

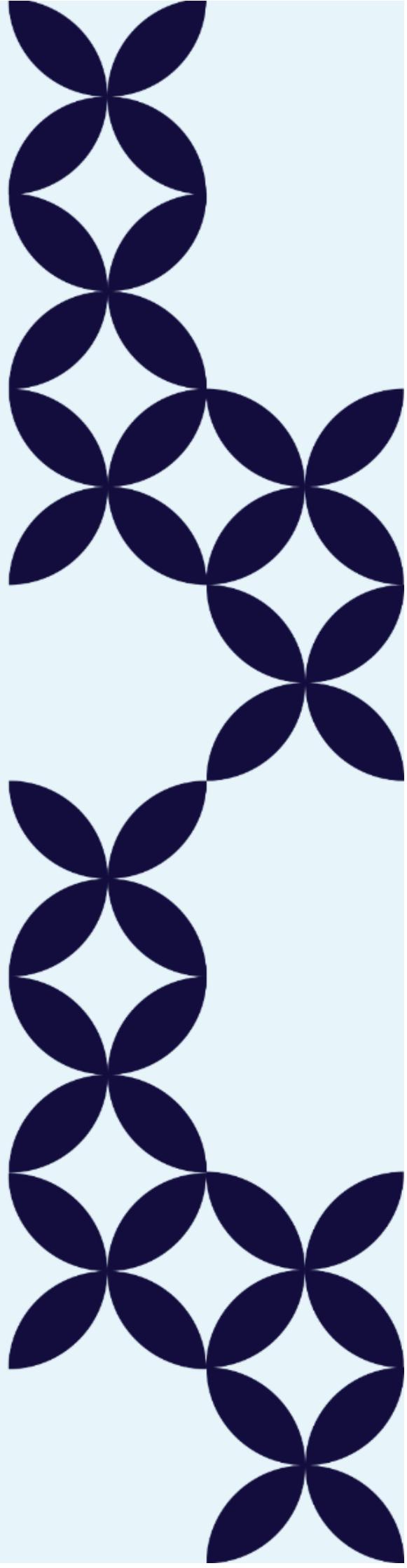
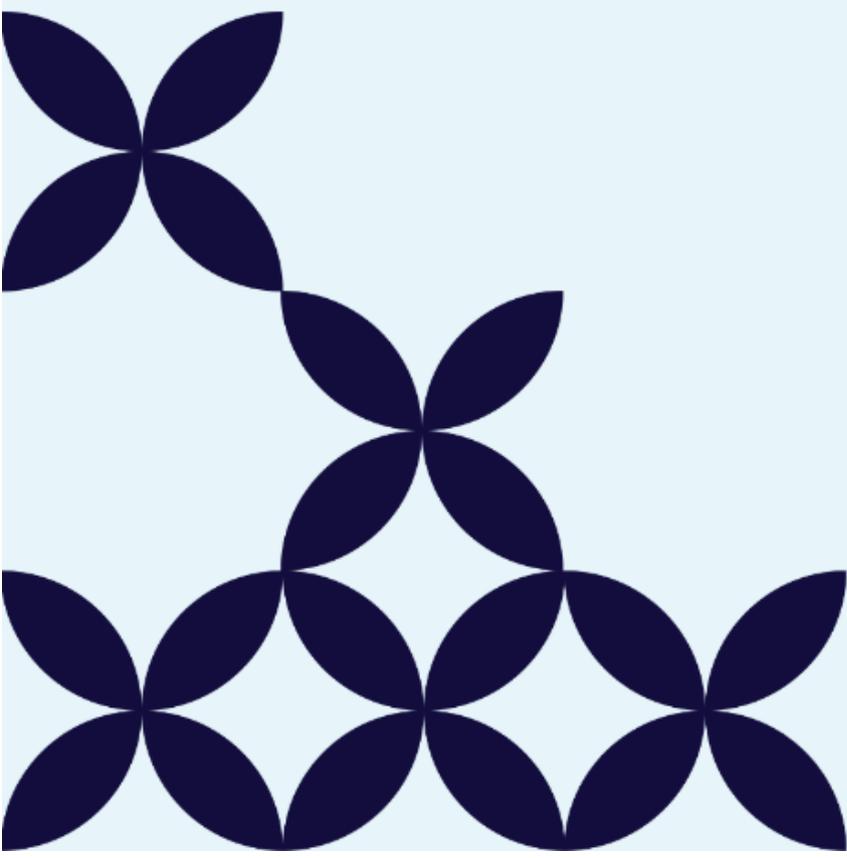


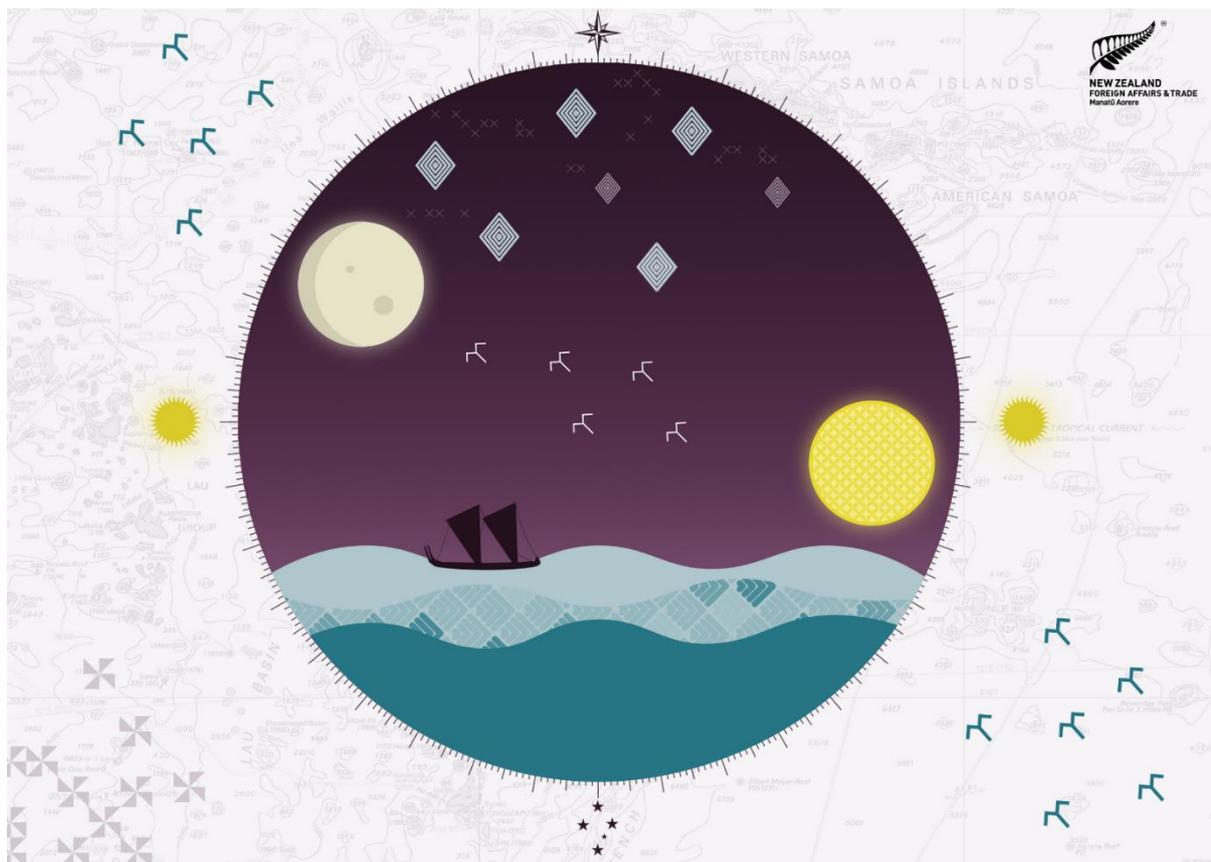
NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

Federated States of Micronesia

Four Year Plan

December 2021





Navigating our approach to engagement in the Pacific will require us to draw on all the tools available in our kete to help guide our journey... much like our tupuna, before us.

We have taken this concept and developed a **compass**, built around various elements found in Māori and Pacific navigation narratives.

Tātai hono: represented by the **ocean** – and its currents – binding us all through whakapapa and connection.

Turou Hawaiki: represented by the **navigation winds**, carrying manu and waka, charting our course and direction, and recognising our shared common values.

Whāia te Taumata Ohanga: like the sun, setting and rising, but always on the horizon, showing us that although the journey may be different, the long-term perspective remains the same.

Tātou Tātou: reflecting the strength of our friendships – and where we are headed – in the faces, and phases, of the moon.

Arongia ki Rangiatea: represented by **Matariki me nga purapura whetu**, drawing a common architecture across the night's sky that reinforces our integration.

This document is one in a series of Four Year Plans for Pacific Island countries published by the New Zealand Ministry of Foreign Affairs and Trade. For the latest version please go to www.mfat.govt.nz

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² <https://www.legislation.govt.nz/act/public/1981/0047/latest/DLM51358.html>



Purpose of this document

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) has developed this Four Year Plan (4YP) to guide the planning and management of New Zealand's overall engagement with the Federated States of Micronesia, and as a platform for dialogue.

The 4YP is used to bring clarity to what work should be prioritised and to help monitor progress to achieve shared outcomes and strategic goals.

This is a living document that will be refreshed annually to ensure it responds to changes in country context, including impacts of external shocks such as COVID-19.

An integrated approach

Aotearoa New Zealand pursues an integrated approach to engagement with the Federated States of Micronesia. We focus on coherence across our diplomatic, trade and economic, climate change, environment, security, and development objectives to deliver sustainable progress in developing countries, and advance New Zealand's interests and values. As such, our development contribution (both policy and financial) is an integral pillar of our foreign policy — it reflects our network of international relationships and commitments, and is an expression of our values.

Enduring principles for New Zealand's engagement in the Pacific

The **enduring principles** which guide New Zealand's overall engagement in the Pacific region are:

- **Tātai Hono** (The recognition of deep and enduring whakapapa connections):

Shared history and meaningful relationships will shape our engagement, reinforcing New Zealand's depth of connection within the region and increasing understanding of Pacific peoples. These connections can further be enhanced by the shared value of reciprocity, shared national and regional priorities, shared language connections, and the recognition and celebration of the diversity between and within our indigenous values and those of Pacific partners.

- **Turou Hawaiiki** (Navigating together):

Our engagement will recognise that we share common values, and will reflect the unique and substantial overlap with New Zealand domestic policy decisions in respect of the Pacific. The development of New Zealand regional and national policies will actively consider their implications for the Pacific. We will also actively consider the impact on Pacific Island countries from international treaties and agreements that Aotearoa New Zealand is negotiating.



- **Whāia te Taumata Ōhanga** (Journey towards a circular economy):

Our engagement will recognise that the journey we each take is different but our horizon is the same. We will collaborate in support of the Sustainable Development Goals, with the long-term inter-generational perspective these Goals bring consistent with New Zealand's and Pacific Island countries' enduring journey together. We will aim to achieve lasting resilience through Pacific Island countries' enhanced capability to deliver on national and regional priorities through supporting sustainable human, economic, and social development. We recognise each country's mana to determine and protect its own kaitiakitanga.

- **Tātou Tātou** (All of us together):

Our cooperation will be underpinned by the principles of whanaungatanga and friendship, including honesty, trust, and respect. We will listen and have conversations. We will act with predictability, consistency, and based on the values we share as people of the Pacific. We will harmonise our efforts with others. We will confidently share New Zealand's views and perspectives, being clear about the things we will do and the things we will not do. The strength of friendship allows us to communicate openly even when our views differ.

- **Arongia ki Rangiātea** (Focus towards excellence):

We will actively take an integrated approach across each New Zealand Government agency to recognise the centrality of the Pacific. We will amplify our value in the Pacific through encouraging impactful co-investment from actors outside the region, and by supporting regional architecture that reinforces Pacific ownership and priorities.



Country overview

Country context

The Federated States of Micronesia (FSM) is home to over 100,000 people, spread between four separately administered states – Yap, Chuuk, Kosrae, and Pohnpei. Though self-governing, FSM is linked to the United States by a Compact of Free Association (COFA). This treaty provides FSM with considerable economic support as well as visa free access to work and live in the United States. In return, the United States receives exclusive defence access to FSM’s surrounding waters and airspace. Negotiations are under way to extend COFA funding provisions beyond the current phase, which is due to end in 2023. Other major development partners are Japan, Australia, and China, as well as international organisations including the World Bank and the Asian Development Bank.

FSM’s economy is narrowly based and remains highly vulnerable to external shocks. FSM has the second largest Exclusive Economic Zone (EEZ) in the world and, excluding funding from the United States as part of the COFA, fisheries’ licensing fees are the largest source of revenue for FSM. Significantly, 41.2% of the population is considered to be under the national poverty line (the highest in the Pacific region). Diversifying the economy to support greater resilience and equality is a priority for FSM.

Climate change represents the single biggest threat to the long-term economic, social, and political development in FSM. In addressing this, FSM has taken a leadership role, both regionally and globally, on fisheries, oceans and climate change issues.

The Federated State of Micronesia’s National Development Plan

FSM’s Strategic Development Plan 2004-2023 identifies nine strategic goals:

1. mainstreaming environmental considerations, including climate change, in national policy and planning
2. improving the human environment
3. reducing energy use
4. making natural resources accessible
5. protecting natural marine, freshwater, and terrestrial ecosystems
6. improving environmental awareness and education
7. effective bio security
8. sustainable financing for the environment, and
9. enhancing technical capacity to support environmental programmes.

COVID-19 impacts

Early and strict border closures have kept FSM’s population free from COVID-19. Supported by the United States, FSM was also amongst the first in the Pacific to begin vaccinations. However, the border restrictions have limited its fisheries transshipment operations and led to a GDP decline of around 2% in 2020. Remittances from FSM citizens overseas (largely in the United States) are also expected to fall as a result of fewer employment opportunities internationally. The cost of the



Government's response to the pandemic, which included establishing a taskforce and delivering a USD 15 million economic stimulus package, is also likely to have a significant impact on Government reserves.

New Zealand's partnership with the Federated States of Micronesia

Though our diplomatic ties are long-standing, the bilateral relationship between Aotearoa New Zealand and FSM has historically been limited. Aotearoa New Zealand is committed to building deeper connections with countries across the Pacific and we have made a concerted effort to expand our bilateral engagement with FSM over the past few years. We have increased our development work and funding allocated to FSM which has allowed new investments in renewable energy, fisheries, and oceans related activities, in addition to previous support provided to small-scale economic development activities and through scholarships.

Aotearoa New Zealand is interested in working with FSM to strengthen regional solidarity to deliver on climate change ambitions, ensure the implementation of regional security declarations, and amplify Pacific voices on the world stage. We already work closely with FSM through our engagement in regional organisations including the Pacific Islands Forum Fisheries Agency, the Pacific Regional Environment Programme and the Pacific Association of Supreme Audit Institutions. We have also partnered with the North Pacific (including the Republic of Palau and the Republic of the Marshall Islands) on initiatives at the UN and in other multilateral fora.

New Zealand's Consulate General in Honolulu is accredited as the non-resident Embassy to FSM. Our Consulate in Honolulu looks after the overarching North Pacific 4YP, which includes FSM, the Republic of Palau and the Republic of the Marshall Islands. We connect regularly with FSM's Consul General, who is also based in Hawaii. We recently established a new position based in our Consulate in Honolulu to focus on the North Pacific. This position allows Aotearoa New Zealand to concentrate on the relationship with each of the North Pacific countries and supports delivery of our expanded development programme.



New Zealand's 4YP strategic goals in the Federated States of Micronesia

Strategic goals

**Goal One:
Enhanced
regional
solidarity and
security**

This goal is about growing and deepening our partnerships in the North Pacific to support the security of the region. In doing this, we recognise the expanded concept of security agreed by Pacific nations in the Boe Declaration which addresses the wide range of security issues in the region, both traditional and non-traditional³.

The Pacific is stronger when we work together. Supporting Pacific unity and collaboration on regional and global issues is a priority for Aotearoa New Zealand. Recognising the significant work that others are already doing in the North Pacific, and the limitations of our resources and experience in the North Pacific, we will seek to build collaborative partnerships with key actors in the region. We seek to add value to their work by contributing targeted expertise, and facilitating greater connections across the Pacific in order to achieve better outcomes at a regional level.

**Goal Two:
Increased
resilience and
well-being**

This goal is about increasing FSM's ability to cope with external shocks. We recognise the serious threat that climate change poses for FSM's ongoing development and well-being. That is why supporting FSM to better manage the impact of climate change is at the core of our development work in the region.

We want to support the Government of FSM to achieve low emissions climate resilient development, sustainable resource management, and good economic governance. Supporting better economic governance and sustainable management of resources can help reduce fiscal vulnerabilities and reinforce transparency and accountability for the use of public resources. Echoing the core principle of the Sustainable Development Goals (SDGs)⁴ to leave no one behind, we will also explore ways to ensure that FSM can better address the needs of women, people with disabilities, and other people and groups at risk of being left behind.

³ The Boe Declaration identifies the following aspects of regional security: *Human Security, including humanitarian assistance, to protect the rights, health and prosperity of Pacific people; Environmental and resource security; Transnational crime; and, Cybersecurity, to maximise protections and opportunities for Pacific infrastructure and peoples in the digital age.* <https://www.forumsec.org/2018/09/05/boe-declaration-on-regional-security/>

⁴ The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The 17 SDGs are defined in a list of 169 SDG Targets. Progress towards these Targets is agreed to be tracked by 232 unique Indicators. <https://sdgs.un.org/goals>



Alignment with the Federated States of Micronesia’s National Development Plan

We have identified our strategic goals while having FSM’s National Development Plan at the forefront of our minds. There is strong alignment between these goals and the overarching consideration for climate change and the environment that is highlighted in FSM’s Plan.

Specific outcomes linked to our strategic goals

The logic diagram annexed to this 4YP sets out how our strategic goals, which are long term outcomes, drive more specific **medium and short term outcomes**. Aotearoa New Zealand will work towards these outcomes in partnership with FSM.

Assumptions

In setting out the logic diagram and outcomes, we have made the following **key assumptions** which we will continue to test and monitor during the implementation of this 4YP:

- United States’ funding under COFA will be extended and the United States will remain actively engaged in the region.
- Other key donors will continue to contribute to FSM’s development.
- Vaccination strategies in FSM will be successful, allowing resumption of more normal movement of people and economic activity within the next twelve months.

Risks

We have noted the following **key risks** which we will continue to monitor, and develop mitigation measures for during the implementation of this 4YP:

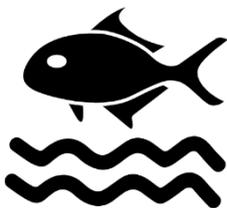
Strategic level risks	Mitigation measures
There are significant delays to restarting travel in the region due to COVID-19 which will impact New Zealand’s ability to implement activities using in-country technical assistance and the ability for increased in-person political contact.	We will monitor the situation closely, and continue to explore ways to engage with FSM virtually. We will also maintain flexibility in our development programme, including delivering funding via alternative modalities such as budget support.
COVID-19 enters the North Pacific community.	We will remain in close contact with FSM as well as with key partners in the region, particularly the United States and Australia, in order to understand the latest situation. This will enable us to respond quickly to changing needs and circumstances.



Key themes supporting these outcomes

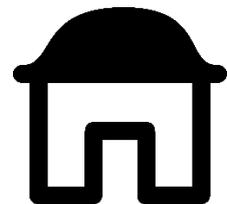
Aotearoa New Zealand has adopted a number of thematic focus areas for its engagement with the Pacific region, recognising that thematic policy, insights and technical expertise are vital to building strong and resilient partnerships. For our engagement with FSM the key thematic focus areas are: **climate and environment, oceans and fisheries, and governance.**

The thematic area of **climate and environment** touches on everything that we do in FSM. Without increased action to limit the impact of climate change and protect the environment there can be no lasting economic, social or political development in FSM. Our work to date in FSM has also drawn on expertise in the area of infrastructure and energy to increase renewable energy production across the country, helping to reduce reliance on fossil fuels.

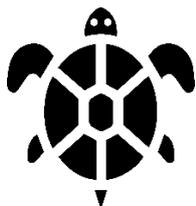


The importance of **oceans and fisheries** to the well-being and livelihoods of the people of FSM drives our engagement in the country. Fisheries is a vital resource for FSM, not only contributing to the national economy but also providing a reliable source of food for many communities. We want to help FSM to safeguard the life-supporting capacity of the ocean, and improve fisheries management in order to ensure that economic growth does not come at the expense of long-term sustainability.

We also draw on wider thematic expertise in the area of **governance**. We use technical assistance to help build capacity within FSM's public service to deliver quality services and adhere to transparency and accountability requirements.



Thematic expertise in the area of **peace and security** also guides our engagement in the North Pacific. We want to build understanding and capacity to respond to modern security risks, using the expanded concept of security inclusive of human security, humanitarian assistance, environmental security, transnational crime and cybersecurity. Our aim is to help build capability and capacity to keep people and communities in FSM safe, sustain economic prosperity and support national sovereignty.



Our 4YP strategic goals and outcomes are also supported through non-bilateral programmes such as multilateral, humanitarian and partnerships programmes that may be working outside of key thematic areas identified in this 4YP. Alongside the bilateral programme, non-bilateral programmes have a key role in realising strategic goals and outcomes.



Achieving development outcomes that are effective, inclusive, resilient and sustained

New Zealand's International Cooperation for Effective, Sustainable Development policy statement identifies four development principles that guide New Zealand's work with partner countries: effective, inclusive, resilient and sustained⁵.

Effective development is values driven, partnership focused, adaptive, outcomes focused, and evidence based.

Inclusive development addresses exclusions and inequality created across all dimensions of social identity, while promoting human rights, and equitable participation in the benefits of development.

Resilient development strengthens the environment, economy, and societies to withstand shocks and manage crises while protecting future well-being.

Sustained development enables lasting progress and is locally owned to uphold results in the long term.

How we put this plan into action

To operationalise this 4YP and therefore contribute to achievement of agreed goals Aotearoa New Zealand uses a range of actions and works with multiple partners. Across each of our goals we will:

- work to deepen the partnership between Aotearoa New Zealand and FSM
- seek to work in coordination with other key partners and donors, and
- draw on expertise from within and across New Zealand Government agencies to operationalise our plan.

New Zealand's development assistance in FSM is delivered as part of our overarching North Pacific 4YP, which also includes the Republic of the Marshall Islands and the Republic of Palau. International development cooperation funding for this 4YP is managed over a three year period. Over this period, there is flexibility to move funds into and between 4YPs in order to respond to rapidly changing contexts. Current information about New Zealand's International Development Cooperation appropriation is on the MFAT website⁶.

⁵ <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/Policy-Statement-New-Zealands-International-Cooperation-for-Effective-Sustainable-Development-ICESD.pdf>

⁶ <https://www.mfat.govt.nz/en/aid-and-development/our-approach-to-aid/where-our-funding-goes/our-planned-aid-expenditure/>



Goal One: Enhanced regional solidarity and security

We will seek to deepen our partnership with FSM through increased bilateral engagements, including increased frequency of accreditation visits (border restrictions permitting). We will continue to work closely with FSM when engaging with regional agencies, and will look for new opportunities to partner with and support FSM in regional and international fora to advocate for action on shared priorities. In doing this, we will draw on technical and thematic expertise from within MFAT and New Zealand Government agencies.

We will also increase our engagement with regional partners in order to ensure a coordinated and complementary approach. Through our development investments, we will provide targeted support to help FSM implement regional frameworks and agreements, including the Boe Declaration and others that will improve the security of FSM and the wider Pacific region.

Key indicators of progress

Goal One: Enhanced regional solidarity and security

- Increased New Zealand support for multilateral and regional initiatives to work in FSM
- Frequency of policy dialogue and high-level engagements between Aotearoa New Zealand and FSM
- Mobilised amount of funding per year between 2020 and 2025 accountable towards the USD 100 billion commitment (SDG indicator 13.a.1)⁷
- Progress against Boe Declaration Action Plan⁸

Goal Two: Increased resilience and well-being

Different strands of work contribute to the achievement of this goal: increasing climate resilience, increasing economic resilience, promoting equity and inclusion, and improving governance. We will pursue this through targeted development funding, delivered largely through technical assistance (border restrictions permitting) as this modality has proven effective in the past. Technical assistance will focus on continuing to increase the capacity and capability of fisheries management in FSM, improving economic governance (including through policy dialogue), and developing national strategies and policies to support sustainable and inclusive economic management.

We will also engage closely with the Government of FSM to ensure that our support meets FSM's particular needs and context.

⁷ See also Climate Finance in the Paris Agreement. <https://unfccc.int/topics/climate-finance/the-big-picture/climate-finance-in-the-negotiations>

⁸ <https://www.forumsec.org/2018/09/05/boe-declaration-on-regional-security/>



Key indicators of progress

Goal Two: Increased resilience and well-being

- Increased proportion of fish stocks within biologically sustainable levels (SDG indicator 14.4.1)
- Increased share of renewable energy in the total final energy consumption (SDG indicator 7.2.1)
- Increased proportion of national exclusive economic zone managed using ecosystem based approach (SDG indicator 14.2.1)
- Increased primary government expenditures as a proportion of original approved budget, by sector (SDG indicator 16.6.1)
- Proportions of positions (by sex, age, persons with disabilities and population groups) in public institutions (national and local legislatures, public service, and judiciary) compared to national distributions (SDG indicator 16.7.1)

How we assess progress against this plan

We report back on progress towards our goals in the Pacific overall via MFAT's Annual Report⁹. We also report back on this 4YP to the Government of FSM via regular officials' level engagements. This not only gives us an opportunity to discuss what has been achieved in partnership but also to test whether our plan remains fit-for-purpose or we need to change anything.

Shared progress against the key indicators listed for each strategic goal helps us to monitor progress at the highest level. We also support and use country-owned statistics and data to monitor country progress at the macro level, and therefore will not use a separate country-level measurement framework. In addition, we monitor and evaluate our development activities to ensure their effectiveness and ongoing strategic alignment. The results and lessons learned from this process are compiled annually and fed into an Annual Reflection discussion and report on progress against the 4YP outcomes. This in turn informs the annual updates of the 4YPs.

Every 6-8 years we will commission an independent evaluation of MFAT's overall engagement in FSM in partnership with the Government of FSM. This evaluation, which will consider progress against outcomes, the challenges and any lessons learned, will inform continued improvement.

For further information

Aotearoa New Zealand is represented in the Federated States of Micronesia by the Consulate-General in Honolulu, Hawaii. Contact details are available on the MFAT website¹⁰. To find out more about New Zealand's engagement with Pacific Island countries also go to the MFAT website, at www.mfat.govt.nz/en/countries-and-regions/australia-and-pacific/

⁹ <https://www.mfat.govt.nz/en/about-us/mfat-annual-reports/>

¹⁰ <https://www.mfat.govt.nz/en/countries-and-regions/americas/united-states-of-america/new-zealand-consulate-general-honolulu-hawaii/>





Appendix: Logic diagram for North Pacific 4 Year Plan¹¹

STRATEGIC GOALS

STRATEGIC GOAL 1:

Enhanced regional solidarity and security

STRATEGIC GOAL 2:

Increased resilience and well-being

MEDIUM TERM OUTCOMES

MO1.1:

North Pacific states better able to respond to modern security challenges

MO1.2:

Aotearoa New Zealand is viewed as a constructive partner in the North Pacific by the Federated States of Micronesia, Republic of the Marshall Islands, Republic of Palau, and regional partners.

MO1.3:

Pacific voice on climate change, and other regional issues, are strengthened in regional and international forums.

MO2.1:

Communities (including the most marginalised groups) are supported to adapt to climate risks and hazards.

MO 2.2:

The North Pacific's public service is more effective and accountable, and fiscal vulnerabilities are reduced.

SHORT TERM OUTCOMES: key changes expected to result from MFAT activities and engagement in 3–5 years

STO1:

North Pacific states are able to fully implement regional security frameworks

STO2:

Increased development collaboration between regional partners.

STO3:

Increased policy dialogue and political-level partnership between Aotearoa New Zealand and the North Pacific countries on climate change, and other regional issues.

STO4:

North Pacific states make progress towards meeting Paris Agreement commitments

STO5:

North Pacific governments have increased knowledge and ability to address the impact of climate change in their communities (including the most marginalised).

STO6:

North Pacific governments have strengthened governance systems and greater capacity to manage public finances and sustainably manage key economic resources.

Increasing influence of external/ contextual factors

MFAT has more influence

¹¹ MFAT's North Pacific Four Year Plan encompasses our work in the Republic of Palau, Federated States of Micronesia, and the Republic of the Marshall Islands.