



The World Bank

Federated States of Micronesia: Pacific Islands Regional Oceanscape Program - Second Phase for Economic Resilience (P178237)

Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 31-May-2022 | Report No: PIDC33742



BASIC INFORMATION

A. Basic Project Data

Country Micronesia, Federated States of	Project ID P178237	Parent Project ID (if any)	Project Name Federated States of Micronesia: Pacific Islands Regional Oceanscape Program - Second Phase for Economic Resilience (P178
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Jan 16, 2023	Estimated Board Date Jul 07, 2023	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Department of Finance and Administration	Implementing Agency Department of Resource & Development, National Oceanic Resource Management Authority	

Proposed Development Objective(s)

The Development Objective of the Series of Projects is to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	30.00
Total Financing	30.00
of which IBRD/IDA	30.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Development Association (IDA)	30.00
IDA Grant	30.00

Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The Federated States of Micronesia (FSM) is a widely dispersed archipelago in the western part of the North Pacific Ocean with the third largest exclusive economic zone (EEZ) and one of the most productive tuna fishing grounds in the WCPO.** FSM is formed of four states: Yap, Chuuk, Pohnpei and Kosrae, over 607 islands of which 74 are inhabited. Many of the islands are extinct volcanic shields with elevations up to about 760 meters (m) and dense vegetation interiors, but some islands are “flat, small and swampy, with low-lying forested atoll islands, typically one to five meters above mean sea level flat”.¹ The total land area is only 702 square kilometers (km²) but there is 2,700 km between islands in the western-most state of Yap and islands in the eastern-most state of Kosrae. The EEZ is situated between 135° and 165° east longitude and 10° north and 5° south latitude covering an area of around 3 million (M) km². The capital of FSM, Palikir, is located in the eastern state of Pohnpei.

2. **As of July 2017, FSM’s estimated population was 104,196 with a gross domestic product (GDP) of US\$329 M and GDP per capita of US\$3,400.** Most of the population live in the coastal regions of the high islands with more than half living in rural areas. In 2019 the economy was predominantly service based (66.8 percent of GDP), with 22.5 percent made up of agriculture, forestry and fishing and 4.9 percent from industry, including construction. The annual revenue stream in 2020 from the oceanic fishery was US\$72.4 M, representing upwards of 40 percent of public revenue.² The government employs two-thirds of the working population, with 58 percent of its funding from grants and development aid.

3. **FSM is considered as a fragile, conflict and/or violence affected (FCV) country** because it has inadequate state capacity and constant vulnerability to external shocks. The fragility stems from the extreme geography and limited

¹ Federated State of Micronesia. 2015. Second National Communication to the UNFCCC: URL <https://unfccc.int/sites/default/files/resource/fsmnc2.pdf>

² IMF. 2021. Federated States of Micronesia: 2021 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the Federated States of Micronesia



economic viability, lean institutional capacity and youth unemployment. Poverty rates are quite high with, in 2013, the poverty headcount ratio at national poverty lines at 41.2 percent of the population.³ Household participation in fisheries and fish trade represent 14 percent of the population. In 2014, FSM fisheries ranked first in importance amongst income sources. 47 percent of households conduct fishing activities, 23 percent of household expenditures is on seafood, 6 percent of total household income and 28 percent of the value of subsistence consumption come from fisheries.

Sectoral and Institutional Context

4. **Within the PICs, fisheries underpin the revenue source of their economy and are vital for food, nutrition, and livelihoods, and all fisheries activities in the region are likely to be affected by climate change.** The well-being of island populations across the region depends on fish stocks productivity and regional, national, and local capacities to manage them sustainably. Their well-being would also benefit from addressing competition and promoting synergy with non-consumptive uses of living aquatic resources and habitats for tourism. Climatic variation, which is known to have profound effects on the distribution and abundance of fish and the productivity of aquaculture is expected to grow in importance as a driver of the sector.⁴

5. **The tuna fishery continues to play a pivotal role in generating revenue in the FSM.** In 2020, the domestic fleet comprised of 27 purse seiners (PS) and 42 longliners (LL), while 243 foreign vessels were also licensed to fish in the EEZ of which 115 PS, 107 LL, and 21 pole-and-line vessels. The total provisional 2020 PS catch for skipjack, yellowfin, and bigeye tuna are estimated at 137,414 t (79 percent of total catch), 26,796 t (15 percent of total catch), and 8,957 t (5 percent of total catch), respectively. The average value of tuna to FSM from fishery access and license fees, catches by national fleets and tuna exports was US\$70 M, US\$250 M, and US\$70 M respectively. The National Oceanic Resources Management Authority (NORMA) affords a high priority to generating revenues through foreign access fees and its domestic fishing fleet. However, onshore processing quantities remain low (5,331 t) as does employment (around 1,105 persons) with growth constrained by limited availability of skilled workers, comparatively high costs of inputs and services compared to competitors based in the Philippines and Thailand. The relatively high cost of doing business in remote areas must be factored when considering future investments in the fishery.

6. **Coastal fisheries have an important role in food security and livelihoods,** but they are at risk due to increasing overexploitation. Coastal fishing is carried out for subsistence purposes and for sale in local markets. However, while subsistence fisheries are important to most FSM households and a critically important component of the food supply in the outer islands, there is considerable uncertainty concerning the levels of catches with the absence of a fisheries statistical system. Still, in 2014, coastal subsistence, coastal commercial, and aquaculture production and value were estimated at: 3,555 t, US\$8.8 M, 1,725 t, US\$5.0 M, and 8 t and US\$016 M respectively. The levels of fish consumption in both the urban and rural areas are high and estimated in the range of 69.3 (rural 76.8 kg, urban 67.3 kg) , 49.9 kg (national) , and 94-126 kg. Over a 10-year time span from 2008-2018 troubling shifts in the commercial inshore fishery catches were reported that led to reduced catch volumes, mean size of commercially targeted species, lower catch per unit effort, lower economic returns, and shifts in catch to lower trophic level species. Fish and invertebrate species that are sought after and located in readily accessible areas are depleted.

³ Climate Risk Country Profile: Micronesia. 2021. The World Bank Group.

⁴ Bell J.D., Johnson J.E., Hobday A.J. 2011. Vulnerability of tropical Pacific fisheries and aquaculture to climate change. Noumea, New Caledonia: Pacific Community. 925 p.



Relationship to CPF

7. **The World Bank (WB) Group agreed to an RPF, a strategic program for nine PICs (PIC9):** Kiribati, RMI, FSM, Nauru, Palau, Samoa, Tonga, Tuvalu, and Vanuatu for FY17–21 in 2017. The RPF was extended for another two years, and a new RPF will be prepared in 2022 and approved for implementation from 2023. The RPF recognizes the unique characteristics of each of the PIC9 to tailor country-specific solutions such that it is aligned with FSM SDP 2004–2023, which key areas and also aligns with NORMA’s Strategic Plan 2018-2023’s strategic goals especially the SDP key area *Long-Term Environmental Sustainability*. The SCD identified three constraints that correlate with the exceptional economic geography of the PIC9: (i) their small size and remoteness, which restrict economic prospects; (ii) their geographic spreading limiting access to employment, public services and ultimately affecting economies of scale in administration and service delivery; and (iii) the high risk of exposure to economic crises and natural disasters.

8. **The RPF seeks to guide WB Group engagement in the PICs through building on what has been accomplished so far while also seeking to realize more impacts in the future.** The RPF outlines four major focus areas of which the following three are relevant to FSM and the Project: (i) *Focus Area 1: Fully exploiting the available economic opportunities*. The key focus will be on improved management of fisheries, increased incomes from agriculture, expanded tourism opportunities, (ii) *Focus Area 2: Enhancing access to employment opportunities*. The key focus will be on broadening opportunities for labor mobility and addressing gender inequality and gender-based violence through entry points that offer economic opportunities for marginalized gender and (iii) *Focus Area 3: Protecting incomes and livelihoods*. A key focus is on strengthened preparedness and resilience to natural disasters and climate change, through investment that offer climate-related co-benefits.

C. Proposed Development Objective(s)

9. The Development Objective of the Series of Projects is to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend.

10. The Project Development Objective (PDO) of the proposed FSM PROPER is to strengthen regional collaboration and national capacity for the management and the sustainable development of the oceanic and coastal fisheries sector in FSM.

Key Results (From PCN)

11. Progress will be monitored against PDO-level indicators to measure the strengthened regional collaboration and national capacity for fisheries management and development (first composite indicator); the strengthened capacity at community-level for fisheries management and development (second to fifth indicators), and the strengthened capacity for environmental protection and conservation of critical habitats (last indicator):

- (i) Fisheries management informed by timely availability of FSM fisheries data to national and regional stakeholders:
 - Automation of the fisheries information management system
 - Transmission in real-time of observer data into NORMA’s information management system
 - Competent authority’s (CA) traceability system operational
- (ii) Coastal fisheries data management system designed and tested
- (iii) Long term development plans approved for each pilot marina
- (iv) Beneficiaries of project financial support disaggregated by location and sex
- (v) Quantity of litter collected and safely disposed



D. Concept Description

12. The proposed FSM PROPER project is being designed in support of core fisheries sector objectives of the Government of Federated State of Micronesia. The project design responds to the FSM Strategic Development Plan 2004–2023, and also aligns with The National Oceanic Resources Management Authority (NORMA’s) Strategic Plan 2018-2023’s strategic goals. The Project will specifically address NORMA’s strategic goals through a focus on.

13. **Component 1: Strengthening Regional Collaboration and National Capacity for Oceanic Fisheries.** *Institutional support to the national fisheries program in FSM with two subcomponents focusing on: (a) consolidating oceanic fisheries management through (i) the promotion of regional, sub-regional and national collaboration and engagement in management of shared oceanic resources; and (ii) the design, installation and validation of an Integrated fisheries information management systems (FIMS); and (iii) effective detection, deterrence, and elimination of Illegal, unreported and unregulated (IUU) fishing; and (b) harnessing oceanic fisheries to the regional economy through (i) the development of economic intelligence; and (ii) the strengthening of seafood health monitoring by establishing and sustaining of the operation of the FSM CA, for which NORMA will benefit from the Department of Health and Social Affairs (DHSA) support.*

14. **Component 2: Strengthening Regional Collaboration and National Capacity for Coastal Fisheries and Conservation of Critical Habitats.** *Sustain and increase benefits from the coastal fisheries by (i) Strengthening coastal fisheries management; (ii) developing and diversifying local value chains and livelihoods in support to fisheries management; and (iii) Strengthening conservation of marine habitats.*

15. **Component 3: Contingency Emergency Response Component (CERC).** To finance early recovery and/or specific emergency works, goods, and services in case of eligible emergencies/crises/disasters caused by natural or man-made hazards, including public health crisis.

16. **Component 4: Project Management and Study Fund.** The Project management activities will cover project administration, fiduciary responsibilities, monitoring of Environmental and Social Framework implementation; Monitoring, evaluation and learning, and the coordination between regional and national activities, including across projects. While the Study fund would finance consultant services for studies to improve the management and subsequent harnessing of coastal oceanic fisheries and their value chains to FSM’s economy, and promotion of environmental protection. The services will align with the GoFSM policies to consider climate change impacts in the sector and adaptation measures to enhance resilience. The results of these studies will be used to inform strategic sectoral investment planning that could be supported by the WB, in particular under a new financing to the Program in FSM, or through other sources.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts



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APPROVAL

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Approved By

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