Review of mainstreaming of climate change into national plans and policies:

Federated States of Micronesia (FSM)

November 2013

This summary is based on a consultancy report by **Planning 4 Sustainable Development and The Four Assist Network of Experts**, commissioned by the Secretariat of the Pacific Community (SPC) through the Global Climate Change Alliance: Pacific Small Island States (GCCA:PSIS) project, funded by the European Union.

Executive Summary

The purpose of this report is to summarise a review of the degree to which climate change has so far been mainstreamed in national strategic plans, policies and budgets, and – in a sectoral case study (presented in Annex 1) – the extent to which mainstreaming has translated to implementation.

Table 1 shows the criteria used in this review to assess the degree of mainstreaming of climate change, as well as some general remarks in relation to the review's findings for the Federated States of Micronesia.

Table 1. Criteria for mainstreaming and general findings of this assessment

Criteria	Overall assessment
Objectives related to climate change are present in national development and environment policies, as well as in key sectoral policies	On the whole, national and sector plans successfully integrate climate change and development objectives, and emphasise the need to institutionalise the national response to climate change through both policy and development processes.
Responsibilities for responding to climate change are clearly defined within government	Mechanisms to improve mainstreaming have been described in the Strategic Development Plan, and most sectoral policies have established committees to support implementation, although coordination between them is difficult to determine.
Specific climate-related activities are outlined and planned for in these documents	The extent to which activities related to climate change have been developed to the point of implementation is unclear.
Budgets are clearly allocated for the above activities	The Medium Term Budget Framework is not well-developed, and it is not clear how the sector plans (energy and agriculture) translate to departmental operational plans and budgets.
Monitoring and evaluation frameworks are in place for following up on delivery of climate objectives and implementation of activities	No monitoring and evaluation mechanism has been put in place for the SDP, while sector plans tend to contain very broad objectives but with few specific targets.
The various policies and plans are **coherent** on the issue of climate change	There is generally a good level of consistency in climate change related objectives, strategies and outcomes across sectors, although the linkages between policies are often not made explicit.
The climate-related goals in these policies and plans have the **buy-in of different stakeholders**, meaning they are accepted, supported and promoted across government and within civil society and, ultimately, local communities	Whether different ministries and departments have been involved in setting climate priorities is unclear. This will be necessary if sectoral plans are to lead to successful translation of national objectives into actions.

Mainstreaming of climate change is one of the key criteria set by the EU that must be met before countries might be able to access climate finance through the modality of budget support. Other

important criteria relate to public financial management, specifically that countries have a stable macro-economic framework, a public finance reform process underway, and a clear and transparent budget process. Annex 3 of this report therefore also very briefly discusses the status of, and expected milestones for, the public financial management roadmap for the Federated States of Micronesia.

Recommendations

The following actions would improve mainstreaming efforts:

1. Development of sector plans corresponding to the planning matrices in the Strategic Development Plan, with specific reference to climate change mainstreaming as a cross-cutting series of actions.
2. Establishment of a monitoring and evaluation framework for sector plans, linked to the medium-term budgetary framework.
3. Identification of climate-related expenditure within departmental budgets, and alignment of donor climate change funds with sector plans and capital and recurrent budgets.

1. Assessment of climate change mainstreaming

This profile examines how climate change has been mainstreamed in national and sector policies, plans and strategies in the Federated States of Micronesia (FSM). It explores the extent to which climate change objectives have been achieved, linkages between policies and climate change financing, and the extent to which policies are supported by institutional arrangements and financial and budget processes. It is based on publicly available reports and policy documents.

This review for FSM looks at the national level, but for the most part does not drill down to policies or plans developed by each of the individual states (Chuuk, Kosrae, Pohnpei and Yap). The following national plans and strategies were examined:

- FSM Strategic Development Plan 2004-2023 (SDP);
- Nationwide Climate Change Policy 2009;
- Energy Policy 2010;
- Statewide Assessment and Resource Strategy 2010-2015;
- Agriculture Policy 2011;
- Infrastructure Development Plan 2004-2023; and
- NBSAP 2002.
- Draft Food Security Policy 2010

It is understood that a *Climate Change and Disaster Risk Management Policy* will replace the current *National Climate Change Policy*. A *draft National Water and Sanitation Policy and Implementation Strategy* was unavailable for review.

The summary below provides an overview of the degree to which climate change has been mainstreamed in these key documents, while further details are given in Annex 2.

1.1 Incorporation of climate change into national policy objectives

On the whole, national and sector plans successfully integrate climate change and development objectives, and emphasise the need to institutionalise the national response to climate change through both policy and development processes.

The *Nationwide Climate Change Policy* (2009) sets out both mitigation and adaptation strategies. It commits to address adaptation needs through a framework in which "all development activities in FSM take into account projected climatic changes in the design and implementation as stipulated in the FSM Strategic Development Plan/Infrastructure Development Plan." It advocates use of an ecosystem-based approach where applicable; strengthening the application of traditional knowledge in conservation practices; and the development and implementation of appropriate strategies to improve food production. It also calls for the integration of climate change into other policies and strategies, including those related to disaster preparedness.

The FSM *Strategic Development Plan 2004-2023* has two strategic goals relating to climate change: (i) mainstream environmental considerations, including climate change, in national policy and planning as well as in all economic development activities; and (ii) reduce energy use and convert to renewable energy sources/minimise emission of greenhouse gases. The SDP notes a commitment to maintain greenhouse gas emissions at current levels, and that response strategies to reduce emissions should combine both adaptation and mitigation benefits. One example is the conservation of critical terrestrial and marine habitats to improve their survival and continued health in the face of climate change (adaptation) while also potentially enhancing the nation's ability to of sustain or increase its natural sinks for carbon dioxide (mitigation).

In terms of sectoral policies:

- The *Energy Policy 2010* estimates the potential for renewable energy and energy efficiency to reduce GHG emissions by reducing fossil fuel use by 14% by 2011, at a 70/30 ratio. The policy is seen mainly as a means to implement key goals of the SDP, namely macroeconomic stability, economic growth, improved education and health, and financial sustainability.
- The *Statewide Assessment and Resource Strategy 2010-2015* promotes food security through agroforestry, and coastal stabilisation as specific responses to climate change. It requires strategies be developed to address sea level rise in the outer islets.
- The *Agriculture Policy 2011* recognises that sustained growth in the agriculture sector is critically dependent on the sustainable management of the natural resource base, which is subject to competing demands and different impacts of climate change. There are eight development outcomes, of which one is enhanced environmental services and sector resilience to natural disasters and climate change. The emphasis under this outcome is developing sustainable farming systems, including a general statement that the impacts of climate change will be assessed and taken into consideration when formulating strategies to address the development challenges in the agriculture sector.
- The *Draft Food Security Policy* makes a general statement that people should have access to adequate food at all times, without risk of sudden environmental (climate change) shocks, and that multi-sectoral action is needed to ensure this.

Further, through consultations during development of the *Statewide Assessment and Resource Strategy 2010-2015*, all four states identified climate change as posing a threat to food security, especially as a result of sea level rise. Agroforestry was suggested as a way to maintain ecosystem integrity while producing food, while preserving agro-biodiversity (the species and sub-specific varieties of traditional crops) could provide genetic resilience in the face of climate change. However, the vulnerability of outer islands to sea level rise makes this a significant challenge to implement; for example, mapping shows that Yap's most fertile alluvial soils are all vulnerable to salt water inundation.

1.2 Defined responsibilities for climate objectives

Mechanisms to improve mainstreaming have been described in the Strategic Development Plan, and most sectoral policies have established committees to support implementation, although coordination between them is difficult to determine.

The Office of Environmental Response and Emergency Management (established under the FSM Environmental Protection Authority Act) is the central coordinating body for climate change activities. Responsibility for implementing sectoral plans lies with the relevant ministry (the National Resources Development Department administers both the energy and agriculture policies), but climate change responsibilities in these plans are not explicitly defined.

The *Strategic Development Plan* points to considerable variation within the National government and between the states in the degree to which climate change considerations have been mainstreamed into policy, planning and economic development. It also notes that the ability of governments to deal with resource management and environmental protection has generally decreased since the step down of funds from the first Compact. The role of the national government is to support State governments in sustainable resource use through various approaches such as long-term planning, tying development funding to sustainable development priorities, and long-term capacity building. The SDP contains a strategic planning matrix for each sector, with activities, outputs and outcomes, and clarifies responsible departments and agencies.

In terms of coordination, the SDP establishes a number of mechanisms to improve efforts to mainstream climate change:

- Consolidation of environmental functions into a central office;

- Strengthening of the President's Council on Environmental Management and Sustainable Development (SD Council), though its role (if any) in coordinating responses to climate change is unclear;
- Involvement of NGOs in the SD Council and the Climate Change Country Team, as consultants for the Climate Change Communication, and as partners with state governments;
- Encouraging each state municipality to prepare long term sustainable development plans;
- Carrying out at least one climate change public awareness campaign in each state each year, and establishing regular consultation between state government, resource managers and traditional leader councils; and
- Production of an annual "state of the environment" report.

At the sectoral level, there are a number of sector-based national committees either already established or that have been recommended:

- The co-ordinating mechanism for energy policy is a National Energy Workgroup, of which the Office of EEM is a member. State Energy Workgroups and their Energy Co-coordinators are responsible for implementing the State Energy Action Plans and ensure their consistency with national policy.
- The *Agriculture Policy* envisages the formation of an Agriculture Policy Working Team (APWT) as the co-ordinating mechanism for implementation. It would include representation at a senior level from national and state agriculture agencies, together with representatives from the College of Micronesia (COM-FSM), community-based organizations and private sector organizations (e.g. Chamber of Commerce/ Farmers' organizations). The APWT will also work closely with the National Trade Facilitation Committee (NTFC).
- The IDP recommends the establishment of Infrastructure Plan Implementation Committees (IPICS) at national and state levels, within the existing committee structure. So, for example, implementation at the national level could be undertaken by the Economic Policy Implementation Committee. Each sector is to be asked to review sector-specific components, to ensure consistency with the strategic planning matrices.
- The *Draft Food Security Policy* calls for sectoral action plans to be prepared by 2010, but does not prescribe what should be included and makes no reference to the *Climate Change Policy*. It recommends the establishment of a multi-sectoral Food Security Council, but stops short of recommending appropriate representation. The Department of Resources and Development (DR&D) is nominated as the lead agency to monitor the policy, but does not identify a process for review and reporting.

1.3 Specific climate-related activities defined and planned for

The extent to which activities related to climate change have been developed to the point of implementation is unclear.

The FSM appears to be participating in a low number of regional climate change adaptation projects relative to other Pacific countries, with no nationally focused projects identified as at 2011.[1] Those projects that are occurring focus on coastal zone management, agriculture, water and conservation. External funders active in the FSM are: the Asia Development Bank (ADB); the Global Environment Facility (GEF), the Special Climate Change Fund (SCCF), and the governments of Australia, Canada, Germany, Japan and the United States. The ADB and EU are funding a number of renewable energy projects.

[1] Adaptation Partnership (2011). *Review of Current and Planned Adaptation Action: The Pacific – Federated States of Micronesia*.

1.4 Budgets for implementation of climate objectives

The Medium Term Budget Framework is not well-developed, and it is not clear how the sector plans (energy and agriculture) translate to departmental operational plans and budgets.

The SDP recognises that mainstreaming climate change considerations into policy and planning should not impose additional costs, as it should result in better co-ordination. However, activities such as climate-proofing infrastructure may involve increased up-front costs to governments, even if they are likely to be off-set in the long-run by future savings in maintenance and replacement costs.

The *Agriculture Policy* points out that many activities are funded under ad hoc project budgets, which may have priorities that are not fully aligned to national goals and agriculture sector outcomes and limits the long- term financial sustainability after project funding has ended. The SDP acknowledges that relatively low government budget allocations for agriculture (1.8% of the total budget in 2004 and 2005) demonstrate a lack of government support for the sector. It recommends the development of priority programs to deliver eight development outcomes, with a fully costed operational plan for implementation during the period 2012-2016, including both capital and recurrent costs. Together they will form the basis of a Medium Term Expenditure Framework (MTEF) for the sector. In turn, the MTEF will be used as the point of reference in preparation of annual budget estimates submitted to the Office of Statistics, Budget, Overseas Development Assistance And Compact Management (SBOC).

The *Energy Policy* contains costed national and state action plans, although funding sources are not specified.

The IDP envisages a total investment of $748 million over a 20 year period, representing an average annual allocation from Compact funds of $18.6 million and $18.0 million from other sources. Other funding sources cited are: bilateral aid from US Government agencies, Asian Development Bank, Japanese Aid, EU (specific funding for hybrid diesel/solar units for schools and hospitals on the outer islands) and other multilateral/bilateral owners.

1.5 Frameworks for monitoring and reporting on implementation

No monitoring and evaluation mechanism has been put in place for the SDP, while sector plans tend to contain very broad objectives but with few specific targets.

The SDP provides an overarching policy framework, including a planning matrix for each sector with specific targets. Sector plans objectives, however, tend to be very broad, with few specific targets. It is not clear how activities will contribute to the achievement of targets and outcomes. The Fiscal Year Review 2011 noted that the strategic planning approach expressed in the SDP (allocating resources in accordance with performance criteria) has not been implemented, and that no monitoring and evaluation mechanism has been put in place.

There are no monitoring and evaluation mechanisms in either the *Energy Policy* or the *Agriculture Policy*.

1.6 Policy coherence and consistency

There is generally a good level of consistency in climate change related objectives, strategies and outcomes across sectors, although the linkages between policies are often not made explicit.

The main sector-based policy focus to date has been in the energy and agricultural sectors, however, the links to the *National Climate Change Policy* are not clearly drawn. For example, the *National Climate Change Policy* highlights development of appropriate strategies to improve food production, but although the *Agriculture Policy* includes an objective of improving resilience to climate change impacts it does not identify specific actions that might address some of the production challenges that climate change will exacerbate.

The *National Energy Policy* was initially produced to reduce FSM's dependence on fossil fuels and better withstand fluctuations in energy prices, but the intention is to align its implementation and review with national climate change policies.

Donor programs do not appear to be aligned to sector plans, although there is significant investment in the energy sector.

1.7 Stakeholder support and ownership

Whether different ministries and departments have been involved in setting climate priorities is unclear. This will be necessary if sectoral plans are to lead to successful translation of national objectives into actions.

NGOs are represented on the Climate Change Country Team, have been closely involved in policy development and employed as local consultants on various projects (such as drafting of the first version of the SDP).

Annex 1

Sector Evaluation – FSM Agriculture Policy 2011

The *Agriculture Policy* is aligned to the FSM *Strategic Development Plan*. It contains some specific climate change indicators relating to forest coverage and invasive species, but the links between climate change and development challenges such as revitalizing the coconut industry and improving food security are less clearly drawn.

The policy lists a number of actions, but they are not prioritized or costed. The policy makes general statements about costings and financing. It does not include a financing strategy, or consider the relative contribution of governments, development partners and the private sector, though it does reference a role for development partners.

It recommends a process for implementation, and a mechanism to translate priority programs into operational plans, which will form the Medium Term Expenditure Framework.

Lack of data may limit the effectiveness of monitoring and evaluation, and thus may affect the extent and quality of reporting against the performance indicators.

Table A1. Review of Sector Plan

Plan objectives and outcomes	
Are objectives clearly defined?	There are six policy goals, relating to food security, improving farm incomes, socio cultural safety nets, traditional knowledge, economic growth and natural resource management.
How do the objectives relate to national CC priorities as expressed in the national climate change policy (if applicable) and the national development plan?	There are no specific climate change objectives but the policy states that the agriculture sector is critically dependent on the sustainable management of the natural resource base, which is subject to competing demands and differentiated impacts of climate change. It aligns with the FSM Strategic Development Plan 2004-2023 strategic goal to mainstream climate change considerations into national policy and planning. It is consistent with the Nationwide Climate Change Policy (2009) which requires all development activities to take into account projected climatic changes, and calls for the use of an ecosystem-based approach, strengthening the application of traditional knowledge on conservation practices; and strategies to improve food production.
Does the plan contain CC-related outcomes, targets and/or indicators?	Of eight key result areas (KRAs), one is climate change-specific: Enhanced environmental services and sector resilience to natural disasters and climate change Indicators are: -Land area under environmentally sound farming systems -Land area forested -Incidence of foreign pest, disease and invasive species incursions reduced
Are actions prioritized, costed and sequenced?	There are a number of practical actions, including training farmers in sustainable natural resource management practices, establishing demonstration sites, promoting organic production, safe storage, application and disposal of agricultural chemicals, ensuring proper treatment of livestock manure and waste water. However, apart from a statement that the impacts of climate change will be taken into account in addressing development challenges in the agricultural

	sector, the policy does not make explicit links between identified challenges, such as the need to revitalize the coconut industry and the potential of livestock to play a greater role in improving food security. Actions are listed, rather than prioritized, and there are no costings attached.
Consistency of donor programs with policy objectives	None identified
Plan development	
Which ministries were involved in the development of the plan? Was the Ministry of Finance involved?	The policy emphasizes the role of stakeholders in its development. It acknowledges that the majority of stakeholders are farmers, food vendors and processors and, that, while the policy provides an overarching framework, there will be some variation according to specific needs and priorities of each state.
Implementation	
Is there an implementation plan? Which agency/agencies are responsible for implementation?	There is no implementation plan, but the policy recommends the development of 'a number of mutually supporting priority programs designed to deliver the eight development outcomes', to be translated into fully costed operational plans. Together these plans will form the basis of a Medium Term Expenditure Framework (MTEF) for the sector. In turn, the MTEF will be used as the point of reference in preparation of annual budget estimates submitted to SBOC. The policy acknowledges that there is a need to consolidate, focus and co-ordinate agricultural support functions across agencies. It envisages the formation of an Agriculture Policy Working Team (APWT) as the co-ordinating mechanism for its implementation. It would include representation at a senior level from national and state agriculture agencies, together with representatives from the College of Micronesia (COM-FSM), community-based organizations and private sector organizations (e.g. Chamber of Commerce/ Farmers' organizations). The APWT will also work closely with the National Trade Facilitation Committee (NTFC).
How will the actions be financed?	The policy makes general statements about costs and financing: The cost of implementing each medium-term plan of the strategy shall be contained in the MTEF. The cost of implementing the strategy will be shared among national and state governments, development partners and the private sector.
How is the plan aligned with the budget process? Is there an example of a relevant ministry operational plan?	Information gap: priority programs and operational plans How agriculture (and its response to climate change) is represented in the METF
Is expenditure consistent with the plan?	Unable to assess
Monitoring and evaluation	
How are the outcomes monitored?	The policy acknowledges that data limitations make it difficult to monitor outcomes, and that the first priority will be to develop a set of core indicators.

	The policy states that the APWT, under the leadership of the national Resources and Development Department and in close cooperation with SBOC, will be responsible for establishing the M&E framework and preparing regular policy implementation reports.
What are the reporting arrangements?	The policy states that annual reports should be prepared to feed into the budget preparation process.
How are the results communicated/publicized?	Not detailed.
How often is the plan reviewed, and how?	The policy will be subject to a mid-term evaluation no later than three years after its endorsement by Congress.

Annex 2

Evaluation of policies, plans and strategies

CC specific objectives	Strategies	Outcomes/results	Implementation plan	Links to other plans re CC	Commentary
FSM Strategic Development Plan 2004-2023					
Environment Strategic Goals: Mainstream environmental considerations, including climate change, in national policy and planning as well as in all economic development activities	Each state to work with municipal governments to develop and implement long-term plans for dealing with the impacts of climate change: enhance resilience, protect critical assets, climate-proof infrastructure and integrate climate change considerations into planning for future development	Climate change adaptation strategies developed and implemented (climate-proofing) in all states by 2010. Key elements are the land use planning system and EIA and enforcement Climate-proofing of new development and infrastructure (all new government facilities and infrastructure to be climate-proofed from 2005)	All national environmental programs combined into an office/division by end 2004 and appropriate services/functions decentralized/transferred from the National to the State level. Strengthen President's Council on Environmental Management and Sustainable Development (SD Council)	Energy Policy, Agriculture Policy, Infrastructure Development Plan, SWARS, NBSAP Integrated coastal management plans are to be developed	Has the IDP been reviewed to ensure new infrastructure projects are climate-proofed?
Reduce energy use and convert to renewable energy sources/minimize emission of greenhouse gases	Demand management Supply-side management – reduce use of fossil fuels Increase use of solar power, wind and hybrids for alternative generation schemes, particularly in rural areas Provide incentives for use of alternative energy sources Provide public transport in state population centres	Decrease the import and use of imported petroleum fuels by 50% by 2020 10% of electricity in urban centres and 50% in rural areas will be generated using renewable energy sources by 2020 100% of new public and 50% of private buildings in the FSM will meet US standards for energy-efficiency by 2006			

	Sink enhancement – forestry management; preservation of remaining native forests and reforestation Educational and other initiatives that will prevent degradation and destruction of coral reefs Upgrade local capacity to carry out operation and maintenance of all renewable energy hardware	Private motor vehicle ownership/number of vehicles will decrease by10% by 2010 The FSM will have a net gain of area covered by forests between now and 2020 The FSM will have a net gain of area and health status of coral reefs between now and 2020 The FSM will remain a net importer of greenhouse gases through 2020 Public awareness and understanding of the consequences of climate change increased to 80% by 2010 (measured by public awareness surveys) Sharing and transfer of environmental information between government, private sector, communities and NGOs improved 100% by 2008			
National Climate Change Policy 2009					
<u>Mitigation:</u> To maintain and enhance FSM as a negative carbon country To prioritize actions that address both mitigation and adaptation Encourage and strengthen the application of traditional knowledge on transportation practices and other areas	This is a policy statement rather than a plan with strategies and actions	Integrate CC considerations into other policies and action plans, including disaster preparedness and mitigation All sector plans to include actual and planned costs, and indicators	<u>Financing mechanisms for implementation:</u> National sustainable financing mechanisms Encourage local financial support from governments, private sector and NGOs Insist that developed countries provide	FSM Strategic Development Plan All national and sector plans	Key departments identified: Environment – Office of Environment and Emergency Management (OEEM) Energy – Department of Resources and Development (R&D)

<u>Adaptation:</u> All development activities to take into account projected climatic changes in design and implementation Use ecosystem-based approaches where applicable Encourage and strengthen the application of traditional knowledge on conservation practices and other relevant areas Develop and implement appropriate strategies to improve food production and other relevant sectors			financial and other appropriate resources to support adaptation and mitigation measures Promote, facilitate and develop training programs on climate change for technical and managerial personnel Improve access to technical skills and knowledge Promote public awareness and integrate climate change into school curriculums <u>Monitoring and review</u> Each department responsible for monitoring its sector plan. Office of the Environment to consolidate all monitoring reports Annual evaluation		Infrastructure – Department of Transportation, Communication and Infrastructure (DTCI) Disaster Management – OEEM Water Resource – DTCI Transportation – DTCI Agriculture/Forestry – R&D Marine/Coastal Resources and Pelagic Fisheries R&D and NORMA Health – Department of Health and Social Affairs (H&SA) Education – Department of Education Tourism – R&D Gender – H&SA Weather Services – Office of the President
Energy Policy 2010					
An increased share of renewable energy in the nation's overall energy supply, including encouraging markets for environmentally clean technologies	Increased use of renewable energy technologies; effective grid management; private sector involvement and partnerships	30% of energy supply from renewable energy by 2020	Summary of actions and institutions responsible Diagram of the national and state relationships in implementing the policy	Strategic Development Plan – economic and climate change goals	The policy is an important means of mitigation

Improve energy conservation and efficiency Safe, reliable and affordable supply of conventional energy	Improve efficiency in production and transmission; demand management; energy building codes; use of incentives Develop national approach to negotiation with petroleum suppliers; re-use and safe disposal of waste oil; phase out fossil fuel subsidies	Enhance supply side efficiency by 20% by 2015; increase overall energy efficiency by 50% by 2020 Regional bulk purchase and centralized storage and co-ordination by 2015			
Infrastructure Development Plan 2004-2023					
The IDP sets out a program of priority projects – there are no specific objectives relating to climate change, although risk assessment is an important element	Priority projects have been ranked according to sector for inclusion in the IDP Capital Investment Program. Ranking criteria include risk exposure of the infrastructure development project.	Planning studies scheduled for 2003-2007 Recurrent funds required for maintenance Effective Program Management Unit required at national level	Includes a costed implementation schedule for each sector, identified as funded, partially funded and unfunded	Infrastructure Planning Matrix of the SDP forms the basis for the IDP IDP is an extension of the infrastructure section of the Public Sector Investment Program	The Plan does not include mechanisms or processes for climate-proofing infrastructure
Statewide Assessment and Resource Strategy 2010-2015					
Two priority areas in response to climate change impacts: Food security through agroforestry Coastal stabilization (strand forest and mangrove forest	A general strategy for achieving both food security and conservation objectives is to enhance agro-forests and expand food production activities upland into already disturbed areas of secondary vegetation, while conserving areas of native forests: upland forests and coastal mangroves.	For all states: Mapping shows habitats that should be enhanced for food security, those that should be conserved and areas that should be rehabilitated for sustainable production or their productivity improved	Expert assistance will be required for coastal stabilization projects Need for high resolution and LIDAR imagery (Pohnpei is the only state for which there is data on the status of native forest)	FSM SDP Environment Sector Strategic Goal 1: Mainstream environmental considerations, including climate change, into national policy and planning as well as in all economic development activities	Requires an implementation strategy for enhancement, conservation and rehabilitation
Agriculture Policy 2011					

Achieve national food security, safety and nutritional health Improve farm incomes and livelihoods with particular focus on gender and vulnerable groups Strengthen socio-cultural safety nets Preserve and protect culture, traditional knowledge and practices Support sustainable economic growth and improve the balance of trade Improve natural resource management	The impacts of climate change will be assessed and taken into consideration when formulating strategies to address the development challenges in the agriculture sector Specific strategies include: Promotion of environmentally friendly production systems and efficient waste management systems for livestock Support community-based approaches for management of natural resources Strengthen regulatory framework and enforcement.	Enhanced environmental services and sector resilience to natural disasters and climate change Indicators: Land area under environmentally sound farming systems Land area forested Incidence of foreign pest, disease and invasive species incursions reduced	Consolidate responsibility for agriculture under the Department for Resources and Development Agriculture Policy Working Team, with representation from government, COM-FSM, NGOs and private sector Policy acknowledges data limitations	SDF, Climate Change Policy	Department of Resources and Development is the implementing agency. OEEM is not involved in implementation
National Biodiversity Strategy and Action Plan 2002					
Identifies climate change as a major threat to biodiversity	Develop and implement a program for monitoring the impact on biodiversity from Global Warming and Climate Change	No outcomes specified	Co-ordinate and integrate activities carried out under the CBD Convention, climate change and other related conventions	Climate Change Policy does not include any reference to this	Was monitoring program established?
Draft Food Security Policy 2010					
Goal D: ensure access to adequate food at all times, to withstand environmental (climate change) shocks.	No strategies but recommends establishment of a Food Security Council	The following sectors are required to complete/update policies/action plans by December 1, 2010: DR&D – Agriculture, Marine and Trade and Tourism OEEM DOH&SA FSM-DOE	No implementation plan; statement that DR&D will be responsible for monitoring the implementation of the policy	Links to Climate Change Policy not specified	Have action plans been prepared?

Annex 3

Public financial management roadmap: summary of the progress of PFM systems

In addition to mainstreaming of climate change, three other criteria are important as precursors to being considered for budget support by international development assistance partners, namely a stable macro economic framework, a public finance reform process underway, and a clear and transparent budget process. These all relate to public financial management.

PFTAC is to support FSM in undertaking a PEFA assessment and developing a PFM roadmap in 2012-14. The last major review was the Fiscal Year 2011 Economic Review which found that:

- The strategic planning approach expressed in the SDP (allocating resources in accordance with performance criteria) has not been implemented; no M&E mechanism has been put in place;
- A uniform financial management system across the five governments was established in 2008, but is focused on financial reporting requirements of the amended Compact rather than fiscal management; systems do not provide required management information; and
- Development of Integrated Planning and Budgeting (IPB) system is underway, but it does not yet incorporate standard Government Finance Statistics reports or coding system of outputs.

FSM will need to adopt a credible fiscal policy to address falling grant revenues under the Compact if it is to provide a stable Macroeconomic environment. Implementing comprehensive tax reform has been identified as essential. In the medium term it has a relatively low and manageable level of public debt however it does need to build its resilience to human-induced disasters.

For this profile it has not been possible from published information the extent to which the Government's policies address wealth and job creation or skills investment. Similarly the access to services by the community was not assessable. FSM does produce a recommended budget[2] but it is unclear to the extent of its distribution. The budget document is detailed and is program and activity based with defined performance measures. Aggregate fiscal performance since 2009 has improved with surplus outcomes occurring from the period to 2011. It was not possible to assess the extent of budget reporting or the audit coverage of public finances.

At present, FSM does not receive budget support for climate change activities. In response to the government's proposed concept of a national trust fund, put forward at the Development Partners Forum in November 2012, development partners signalled that options such as a budget support program for climate change, and technical support to manage the fund, could be considered (FSM Development Partners Forum 2012 Final Communique). A PFM reform program that demonstrates reasonable progress to addressing PFM issues is likely to be required in advance of donors considering direct budget support for climate change activities.

A summary of the progress of PEFA assessments, reviews and PFM Roadmaps in contained in the table below.

PEFA & PFM Roadmaps/status	Reviews/outcomes	Progress/proposed actions	Trust/other relevant funds
PEFA assessment and development of PFM roadmap to be supported by PFTAC 2012-2014 It is unclear whether the PEFA assessment	Fiscal Year 2011 Economic Review The strategic planning approach expressed in the SDP (allocating resources in accordance with performance	PFTAC Country Strategy 2012-2014 Activities to support the roadmap's implementation expected to include strengthened cash management. Once	As of the end of fiscal year 2012, the U.S. government has contributed US$173.7 million and the FSM government US$30.3 million into the Compact Trust Fund. It achieved 30% increase in

[2] Based on the FY 2013 Recommended Budget which was dated 1 April 2012

has been undertaken to date Tax reform progressing unevenly Lack of strategic planning Financial management system does not yet provide required management information Integrated Planning and Budgeting (IPB) system does not include GFS reports	criteria) has not been implemented; no M&E mechanism has been put in place Uniform financial management system across the five governments in 2008, but focused on financial reporting requirements of the amended Compact rather than fiscal management; systems do not provide required management information Development of Integrated Planning and Budgeting (IPB) system underway, but do not yet incorporate standard Government Finance Statistics reports or coding system of outputs	tax reforms are approved, PFTAC will deliver support on specific technical areas, including IT strategy, corporate planning and compliance improvement strategies Fiscal Year 2011 Economic Review: It is uncertain whether there has been any progress on IPB system. Outcome of scheduled meeting of Consultative Group of donors in November 2012 is unclear. The conclusion to the Review of Trust Fund rules is unknown.	net asset value since 2011 to US$257.3 million Projections show the fund will still significantly fall short of the targeted amount when economic provisions of the Amended Compact are set to expire in 2023 The Micronesian Conservation Trust (MCT) is a NGO conservation organisation. Governing body of nine members (7 regional members, 2 international members, 1 honorary and Ex-Officio Member (donor rep)). Currently has approx. 12 million dollars and beneficiaries include NGOs and local communities. The Trust hosts endowment funds, which are invested as a lump sum amounts. It also supports capacity building and network coordination and hosts GEF small grants program& Env activities.