. 7L-83-11, 18 March 2011. <https://www.fsmlaw.org/pohnpei/code/pdf/pohnpei%20state%202012%20code.pdf> The FSM National Government posts an outdated 2006 version of Pohnpei's FDI law (S.L. No. 6L-86-06, 20 December 2006) on its website. <https://img1.wsimg.com/blobby/go/03465d55-d45f-4daf-a19f-877991a60874/downloads/Foreign-Investment-Act-Pohnpei.pdf?ver=1719976341535>.

156 The Yap FDI presentation is based on the *Investment Guide*. The Yap Code that is available online only incorporates laws through 2000. <https://www.fsmlaw.org/yap/code/c2000intro.htm>.

157 This Kosrae discussion draws on the *Investment Guide* (2015) for the Amber category listings but incorporates 1998 Kosrae statutory language as well.

Red List foreign investment activities are prohibited

- » The National Government prohibits arms manufacturing, minting, coin/currency production, business related to nuclear power/radioactivity, and business related to manufacturing or distribution of biological and chemical warfare components. These prohibitions apply nationwide.
- » Chuuk State's 2017 FDI legislation did not list any Red List sectors.
- » Kosrae State's Red List includes manufacturing of toxic and bio-hazardous material as well as gambling and casino establishments in its law. Kosrae law states that the Director of the Kosrae State Department of Resources and Economic Affairs may designate through regulations other economic sectors as being on the "red list." The *Investment Guide* adds fishing using sodium/cyanide or compressed air to the Kosrae red list.
- » Pohnpei State's 2018 FDI legislation outlined a newly expanded Red List: retail and wholesale-general merchandise, apartment services, tour guides/dive tours, rental car services, barber/beauty shop, moms-pops stores, agricultural farming (including livestock/poultry), bakery, and gas stations. Restaurants, hotels/establishments (including restaurants, bar/night club, and gift shops within the hotel) of \$1 million or less, other businesses with initial capitalization of \$500,000 or less, or \$50,000 or less in the case of a professional service.
- » Yap State's Red List prohibits the manufacture of toxic materials and waste, manufacture of weapons and ammunitions, commercial export of reef fish, and any activity which is injurious to the health and welfare of the citizens of Yap State.¹⁵⁸

Steps to invest in the FSM

The 2015 FSM *Investment Guide* outlined investment opportunities to include: tuna processing; fishing vessels and fishing net repair and maintenance; tourism development around historic and archaeologic sites and protected areas; water-based sport activities; production of import-substitutable products; artesian and mineral water; processing of agriculture products; international and inter-state transportation; and production of renewable energy. The Guide further outlined a series of steps to start a FDI business in the FSM:

1. Preliminary steps: determine whether the proposed business sector falls under FSM National or State regulation and whether it is prohibited (Red List).
2. Determine legal form of business.
3. Establish company name with the FSM Registrar of Corporations or State Registrars.
4. Register or incorporate your business. If incorporated elsewhere (as is the case with most foreign investments), this is a registration process. Incorporation is the requirement for a business organized under the laws of the FSM.
5. Obtain a foreign investment permit from the FSM National or State Government.

¹⁵⁸ This list is from the Yap State FDI legislation available online (as of 2000). The list may have been subsequently modified. The FSM *Investment Guide* only reports that the harvesting or sale of non-living resources in the internal waters of the State of Yap are prohibited.

6. Lease land/premises.
7. Obtain licenses/authorizations from relevant agencies. Examples are banking, insurance, import/export, vehicle, and fishing licenses; food establishment, location and building, earth moving, and air carrier permits. Some of these licenses/permits may be from the National Government, others from the several State Governments.
8. Obtain a business license from the relevant Municipal or State government where the business will operate.
9. Register the business with the FSM Social Security Administration.
10. Recruit workers. If foreign workers or managers, permits are required from the Division of Immigration and Labor (FSM Department of Justice).
11. Open a domestic bank account.
12. Pay taxes to the Division of Revenue and Taxation (FSM Department of Finance and Administration). These taxes include appropriate gross revenue taxes, corporate income taxes, and the employer portion of social security.

FDI reform efforts

The FSM has long listed FDI reform as an agenda item for action, but it has not been a sustained priority. The FSM State and National Leadership Conference (SNLC) brings together the FSM President and the four State Governors as well as the presiding officers of each legislative body to address issues and shape the nation's strategic direction. This is one of the key points of coordination across the five governments.¹⁵⁹ In addition, the FSM holds periodic Economic Summits, Resources and Development Conferences, and various Symposiums. FDI reform has been discussed in these forums.

The FSM government has long recognized its failure to attract foreign direct investment as compared to other nations and viewed this failure as a matter of law and policy that could be remedied with reform of its FDI policies. Challenges with the FSM business environment were highlighted by IMF reviews and in World Bank reports. Reform efforts have been supported by the ADB, IMF, and World Bank. In some cases, donors required FSM action on FDI as a requirement for the release of a grant or loan. FSM reform efforts involve five parties, the National and four State Governments, and usually require two stages, changes in law and the promulgation of regulations to implement the law. Reform discussions have focused on whether FDI should be regulated by the National Government or by FSM State Governments, as well as the extent to which existing businesses should be protected from outside competition.

The 2nd FSM Resources and Development Conference, held in 2022, included a session on foreign investment where the FSM States reported on the status of regulations and investment approvals. The attendees were asked “Does the

¹⁵⁹ A key avenue in the FSM to reach a policy consensus is the restarted State-National Leadership Conference (SNLC) that brings together the President, Congress leaders, State Governors and Legislative leaders to discuss national challenges and policy responses. This process was restarted in 2009. These conferences became a vehicle to float policy proposals for the nation, to endorse policies, and to encourage and coordinate State Government policy action. SNLC events were often held one or two times a year. “State-National Leadership Conference Begins in Palikir” (*FSM Information Services*, 4 February 2009). <https://fsmgov.org/press/pr020409.htm>.

Conference recommend harmonizing the Nation’s laws and regulations pertaining to foreign investment?” The National Government continued to support the nationalization of foreign investment regulation, which the FSM President asked the FSM Congress to enact in May 2019, and again in May 2021. This 2022 Conference broke into ten discussion groups and a supermajority agreed with this harmonization, although several endorsements wanted State investment views to prevail.

Two years later, the 3rd FSM Resources and Development Conference (29 January-2 February 2024) made foreign investment recommendations, but it reversed the structure of the nationalization proposal. Rather than the FSM National Government being in charge of the foreign investment process, there were two recommendations that promoted State Government roles.

- » “The recurring recommendation was for the States to continue to dictate the Nation’s economic development while the National Government’s role is to facilitate the FIP permitting process with foreign investors.”¹⁶⁰
- » “Sanction a review of FSM’s FIP and enabling legislation to establish One-Stop-Shop where the State (municipal and local governments) directly vet the investors and the National Government alone issues FIPs.”
- » In another conference session, private sector representatives commended the new vision for economic development “in being community based” and the FSM Association of Chambers of Commerce stated that it supported the current national foreign investment where the States have a key role, but is open for further improvement.¹⁶¹

The 13th SNLC (12-16 August 2024) did not take any specific actions regarding foreign investment. However, the conference was still briefed on the issue. The briefing showed that revenue from fisheries had plateaued, urged the leadership to seek new opportunities to develop the oceanic fisheries sector, and asserted that onshore investments could create jobs and increase revenue.

ii. Existing FDI Data

Balance of Payments and International Investment Position Data

International Monetary Fund data guidance. Formal estimates of FDI are part of the FSM’s Balance of Payments (BOP) and International Investment Position (IIP) statistics that record external financial transactions. The terms and definitions for these statistics are developed by the IMF.¹⁶² These two sets of statistics are linked, with BOP capturing the annual flow of financial transactions and IIP capturing the stock value of assets and liabilities at the end of a fiscal year. Investment is usually the value of equity (stocks) but can be based on the provision of in-kind goods and services, such as equipment or technology.

To be counted as FDI under BOP and IIP definitions, two criteria must be met:

¹⁶⁰ FIP stands for “foreign investment permit.”

¹⁶¹ FSM Resources & Development Conference: “United for ‘Sustainable’ Economic Growth,” *Outcomes Document* (29 January – 2 February 2024, Colonia, Yap).

¹⁶² International Monetary Fund, *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6), 2009. <https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/31/Balance-of-Payments-Manual-Sixth-Edition-22588>.

- » Control. A foreign investor must acquire control or a significant degree of influence on the management of an enterprise in another economy. Stock ownership of 10 percent is considered to represent significant influence, while control is ownership exceeding 50 percent. Foreign direct investment in the FSM is recorded as a liability in this accounting framework.
- » Non-resident. One key aspect of the BOP concept of foreign investment is that investors are non-resident. For example, an FSM citizen who resides in another country and invests in the FSM represents foreign investment in the BOP. Or an FSM business owner who moves overseas would convert a domestic firm to an FDI firm with that action. Moreover, a foreign citizen who externally invests in the FSM is treated as FDI, but if that investor moves to the FSM and establishes residency, the investment becomes domestic.

With this focus on residency as the driver for the BOP definitions, data collected based on this definition will not match reporting based only on FSM foreign investment permits, where foreign owner citizenship is the key factor. The number of BOP FDI firms will be smaller than the number of FSM foreign investment permit firms, as some foreign investors are resident in the FSM. Further, the FSM does not track whether FSM citizen owners of an enterprise are resident in the FSM. With high rates of outward migration, some FSM business owners are likely to reside overseas.

Statistics Division, Department of Resources and Development data. The Statistics Division publishes tables of annual data that cover FDI in the FSM; however, the Division last published annual Balance of Payments (BOP) statistics for FY2018. Net direct investment (inward direct investment minus outward direct investment) is reported as one of several BOP statistics for FY2014-FY2018. However, the data currently posted for “direct investment, net” is exactly the same as the reported times series “current account balance” and must reflect a reporting error.¹⁶³ The FSM does not appear to report a Stock value for Direct Investment. Further, the FSM has limited reporting of economic data, much of which is out of date. It has stopped publishing annual data compilations, such as a *Statistical Yearbook*.¹⁶⁴

Graduate School, USA data. EconMAP maintains a time series of FDI data as part of its Balance of Payments data in support of the FSM’s Statistics Division.¹⁶⁵ However data limitations on investment permits across the four FSM States and National Government limit the collection of actual inward investment. Currently, the time series on direct investment is primarily based on a small amount of reinvested earnings. As a result, the stock of FSM FDI is currently not tracked due to data limitations.

FSM FDI information developed from FSM GDP and tax data

This report section uses existing data on FSM private-sector GDP to demonstrate opportunities to report on the role of FDI in the FSM economy. The underlying GDP

163 See the tab “Balance of Payments” and the line for “Current account balance” and compare to the tab “International Investment Position” and the line for “Direct investment, net.” <https://stats.gov.fm/topics/economic-statistics/external-sector-statistics/>.

164 The most recently published *Statistical Yearbook* found online was from 2008, with the prior one published in 2007. See: https://www.fertilitydata.org/File/GetFile/Raw/FSM_02.pdf (this website only included one page of data) and <http://www.comfsm.fm/dev/irpo/researchdocs/2007%20FSM%20Statistical%20Yearbook.pdf>.

165 <https://pitiviti.org/fsm>.

presentation draws on revenue from the sale of goods and services reported by FSM private sector firms on tax forms. By applying identifiers for foreign-owned businesses to the tax data it is possible to allocate reported revenue to either FDI or “local” businesses within the private sector.¹⁶⁶ Further, this gross revenue data is adjusted to reflect the GDP contribution of firms in different industries. In developing these estimates, the revenue of some firms is not included as part of GDP. For example, international airline revenue is not included in computing FSM GDP estimates. Also excluded from this presentation are revenues associated with the FSM corporate registry program.¹⁶⁷

This presentation should be considered illustrative and not precise, as the identification of FDI firms in the tax data may be incomplete or in error. Data on FDI firms is not systematically shared within the National Government or between National and State Governments for incorporation in data systems. The identification of FDI firms in the tax data is based on local knowledge and information from prior to FY2017. However, the Yap State list of FDI firms is from October 2023.

Six years of FDI. Analysis of “FDI” and “local” business operations show that FDI firms accounted for a small share of FSM private-sector GDP over the FY2017-FY2022 period. The FDI share of FSM private-sector GDP averaged 14.0 percent over the period, reached its highest in FY2020 at 16.2 percent, and was at its lowest in FY2018 at 11.2 percent. Conversely, the local business share of FSM private-sector GDP was smallest in FY2020 at 83.8 percent, and largest in FY2019 at 88.8 percent (see [Figure 16](#)).

FDI firms’ role in private sector GDP varied among the FSM States. Average FDI GDP (FY2017-FY2022) was 12.0 percent of private sector GDP in Chuuk, 26.4 percent in Kosrae, 11.8 percent in Pohnpei, and 21.2 percent in Yap. FDI private sector GDP represented about a quarter of the private sector in the smallest population states of Kosrae and Yap, roughly twice the role played by FDI in the larger FSM States of Chuuk and Pohnpei.

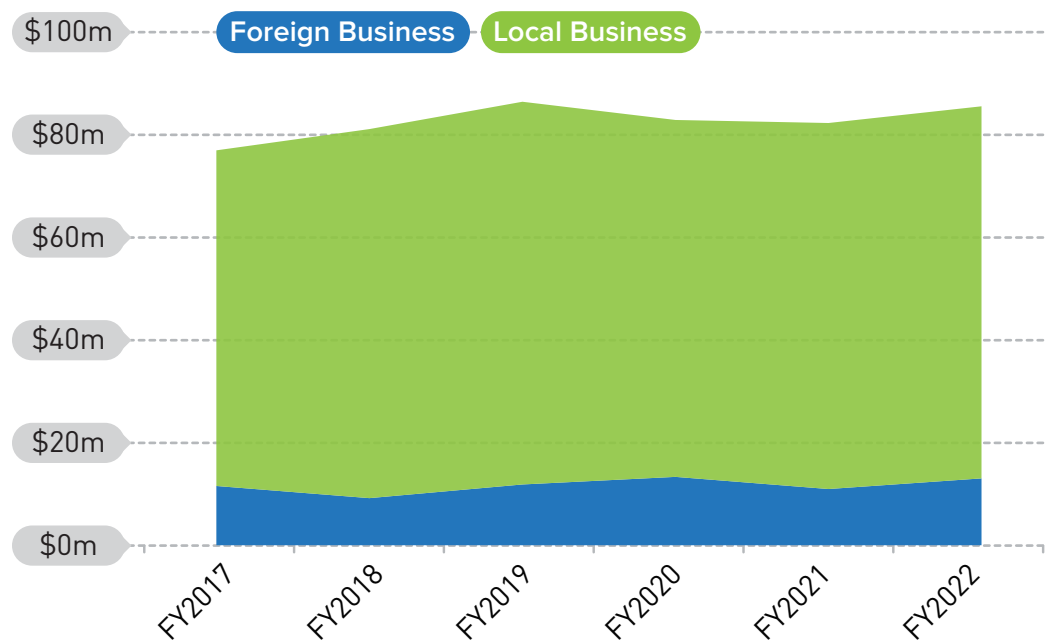
Composition of FSM private-sector GDP by industry categories. FDI and local business GDP contributions can be allocated by the 15 industry categories that are assigned to each firm.¹⁶⁸ (The categories are further consolidated for this presentation.) Below, the industry composition of the overall pre-COVID economy is presented and then

¹⁶⁶ This presentation is using the available tax data where firms are labelled by EconMAP as FDI or local. This allocation draws on local knowledge and in the case of Yap State, a list of current FDI license holders. This does not account for the formal BOP definition of FDI based on actual residency. For example, FDI-permitted enterprises are included as FDI firms even if the investor/owner is resident in the FSM. Further, FDI license data does not currently indicate whether an FDI business is a partnership between an FDI investor and a local investor. All FDI-labelled businesses are assumed to be 100 percent foreign owned, as is the percentage of FDI GDP attributed from that business.

¹⁶⁷ These are the programs implemented by MRA Advisors Inc. (<https://mra.fm>). The company’s website reports that Micronesia Registration Advisors, Inc. was established in the FSM in 2005. In 2020, the company was renamed MRA Advisors Inc. and is registered and headquartered in the FSM. Through an FSM government contract, MRA Advisors promotes the FSM’s Corporate Registry and related programs. Since its inception, MRA Advisors has advised on 33 FSM legislative bills that have been enacted to better serve Japanese companies. MRA Advisors reports that the FSM is home to over 100 Japanese subsidiaries, including 24 captive insurance companies.

¹⁶⁸ The underlying administrative data source that allows this analysis is from business gross revenue tax filings.

Figure 16: Private-Sector GDP for FDI and Local FSM Businesses, FY2017-FY2022 (current prices)



Source: EconMAP analysis of FSM business tax data.

reported separately for the FDI and local FSM business sectors. Three years of private sector GDP data are averaged for these presentations with FY2017-FY2019 as the pre-COVID period. This analysis is replicated for the “COVID” period, FY2020-FY2022 (see [Figure 17](#)).

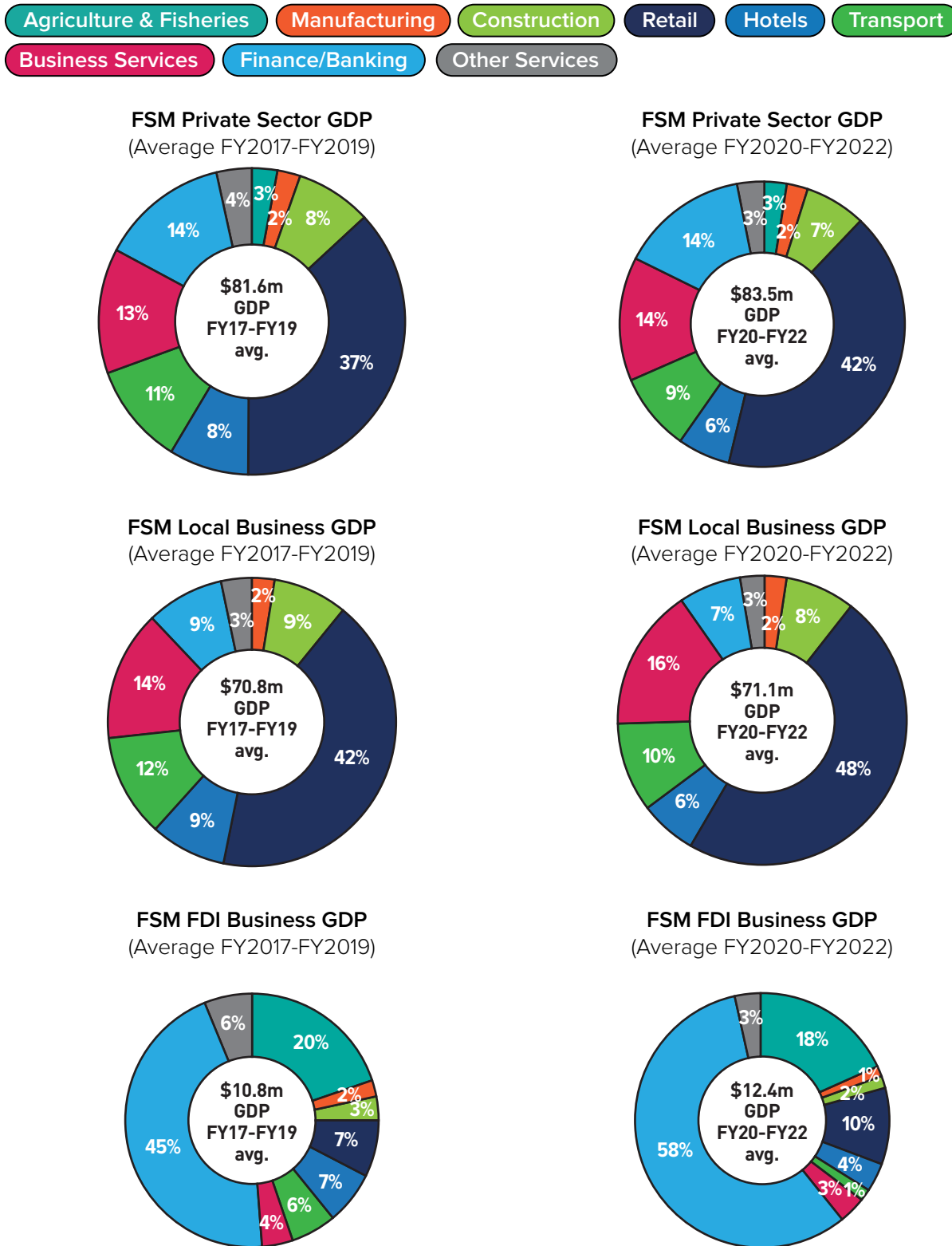
Pre-COVID period:

- » The FSM economy was dominated by the retail sector before the COVID pandemic. It represented 37 percent of private-sector GDP, followed by the finance/banking sector with 14 percent.
- » FDI businesses overall had a much smaller role than did local FSM businesses, accounting for only 13 percent of average FY2017-FY2019 private-sector GDP, as compared to 87 percent for local firms.
- » The FY2017-FY2019 GDP composition of industries varied between FDI and local FSM businesses. For FDI businesses, finance/banking represented 45 percent of their GDP. For local FSM businesses, retail accounted for 42 percent of their GDP, followed by business services with 14 percent.

COVID period:

- » The FSM private sector GDP grew slightly during the COVID period (FY2020-FY2022), by 2.3 percent from FY2017-FY2019. Local business GDP grew almost half of one percent and FDI business GDP grew by almost 15 percent.

Figure 17: Private-Sector GDP of FDI and Local FSM Businesses by Industry, FY2017-FY2019 and FY2020-FY2022 (current prices)



Source: EconMAP projections of FSM private sector GDP by industry.

- » The FY2020-FY2022 GDP composition of industries continued to differ between FDI and local FSM businesses and showed changes from the pre-COVID period. For FDI businesses, finance/banking rose to 58 percent of their GDP. For local FSM businesses, retail rose to represent 48 percent of their GDP, followed by business services with 16 percent.

Other opportunities to use administrative data

In addition to the above analysis that draws on gross revenue tax data, other FSM administrative data could be used to further analyze the different roles of FDI and local businesses in the economy and the labor market. Pulling together this kind of data for any government is a challenge, as it requires data sharing and cooperation across government agencies and systems, as well as the systematic use of a firm-specific identifier (such as an employer identification number from the FSM Social Security Administration) on each government application form or data report so that data can be easily linked. Data coordination and sharing is inherently more challenging in the FSM since information may be held by both the National and State Governments. Information sources that could be reviewed for further analysis of FDI operations include:

- » Business Registration. Registration of corporations (domestic and authorized foreign corporations) and partnerships/LLCs in the FSM fall under several authorities.
 - o At the National level, the FSM Registrar of Corporations is responsible for promoting, managing and facilitating the formation of “major corporations” under the Corporate Registry Program and Captive Insurance Domicile programs.¹⁶⁹ The Registrar works with Micronesia Registration Advisors to promote and attract potential major corporations to the FSM.¹⁷⁰ Currently the Registrar lists 177 “Major Corporations.”¹⁷¹ While the corporations established through this program have limited economic roles in the FSM, the program does generate periodic tax payments for the FSM.¹⁷²
 - o The four FSM States have their own Registers for Corporations that cover domestic and FDI firms. In addition, businesses must acquire a business license for operations, often from municipalities or from the States. For example, Pohnpei State reported 1,424 registered firms across 89 categories and that FDI firms were operating in 44 of these categories.¹⁷³
 - o Currently, business registration and license programs are not coordinated within the FSM and there is no central document or data repository.
- » Foreign Worker Permits. Government policy provides an employment preference to FSM citizens, but if qualified FSM citizen workers are unavailable, it allows the employment of noncitizen workers by FDI as well as locally owned firms.¹⁷⁴ Data on the foreign work force is not presented on FSM government websites and the FSM

169 <https://www.roc.doj.gov.fm/index.php>.

170 <https://mra.fm/>.

171 <https://www.roc.doj.gov.fm/index.php/services/fsm-corporation-listing>.

172 See: “FSM Receives \$35,700,000 in Corporate Tax Payments; \$17.8 Million Enters FSM Trust Fund, \$17.8 Million Enters General Fund” (*FSM Public Information*, posted 12 October 2022).

173 <https://pohnpeistate.gov.fm/resources-and-development/>.

174 FSM Code, Title 51. Labor, Chapter 1: Protection of Resident Workers. https://fsmilaw.org/fsm/code/title51/T51_Ch01.htm.

does not currently produce a *Statistical Yearbook* where such administrative data could be published.

- » **Social Security.** FSM employers are required to apply for an Employer Identification Number (EIN) from the FSM Social Security Administration. The applicant must submit a copy of their business license and evidence of ownership, inception date of business, form of business, and enter a standard industrial code that matches the nature of the business. The EIN application form does not itself record whether the firm is foreign or locally owned.¹⁷⁵ Incorporating additional information in the FSM SSA system would facilitate analysis about the labor market impact of FDI employers, with respect to earnings paid, gender of employees, and reliance on foreign employees. For employees, the application for a social security number includes entries for date of birth, citizenship, place of birth, gender, occupation, marital status, and parent names. Foreign citizen applicants do not provide additional information, such as passport, entry permit, work permits, or employment contracts.

iii. Steps to Improve FSM FDI Data

Opportunities to enhance FDI administrative data and FDI-related statistics include:

Corporate Registry and FDI Permit Information. FSM FDI statistics could be fully compiled if corporate registry and FDI permit information was compiled and shared on a regular schedule for the five governments. This would improve the underlying data in the BOP and IIP reports. Further, including this information in publicly available documents would improve public understanding of the role and contribution of FDI in the economy.¹⁷⁶ Public and transparent listings of FDI firms could also enhance enforcement of legal requirements as more transparency would encourage compliance.

BOP and IIP statistics. For FSM official statistics, more regular dissemination of corporate registry and FDI permit information would improve BOP and IIP statistics. Currently, FDI ownership shares are not available but may be available from corporate registration documents. This would improve estimates of retained earnings by FDI firms in BOP estimates. Updated ownership share data can also increase the precision of allocating revenue, taxes paid, labor compensation, and employment counts between foreign and domestic firms in other analyses.

Incorporate international guidance. International efforts to improve BOP and IIP data should be incorporated into the FSM statistics program. Recent IMF and OECD guidance on direct investment measures and data collection can be reviewed to identify areas for enhancement.¹⁷⁷ For example, recent guidelines on FDI include the principle of collecting data on the ultimate country of corporate control of an investment. For example, if a company in Korea makes an investment in the FSM, that investment is currently classified as a Korean investment. However, if that Korean

¹⁷⁵ See "Application for Employer Number," FSM Social Security Administration. <https://fsmssa.fm/files/forms/ApplicEIN.pdf>. For "Private" entities it has check boxes for sole proprietorship, partnership, joint ventures, corporation, domestic, or religious/church. The private businesses could be FDI or locally owned. The form does not allow for that distinction.

¹⁷⁶ For example, the Republic of Palau includes a table of approved FDI firms and their industry in its annual *Palau Statistical Yearbook*.

¹⁷⁷ For example: *Coordinated direct investment survey guide* (Washington, D.C. : International Monetary Fund, 2015) <https://www.elibrary.imf.org/view/book/9781513519418/9781513519418.xml>.

company in turn is owned by a firm from Japan, that investment in FSM should be traced back to the ultimate source of the investment, Japan.¹⁷⁸ This constitutes a data consideration that is not part of the current process. Also, according to the OECD, many countries augment their FDI data through business surveys as well as data collected in administrative systems. The opportunity and usefulness for an FSM business survey or census should be investigated.¹⁷⁹

Government-wide data interest. Beyond the specific needs of agencies that directly deal with foreign investors and statistics, there are broader opportunities to enhance compliance across government programs and to increase understanding of the impact of FDI. A starting point for this is to ensure that FDI firm status is consistently incorporated into government forms and included in administrative databases. Doing this would increase the capabilities of offices to track and report on the impact of FDI, and improve compliance efforts. For government statistics and analysis, this could facilitate enhanced reporting on immigration, labor force, taxation, economy, and trade flows. To improve the linkages between FDI data collection for statistics and compliance it may be useful to create a task force of stakeholders to review data gaps and identify opportunities for cooperation.

FDI reporting. Lastly, a publication strategy for routine information on FDI should be implemented. FSM's Division of Statistics is best positioned to report on FDI and provide comparative information about FDI and local firms' roles in the economy. This draws on its existing access to administrative data, including from the tax system and Social Security Administration. Additional reporting on FDI will require interagency data sharing and assigning an agency the responsibility for reporting and dissemination of information.

D. FSM SME Data

i. Administrative Data Sources on Businesses

FSM business enterprise information has not been available over the last fifteen years except for sectoral information appearing in EconMAP reports. During the period prior to 2009, the FSM government published very limited business information. The World Bank commissioned one business survey in 2009, but it was limited in the scope of its geography and covered businesses.

- » FSM published limited information on the business sector is its *Statistical Yearbook*, which is no longer produced or published.¹⁸⁰ In the 2007 *Statistical Yearbook*, the chapter on “Business Establishments and Financial Sectors” included a table

178 *Measuring International Investment by Multinational Enterprises: Implementation of the OECD's Benchmark Definition of Foreign Direct Investment*, (Organization of Economic Cooperation and Development, 4th edition 2015). <https://www.oecd.org/corporate/FDI-BMD4-brochure.pdf>.

179 *Foreign Direct Investment: Trends, Data Availability, Concepts, and Recording Practices* (Washington, D.C.: International Monetary Fund, 2004). <https://www.imf.org/external/pubs/ft/fdi/2004/fditda.pdf> The World Bank conducted an “Enterprise Survey” in Pohnpei State, FSM in 2009, covering 68 enterprises (9 manufacturing and 59 services). <https://www.enterprisesurveys.org/en/methodology>.

180 The most recent yearbook appears to have been completed in 2008; however, it is not available on any FSM website. The 2007 *Statistical Yearbook* of the FSM is available at: <http://www.comfsm.fm/dev/irpo/researchdocs/2007%20FSM%20Statistical%20Yearbook.pdf>.

on new business establishments by FSM State and industry for the period 1997-2005 drawn from Social Security Administration data. For example, in 2005 there were 186 new business establishments, with 83 in wholesale/retail trade, 34 in miscellaneous services, and 14 in construction among the 13 reported categories. Among the four States, Chuuk accounted for 18 new business establishments, Kosrae for 30, Pohnpei for 80, and Yap for 58. The *Yearbook* did not provide any breakdown of information on the size of the businesses. The *Yearbook* included a table of active foreign investment businesses by State and industry for the period 1997-2003 that was drawn from the Trade and Investment Unit, Registrar of Corporations, FSM Department of Economic Affairs. For example, in 2003 there were 144 FDI businesses, 47 in other services, 32 in wholesale/retail trade, and 20 in construction among the 12 reported categories. Among the four States, Chuuk accounted for 20 of active FDI businesses, Kosrae for 26, Pohnpei for 112, and Yap for 24. The *Yearbook* did not break this down by the size of the business.

- » The World Bank (International Finance Corporation) conducted an Enterprise Survey in the FSM in 2009.¹⁸¹ The survey collected information about the business environment from a representative sample of the non-agricultural formal private economy.¹⁸² The survey asked business managers and owners about the firm's experience with infrastructure, trade, corruption/crime, labor force skills, and government regulations and services. Respondents were asked whether a certain topic/issue represented "No Obstacle, a Minor Obstacle, a Moderate Obstacle, a Major Obstacle, or a Very Severe Obstacle to the current operations of this establishment?" The World Bank FSM survey interviewed firms with 5 or more employees, but restricted its survey efforts to Pohnpei State, which covered 46 percent of the formal workforce.¹⁸³ The World Bank survey reported that an "inadequately educated workforce" was cited as the main obstacle to business operations by 23 percent of firms with 5-19 employees and by 30 percent of firms with 20-99 employees. The second most cited obstacle was electricity supply for both firm groups, followed by transportation for small firms and tax rates for medium-sized firms. There were no firms with 100+ employees in the survey. Foreign firms represented 25 percent of the small firms and 8 percent of the medium-sized firms. Most of the published data did not provide breakouts of small versus medium-sized firms.¹⁸⁴
- » Other business surveys have been reportedly conducted in the FSM. The *Kaselehlie Press* reported in its June 2002 edition that the Division of Statistics was conducting a 2002 survey of businesses that would count businesses and collect information on the jobs provided, income for owners, and purchases of goods and services from other businesses.¹⁸⁵ In addition, the implementation notes for the World Bank 2009 survey noted a similar review/private sector assessment was being undertaken by the FSM Government and that some private sector

181 *Enterprise Surveys: Micronesia Country Profile 2009* (International Finance Corporation, World Bank Group). <https://microdata.worldbank.org/index.php/catalog/163/study-description>.

182 <https://www.enterprisesurveys.org/en/enterprisesurveys>.

183 The survey sample goal was to cover 7 manufacturing and 181 services firms. Ultimately, the survey included 5 manufacturing firms and 63 service firms. <https://microdata.worldbank.org/index.php/catalog/163/download/17289>.

184 Further data analysis may be possible from this 2009 data. See: <https://microdata.worldbank.org/index.php/catalog/163>.

185 According to the survey implementor, the survey results were used to inform the development of FSM GDP statistics, but did not result in published data or reports.

businesses felt the World Bank survey was duplicative and unnecessary. However, information from the 2002 and 2009 survey efforts do not appear on FSM government websites.

One FSM administrative data system at the FSM Social Security Administration (FSM SSA), receives information from businesses on a quarterly basis that could be used to develop SME statistics based on firm employment. FSM SSA issues an Employer Identification Number (EIN) to all business entities, including sole proprietors, partnerships, and corporations. The applicant for an EIN must submit a copy of their business license and evidence of ownership, inception date of business, form of business, and enter a standard industrial code that matches the nature of business.¹⁸⁶ On a quarterly basis, each business must file a tax return that lists each employee, their social security number, and their earnings that quarter.¹⁸⁷

The FSM Statistics Division uses FSM SSA data in its own past reporting in the annual *Statistical Yearbook*. Analysis that relies on the FSM SSA data is part of the Economic Briefs posted by FSM Statistics.¹⁸⁸ Long-running use of FSM SSA data undergirds the FSM Economic Statistics Tables on the EconMap program website.¹⁸⁹

ii. Using Administrative Data for SME Analysis

To demonstrate some of the analyses and presentations that can be supported with existing administrative data, EconMAP used social security data for employees and businesses to analyze employee counts and wage bills of businesses by their levels of employment. Based on the number of employees of each business taxpayer, EconMAP sorted the size of the entity by the number of employees and created summary statistics for 2022. This analysis of 2022 tax data illustrates the ways this SME data can be presented.

Conducting this analysis requires that annual information be aggregated from quarterly FSM SSA data. For example, to report on the number of employees associated with the business taxpayer on an annual basis, the quarterly number of employees recorded on withholding submissions must be averaged across the calendar year. The analysis rounded the computed average number of employees to the nearest whole number and used that number to group business taxpayers by their number of employees.

Depending on policy analysis needs, business taxpayers can be analyzed based on their relative size. In some nations, size categories are set out in law or regulation for the implementation of economic or support programs.¹⁹⁰

- » The FSM National Government has not established a national framework for SMEs or a definition of business size categories.

186 See "Application for Employer Number," FSM Social Security Administration. <https://fsmssa.fm/files/forms/ApplicEIN.pdf>.

187 https://www.fsmssa.fm/wp-content/uploads/2023/07/quarterly-tax-return-7k_75-FSMSS-401.docxupdated22.pdf.

188 <https://stats.gov.fm/download/69/briefs/681/economic-brief-fy-2017.pdf>.

189 See reports and statistics at: <https://pitiviti.org/fsm>.

190 The following bullet points are based on a review of online FSM Codes for the National and State Governments. This information may be incomplete.

- » A review of FSM State legal codes finds that only Pohnpei State has promulgated a legal definition of firm size categories.
- » Pohnpei's Business Development Act of 1994 stated that it is "the policy of the state of Pohnpei to promote, support, strengthen, and encourage the growth and development of small- and medium-scale enterprises in all productive sectors of the economy." Small and medium enterprises were defined based on the value of their assets, inclusive of assets arising from loans but exclusive of the land on which the enterprise operates. Defined categories: Cottage— Less than \$5,000; Small— \$5,001 to \$25,000; or Medium— \$25,001 to \$250,000.¹⁹¹

A recent ADB review of Pacific SME focused on Fiji, Papua New Guinea, and Samoa found different strategies to label firms as "micro" vs. "small" vs. "medium" sized firms; Fiji used annual sales and assets; PNG used annual sales, number of employees, and assets; while Samoa's thresholds use employment and income.¹⁹²

For this presentation, data on employment is used as the basis for reporting counts of businesses, levels of employment, and wages paid by employment-size categories. The presentation is to illustrate how the business sector can be analyzed and other size categories can be adopted. In 2022 (calendar year), there were 1,076 businesses that paid social security taxes. Of that number, 331 businesses (31 percent) had no reported employees,¹⁹³ while 3 businesses had 100 or more employees (see [Table 8](#)). Many FSM businesses were small, with 42 percent having between 1-4 employees.

For different sizes of firms (based on employment), shares of wages paid and total employment can be computed. For example, the 447 firms with 1 to 4 employees made up 42 percent of businesses, 11 percent of wages paid, and 14 percent of private employment (see [Table 9](#)). The largest businesses with 100 or more employees made up 0 percent (after rounding) of business taxpayers, 9 percent of wages paid, and 6 percent of private employment.

Beyond analysis and reporting at the level of business by size, it is possible to conduct analyses based on economic sector.¹⁹⁴ In 2022, the largest business sectors based on employment are wholesale/retail trade at 50 percent and accommodation and food service at 9.7 percent, followed by construction and transportation, each with 9.2 percent of private sector employment. (see [Table 10](#)).

Further sector level analysis can also be presented from the social security data. For example, firms, with fewer than 50 employees, represented 51 percent of transportation/storage employment and 72 percent of wholesale/retail employment.

191 *Code of the State of Pohnpei, 2012 Edition, Advance Copy*. See: Title 36 Economic Development, Chapter 6 Business Development, Section 103 Small and medium enterprises as beneficiaries.

192 ADB, *Asia Small and Medium-Sized Enterprise Monitor 2023: How Small Firms Can Contribute to Resilient Growth in the Pacific Post COVID-19 Pandemic*, October 2023.

193 More precisely, these employers averaged less than 0.5 employees across the 12-month period. If an employer averaged 0.5 employees or more across the 12-month period, they would be in the 1-4 or 5 plus categories. All of the employee count intervals are subject to rounding.

194 Businesses are classified according to the International Standard Industry Classification codes.

Table 8: Number of Businesses by Number of Employees, 2022

| Number of Employees | Number of Businesses | Percentage |
|---------------------|----------------------|-------------|
| zero | 331 | 31% |
| 1 to 4 | 447 | 42% |
| 5 to 9 | 143 | 13% |
| 10 to 14 | 57 | 5% |
| 15 to 19 | 33 | 3% |
| 20 to 24 | 10 | 1% |
| 25 to 29 | 13 | 1% |
| 30 to 49 | 21 | 2% |
| 50 to 99 | 18 | 2% |
| 100+ | 3 | 0% |
| Total | 1,076 | 100% |

Source: EconMAP analysis of FSM Social Security Administration data.

iii. Steps to Develop FSM SME Data

SME information can be developed for the FSM through the routine analysis of existing social security data. To deepen public understanding of SME roles and activities, consideration can be given to a publication strategy for such SME information. The Statistics Division is well positioned for this reporting, with its existing access to the information in the FSM's social security and tax system. Further reporting on SME firm

Table 9: Number of Businesses, Wages Paid, and Employment by Number of Employees, 2022

| Number of Employees | | | | | | | |
|--------------------------------|----------------|--------|--------|--------|----------|----------|--------|
| | Total | 0 | 1 to 4 | 5 to 9 | 10 to 49 | 50 to 99 | 100+ |
| Number of businesses | 1,076 | 331 | 447 | 143 | 134 | 18 | 3 |
| Total wages paid (\$ millions) | \$36.31 | \$0.02 | \$4.12 | \$6.05 | \$14.26 | \$8.46 | \$3.40 |
| Number of employees | 5,943 | - | 826 | 935 | 2,617 | 1,198 | 367 |
| Number of Employees | | | | | | | |
| % of Total | | 0 | 1 to 4 | 5 to 9 | 10 to 49 | 50 to 99 | 100+ |
| Number of businesses | | 30.8% | 41.5% | 13.3% | 12.5% | 1.7% | 0.3% |
| Total wages paid (\$ millions) | | 0.0% | 11.3% | 16.6% | 39.3% | 23.3% | 9.4% |
| Number of employees | | 0.0% | 13.9% | 15.7% | 44.0% | 20.2% | 6.2% |

Source: EconMAP analysis of FSM Social Security Administration data.

Table 10: Number of Businesses, Wages Paid, and Employment by Sector, 2022

| Sector description | All businesses | | |
|--|-----------------|---------------------|----------------|
| | # of Businesses | Wages paid (\$ mil) | # of Employees |
| Agriculture, forestry and fishing | 22 | \$2.31 | 254 |
| Manufacturing | 34 | \$0.49 | 127 |
| Construction | 60 | \$2.96 | 548 |
| Wholesale and retail trade; vehicle repair | 532 | \$12.89 | 2,958 |
| Transportation and storage | 51 | \$4.60 | 548 |
| Accommodation and food service activities | 83 | \$2.31 | 577 |
| Financial and insurance activities | 49 | \$6.27 | 284 |
| Real estate activities | 162 | \$2.91 | 427 |
| Other | 83 | \$1.57 | 228 |
| Total | 1,076 | \$36.31 | 5,949 |

Source: EconMAP analysis of FSM Social Security Administration data.

information could be incorporated with analysis and reporting about the role of FDI in the FSM. Further, with full linkage of social security and firm-level data, additional information on firm revenues for different sized employers could be generated.

For additional reporting on other characteristics of the business sector, the FSM can conduct economic censuses or business surveys. These could collect information on investment patterns, use of capital, and deployment of technology. Further data collection could allow the construction of input-output tables that quantify the supply chain for all sectors of the private sector economy. These could be informative for broader social and economic policies. A key consideration of a survey is whether to include smaller-sized businesses with less than 5 employees.

In addition, FSM censuses and surveys could be better used to capture the smallest family-level business enterprises. The 2010 FSM Census included questions about economic activities in the previous week and during the prior year. Respondents could identify home production (crops, livestock, and fishing) and whether the production was for sale or home consumption, as well as the hours spent on home production. But market value and contribution to household income were not collected. The results of the 2010 Census suggest that such household-based economic activities would not be captured in the formal sector covered by FSM SSA.

Appendix: FSM State Population Census Cohort Data

Table 11: Analysis of FSM Population Census Cohort Data for Chuuk: 1980, 2000, and 2010

| 1980 Census | | 2000 Census | | 2010 Census | | 1980 vs 2010 | | 2000 vs 2010 | |
|------------------|-------------|------------------|-------------|------------------|-------------|--|--|--|--|
| 5-year age group | Cohort size | 5-year age group | Cohort size | 5-year age group | Cohort size | Percent of 1980 cohort present in 2010 | Percent of 1980 cohort missing in 2010 | Percent of 2000 cohort present in 2010 | Percent of 2000 cohort missing in 2010 |
| | | 0—4 | 7,347 | 10—14 | 6,040 | | | | |
| | | 5—9 | 7,305 | 15—19 | 5,910 | | | 80.9% | 19.1% |
| | | 10—14 | 7,351 | 20—24 | 4,605 | | | 62.6% | 37.4% |
| | | 15—19 | 6,775 | 25—29 | 3,718 | | | 54.9% | 45.1% |
| 0—4 | 6,738 | 20—24 | 4,836 | 30—34 | 3,127 | | | 64.7% | 35.3% |
| 5—9 | 5,751 | 25—29 | 4,001 | 35—39 | 2,730 | 47.5% | 52.5% | 68.2% | 31.8% |
| 10—14 | 4,922 | 30—34 | 3,149 | 40—44 | 2,471 | 50.2% | 49.8% | 78.5% | 21.5% |
| 15—19 | 4,038 | 35—39 | 2,848 | 45—49 | 2,302 | 57.0% | 43.0% | 80.8% | 19.2% |
| 20—24 | 3,285 | 40—44 | 2,571 | 50—54 | 1,949 | 59.3% | 40.7% | 75.8% | 24.2% |
| 25—29 | 2,854 | 45—49 | 2,225 | 55—59 | 1,593 | 55.8% | 44.2% | 71.6% | 28.4% |
| 30—34 | 2,203 | 50—54 | 1,560 | 60—64 | 1,012 | 45.9% | 54.1% | 64.9% | 35.1% |
| 35—39 | 1,312 | 55—59 | 851 | 65—69 | 503 | | | | |
| 40—44 | 1,239 | 60—64 | 831 | 70—74 | 413 | | | | |
| 45—49 | 1,210 | 65—69 | 720 | 75+ | 526 | | | | |
| 50—54 | 975 | 70—74 | 478 | | | | | | |
| 55—59 | 923 | 75+ | 747 | | | | | | |
| 60—64 | 778 | | | | | | | | |
| 65—69 | 583 | | | | | | | | |
| 70—74 | 354 | | | | | | | | |
| 75+ | 323 | | | | | | | | |

Source: EconMAP analysis of FSM 1980, 2000, 2010 Census data.

Table 12: Analysis of FSM Population Census Cohort Data for Kosrae: 1980, 2000, and 2010

| 1980 Census | | 2000 Census | | 2010 Census | | 1980 vs 2010 | | 2000 vs 2010 | |
|------------------|-------------|------------------|-------------|------------------|-------------|--|--|--|--|
| 5-year age group | Cohort size | 5-year age group | Cohort size | 5-year age group | Cohort size | Percent of 1980 cohort present in 2010 | Percent of 1980 cohort missing in 2010 | Percent of 2000 cohort present in 2010 | Percent of 2000 cohort missing in 2010 |
| | | 0—4 | 1,026 | 10—14 | 826 | | | | |
| | | 5—9 | 953 | 15—19 | 724 | | | 76.0% | 24.0% |
| | | 10—14 | 1,079 | 20—24 | 556 | | | 51.5% | 48.5% |
| | | 15—19 | 939 | 25—29 | 433 | | | 46.1% | 53.9% |
| 0—4 | 1,018 | 20—24 | 604 | 30—34 | 368 | | | 60.9% | 39.1% |
| 5—9 | 866 | 25—29 | 497 | 35—39 | 335 | 38.7% | 61.3% | 67.4% | 32.6% |
| 10—14 | 753 | 30—34 | 473 | 40—44 | 337 | 44.8% | 55.2% | 71.2% | 28.8% |
| 15—19 | 578 | 35—39 | 444 | 45—49 | 360 | 62.3% | 37.7% | 81.1% | 18.9% |
| 20—24 | 503 | 40—44 | 436 | 50—54 | 356 | 70.8% | 29.2% | 81.7% | 18.3% |
| 25—29 | 388 | 45—49 | 366 | 55—59 | 272 | 70.1% | 29.9% | 74.3% | 25.7% |
| 30—34 | 325 | 50—54 | 263 | 60—64 | 186 | 57.2% | 42.8% | 70.7% | 29.3% |
| 35—39 | 223 | 55—59 | 183 | 65—69 | 112 | | | | |
| 40—44 | 177 | 60—64 | 144 | 70—74 | 81 | | | | |
| 45—49 | 183 | 65—69 | 118 | 75+ | 82 | | | | |
| 50—54 | 128 | 70—74 | 65 | | | | | | |
| 55—59 | 94 | 75+ | 96 | | | | | | |
| 60—64 | 81 | | | | | | | | |
| 65—69 | 69 | | | | | | | | |
| 70—74 | 45 | | | | | | | | |
| 75+ | 60 | | | | | | | | |

Source: EconMAP analysis of FSM 1980, 2000, 2010 Census data.

Table 13: Analysis of FSM Population Census Cohort Data for Pohnpei: 1980, 2000, and 2010

| 1980 Census | | 2000 Census | | 2010 Census | | 1980 vs 2010 | | 2000 vs 2010 | |
|------------------|-------------|------------------|-------------|------------------|-------------|--|--|--|--|
| 5-year age group | Cohort size | 5-year age group | Cohort size | 5-year age group | Cohort size | Percent of 1980 cohort present in 2010 | Percent of 1980 cohort missing in 2010 | Percent of 2000 cohort present in 2010 | Percent of 2000 cohort missing in 2010 |
| | | 0—4 | 5,037 | 10—14 | 4,490 | | | | |
| | | 5—9 | 4,549 | 15—19 | 4,173 | | | 91.7% | 8.3% |
| | | 10—14 | 4,428 | 20—24 | 3,377 | | | 76.3% | 23.7% |
| | | 15—19 | 4,163 | 25—29 | 2,692 | | | 64.7% | 35.3% |
| 0—4 | 4,065 | 20—24 | 3,089 | 30—34 | 2,310 | | | 74.8% | 25.2% |
| 5—9 | 3,502 | 25—29 | 2,414 | 35—39 | 2,213 | 63.2% | 36.8% | 91.7% | 8.3% |
| 10—14 | 2,891 | 30—34 | 2,161 | 40—44 | 2,074 | 71.7% | 28.3% | 96.0% | 4.0% |
| 15—19 | 2,346 | 35—39 | 2,006 | 45—49 | 1,830 | 78.0% | 22.0% | 91.2% | 8.8% |
| 20—24 | 1,920 | 40—44 | 1,830 | 50—54 | 1,631 | 84.9% | 15.1% | 89.1% | 10.9% |
| 25—29 | 1,587 | 45—49 | 1,469 | 55—59 | 1,222 | 77.0% | 23.0% | 83.2% | 16.8% |
| 30—34 | 1,169 | 50—54 | 983 | 60—64 | 769 | 65.8% | 34.2% | 78.2% | 21.8% |
| 35—39 | 773 | 55—59 | 642 | 65—69 | 425 | | | | |
| 40—44 | 694 | 60—64 | 537 | 70—74 | 290 | | | | |
| 45—49 | 702 | 65—69 | 442 | 75+ | 383 | | | | |
| 50—54 | 667 | 70—74 | 335 | | | | | | |
| 55—59 | 556 | 75+ | 401 | | | | | | |
| 60—64 | 489 | | | | | | | | |
| 65—69 | 283 | | | | | | | | |
| 70—74 | 178 | | | | | | | | |
| 75+ | 253 | | | | | | | | |

Source: EconMAP analysis of FSM 1980, 2000, 2010 Census data.

Table 14: Analysis of FSM Population Census Cohort Data for Yap: 1980, 2000, and 2010

| 1980 Census | | 2000 Census | | 2010 Census | | 1980 vs 2010 | | 2000 vs 2010 | |
|------------------|-------------|------------------|-------------|------------------|-------------|--|--|--|--|
| 5-year age group | Cohort size | 5-year age group | Cohort size | 5-year age group | Cohort size | Percent of 1980 cohort present in 2010 | Percent of 1980 cohort missing in 2010 | Percent of 2000 cohort present in 2010 | Percent of 2000 cohort missing in 2010 |
| | | 0—4 | 1,372 | 10—14 | 1,329 | | | | |
| | | 5—9 | 1,361 | 15—19 | 1,181 | | | 86.8% | 13.2% |
| | | 10—14 | 1,355 | 20—24 | 823 | | | 60.7% | 39.3% |
| | | 15—19 | 1,353 | 25—29 | 805 | | | 59.5% | 40.5% |
| 0—4 | 1,252 | 20—24 | 998 | 30—34 | 786 | | | 78.8% | 21.2% |
| 5—9 | 1,164 | 25—29 | 708 | 35—39 | 669 | 57.5% | 42.5% | 94.5% | 5.5% |
| 10—14 | 1,018 | 30—34 | 697 | 40—44 | 701 | 68.9% | 31.1% | 100.6% | -0.6% |
| 15—19 | 769 | 35—39 | 718 | 45—49 | 699 | 90.9% | 9.1% | 97.4% | 2.6% |
| 20—24 | 735 | 40—44 | 723 | 50—54 | 688 | 93.6% | 6.4% | 95.2% | 4.8% |
| 25—29 | 625 | 45—49 | 590 | 55—59 | 525 | 84.0% | 16.0% | 89.0% | 11.0% |
| 30—34 | 461 | 50—54 | 399 | 60—64 | 325 | 70.5% | 29.5% | 81.5% | 18.5% |
| 35—39 | 329 | 55—59 | 227 | 65—69 | 153 | | | | |
| 40—44 | 308 | 60—64 | 221 | 70—74 | 141 | | | | |
| 45—49 | 312 | 65—69 | 207 | 75+ | 200 | | | | |
| 50—54 | 215 | 70—74 | 115 | | | | | | |
| 55—59 | 248 | 75+ | 197 | | | | | | |
| 60—64 | 220 | | | | | | | | |
| 65—69 | 152 | | | | | | | | |
| 70—74 | 93 | | | | | | | | |
| 75+ | 199 | | | | | | | | |

Source: EconMAP analysis of FSM 1980, 2000, 2010 Census data.

