

# ECONOMIC & FISCAL UPDATE

April 2016



FSM Office of Budget & Economic Management,

Palikir, Pohnpei

## Table of Contents

1.	ECONOMIC & FISCAL UPDATE SUMMARY .....	1
1.1.	Fiscal Setting Overview .....	1
1.2.	Economic Setting Overview .....	2
2.	NATIONAL GOVERNMENT FISCAL UPDATE .....	3
2.1.	Fiscal Outcome .....	3
2.2.	2023 Action Plan .....	6
2.3.	Revenue Sharing .....	7
2.4.	Government Debt .....	8
2.5.	FSM Trust Fund .....	9
2.6.	Overseas Development Assistance .....	10
2.7.	Compact Trust Fund .....	12
2.8.	Public Projects .....	13
3.	ECONOMIC UPDATE .....	15
3.1.	Gross Domestic Product .....	15
3.2.	Consumer Price Index .....	19
4.	CONSOLIDATED ACCOUNTS OF THE NATION .....	20
5.	APPENDICES .....	23
5.1.	2023 Action Plan Matrix Update .....	23
5.2.	Statistical Tables .....	27

## **CURRENCY EQUIVALENTS**

Currency Unit – FSM uses the United States Dollar

## **ABBREVIATIONS**

ADB	-	Asian Development Bank
AIP	-	Airport Improvement Program
COM-FSM	-	College of Micronesia
CPI	-	Consumer Price Index
DR&D	-	Department of Resource & Development
EU	-	European Union
FAA	-	Federal Aviation Administration
FSM	-	Federated States of Micronesia
FSMPC	-	FSM Petroleum Corporation
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
ICT	-	Information, Communications and Technology
IDP	-	Infrastructure Development Plan
JEMCO	-	Joint Economic Management Committee
ODA	-	Overseas Development Assistance
PMO	-	Project Management Office
PMU	-	Project Management Unit

## **NOTES**

- (i) The Fiscal Year (FY) of the Government ends on 30<sup>th</sup> September.
- (ii) In this report, "\$" refers to United States dollars.

## 1. ECONOMIC & FISCAL UPDATE SUMMARY

### 1.1. Fiscal Setting Overview

1. Strong government domestic revenue in recent years has eased the pressure on the fiscal position of the National Government, with the budget in surplus<sup>1</sup> annually since Fiscal Year (FY) 2008. In FY2013 the surplus rose above \$10 million for the first time as a result of the increasing fishing license fee collections. FY2014 was an exceptional year for the Federated States of Micronesia (FSM) National Government with a significant increase in fishing licence fees and a one-off \$22 million payment by a captive insurance company, resulting in a fiscal surplus of \$42.7 million for the year.

2. A strong fiscal surplus, pre-audit, is estimated at \$35.6 million in FY2015 and a further surplus is projected for FY2016. After seven years of surpluses the National Government can be considered as fiscally self-sustaining, with the issue for FSM now focusing on the States' fiscal capacity.

3. The FY2017 National Budget was developed under reasonably unrestricted fiscal circumstances and reflects the key policy focus of the Government. Firstly, the need for continued fiscal discipline with regard to the overall operations budget, with a moderate 0.4 percent increase over FY2016 levels. Secondly, it provides a balance between investing for the future and the need to stimulate the economy now.

4. Domestic revenue has been growing rapidly over the last four years on the back of rising fishing licence fees. Domestic tax revenue effort however, at 12 percent of GDP, continues to be low by international standards.

5. External grants have declined significantly in recent years, with the major decline coming from capital grants which peaked at \$57.6 million in FY2012 and dropped to only \$7.2 million and \$10.1 million in FY2014 and FY2015 respectively. This decline reflects the completion of Federal Aviation Administration (FAA) projects and the Joint Economic Management Committee (JEMCO) decision to suspend Compact infrastructure grants in 2012.

6. Following the update of the Infrastructure Development Plan (IDP) in FY2015 Compact infrastructure sector allocations were made available again in January 2016. However, with the repeal of Public Law 14-48, infrastructure grants will in future be passed down to the States, and thus National Government grant levels, in line with the fiscal sustainability achieved, are not expected to rise again to previous levels.

7. Operational expenditure levels have remained flat over the last five years and in real terms have declined. Expenditure on personnel as a percentage of domestic revenue has declined from a peak of 49.8 percent in FY2010 to 23.1 percent in FY2015. Expenditure on goods and services has only grown by an average 0.1 percent per annum since FY2004. This along with the 2.3 percent average annual growth in personnel costs suggest the National Government has been successful in keeping government operational expenditure under control since the beginning of the Amended Compact.

---

<sup>1</sup> The surpluses are recorded before investments into the FSM Trust Fund

8. The National Government, through Congress, continues to support the States through revenue sharing initiatives, increasing from \$9.4 million in FY2012 to \$47.7 million in FY2016. FY2016 includes infrastructure allocations to the States of \$14.7 million and public projects of \$8.4 million, which are a mix of infrastructure, economic, and social projects. The National Government also allocated \$6.4 million to Typhoon Maysak disaster relief in FY2015.

9. Surpluses have allowed the National Government to make contributions into the FSM Trust Fund which has grown from \$8 million at the beginning of FY2012 to \$57.8 million at the end of FY2015. The medium term outlook for National Government is for continued surpluses of around \$15 million, with at least \$10 million annually proposed for Trust Fund investment.

10. In recent years the FSM has maintained a prudent external debt profile. The current debt to GDP ratio is relatively low at 26.1 percent in FY2015, and the debt service to domestic revenue ratio is at a manageable rate of 5.9 percent.

## 1.2. Economic Setting Overview

11. From the historical low of FY2008, FSM experienced two years of economic growth stimulated mainly by infrastructure projects linked to the Amended Compact grant and FAA funded airport renovations. During this period construction activity averaged 33.2 percent growth per annum. However, FY2012 - FY2014 saw significant decline in construction activity and the economy went into recession. Not only were the FAA funded projects drawing to close but also a JEMCO imposed suspension on any new Infrastructure Grant projects in August 2012 further restricted economic activity.

12. Following three years of recession the FSM economy returned to growth in FY2015, albeit at a mild 1.4 percent. Typhoon Maysak, in April 2015, suppressed the growth rate in FY2015 and FY2016 is expected to see the negative impact of the El Nino drought which is severely effecting the agriculture sector.

13. Economic growth prospects for the FSM for the first time since 2012 are positive. The ADB Reports in their latest pacific forecast 8 percent growth for FSM for FY2016. This is considerably higher than FSM Government forecasts of 2.5 percent.

14. Inflation, as measured by the FSM Consumer Price Index (CPI), was 0.5 percent in FY2014 following 2.5 percent growth in FY2013. This downward trend continued in FY2015 with FSM experiencing deflation, with the CPI falling by -1.0 percent. FY2016 is expected to see prices remain relatively stable at the FY2015 levels.

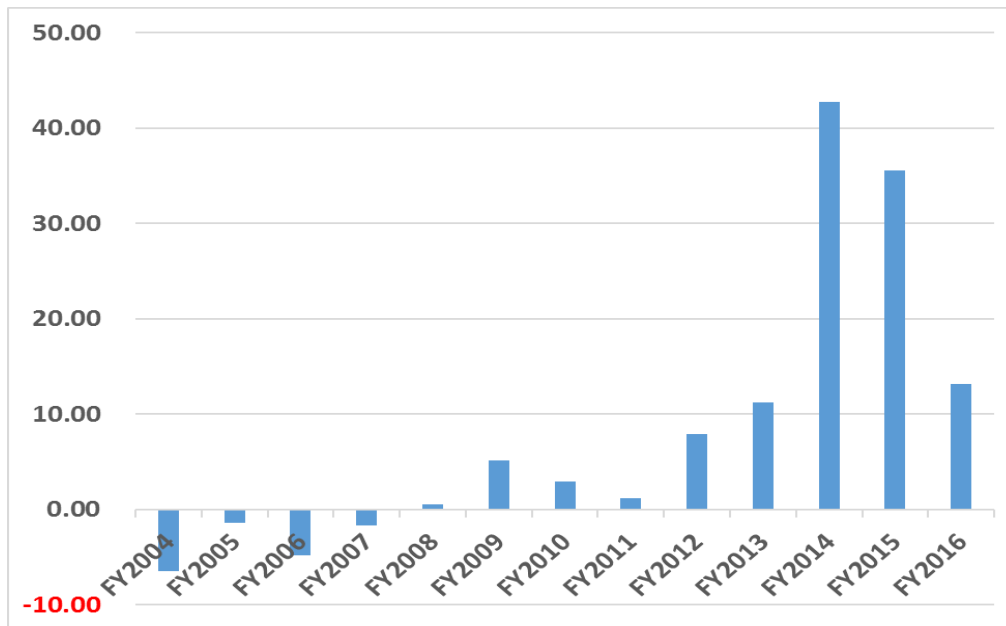
15. The FSM has not prospered since the beginning of the Amended Compact with real GDP growth averaging -0.4 percent per annum. Implementing a long-term sustainable growth strategy is the Government's top priority.

## 2. NATIONAL GOVERNMENT FISCAL UPDATE

### 2.1. Fiscal Outcome

16. The first five years of the Amended Compact witnessed a difficult period of fiscal adjustment, as the nation was forced to adapt to the new fiscal procedure arrangements. At the start of the amended Compact in FY2004 the National Government recorded a deficit of \$6.4 million (refer figure 1), reflecting the National Governments transfer of \$8.5 million to the Compact Trust Fund. In the subsequent three years much smaller deficits were incurred as continuing adjustments were made to meet the new Amended Compact fiscal procedures and by FY2008 the overall fiscal balance had turned positive, and has remained that way since.

**Figure 1: National Government Fiscal Balance<sup>2</sup> (\$ million)**



Source: Audited Reports & Budget estimates

17. In FY2013 the surplus rose above \$10 million for the first time as a result of the increasing fishing license fee collections. FY2014 was an exceptional year for the FSM National Government with a further increase in fishing licence fees and a one-off \$22 million payment by a captive insurance company, resulting in a fiscal surplus of \$42.7 million. The National Government provisional fiscal balance is estimated to be \$35.6 million for FY2015 (pre audit) and forecast at \$13.2 million for FY2016.

<sup>2</sup> The surpluses are recorded before investments into the FM Trust Fund

## Government Revenue

18. Strong government domestic revenue in recent years has eased the pressure on the fiscal position of the National Government (refer table 1 below).

**Table 1: National Government Revenue (\$ million)**

	<b>FY2012 Audit</b>	<b>FY2013 Audit</b>	<b>FY2014 Audit</b>	<b>FY2015 Estimate</b>	<b>FY2016 Budget</b>
<b>Domestic Revenue</b>	<b>47.5</b>	<b>56.4</b>	<b>91.2</b>	<b>86.7</b>	<b>67.4</b>
Tax revenue	16.0	17.3	40.0	17.6	13.0
Non-tax revenue	31.5	39.1	51.2	69.1	54.4
Fishing license fees	26.4	35.0	47.5	65.0	50.0
Other	5.1	4.0	3.7	4.1	4.4
<b>External Grants</b>	<b>71.5</b>	<b>43.8</b>	<b>26.2</b>	<b>19.4</b>	<b>20.1</b>
Compact Sector Grants	2.3	2.4	2.4	2.4	1.7
Supplemental Education	0.4	0.3	1.1	1.1	1.1
Federal & Other	11.2	9.9	5.9	5.8	5.3
Capital Grants	57.6	31.3	7.2	10.1	12.0
<b>Revenue</b>	<b>118.9</b>	<b>100.3</b>	<b>117.4</b>	<b>106.1</b>	<b>87.5</b>

Source: Audited Reports & Budget estimates

19. Tax revenue in the FSM is a relatively low proportion of domestic revenue. However, in FY2014 corporate tax showed a large gain of \$22 million. This income was related to a one-off payment by a captive insurance company. Corporate tax declined to \$4.0 million in FY2015 and has been forecast at \$7 million in FY2016 as world markets recover from the negative returns of FY2015.

20. Public Law 18-107 in FY2015 amended the tax collection allocation to the States from 50 percent to 70 percent of net taxes collected for import taxes, income tax and gross revenue tax. This was a welcome move towards assisting the States although it is more an investment for the future as by law this additional tax allocation is invested in the FSM Trust Fund on behalf of the States. The impact of this tax policy change sees a \$5.0 million decline in tax revenue for the National Government from FY2016 onwards.

21. A major part of fiscal adjustment for FY2023 will need to come from domestic revenue increases in order to avoid seriously jeopardizing State social service delivery. The FSM tax to GDP ratio of 12 percent is very low by international standards and well below other Pacific island countries. Both our nearest neighbours, Palau and the Republic of Marshall Islands, have ratios of 17 percent. This very low revenue effort means there is very little domestic resources to fund State government expenditures. Raising the FSM revenue effort to 16 percent of GDP in the medium term, through tax reforms, or other compliance and tax measures, is necessary to partially avert the fiscal crisis in FY2024.

22. Fishing licence income doubled between FY2012 and FY2015, reaching \$65.0 million. Fishing day licence fees increased by 30 percent on 1 January 2015 but at the same time there was to be a reduction in days fished. The impact of the current El Niño is also uncertain with

regards to migration of fisheries. As a result, the FY2016 budget takes a conservative approach and estimates fees of \$55 million for the year.

23. Increasing fees may be good for government revenues but these should not be pursued at the expense of a viable domestic based fishing industry. Fishing licences do not necessary translate into a growing economy and more attention needs to be paid to developing the domestic and value added component of the sector. Also, maximizing opportunities for FSM crew on fishing vessels through the PNA agreement should be pursued.

24. External grants have been declining in recent years. This reflects the National Congress amending the allocations for Compact Sector grant disbursement to the States, with Public Law 18-57 seeing the National Government allocation being zeroed out from FY2015 onwards. FY2016 sees Amended Compact funding for the College of Micronesia (COM-FSM) drop to \$1.7 million as per the 2011 JEMCO resolution to reduce COM-FSM support from \$3.8 million to \$1.0 million per annum by FY2017. This decline in Compact grant funding has been replaced by National Government local revenue funding, allowing the freed up Compact grants funding to be distributed to the States.

25. The major decline in grants comes from capital grants which peaked at \$57.6 million in FY2012 and dropped to only \$7.2 million and \$10.1 million in FY2014 and FY2015 respectively. Following the Infrastructure Development Plan update and PMU institutional Review completed in 2015 the Compact infrastructure grants are expected to be made available again from FY2016 onwards.

## Government Expenditure

26. Since FY2012 National Government expenditure has been declining, mainly reflecting the slowdown in capital grants. Current expenditure levels have remained flat over the last 5 years and in real terms have declined (refer table 2 below).

**Table 2: National Government Expenditure (\$ million)**

Item	FY2012 Audit	FY013 Audit	FY2014 Audit	FY2015 Estimate	FY2016 Budget
Wages and Salaries	18.5	18.2	16.0	16.0	16.2
Goods and Services	28.9	29.3	29.6	30.2	30.6
Interest Payments	0.6	0.7	0.4	0.4	0.4
Subsidies	0.3	0.3	0.1	0.1	0.1
Transfer	1.2	1.0	2.7	2.7	2.7
<b>Current Expenditure</b>	<b>49.5</b>	<b>49.5</b>	<b>48.8</b>	<b>49.4</b>	<b>50.0</b>
Capital Expenditure	61.5	39.5	25.8	21.1	34.9
<b>Total Expenditure</b>	<b>111.0</b>	<b>89.1</b>	<b>74.7</b>	<b>70.5</b>	<b>84.9</b>

Source: Audited Reports & Budget estimates

27. Personnel costs have grown from \$13.3 million in FY2004 to a peak of \$18.5 million in FY2012 before declining to \$16.0 million in FY2014 and FY2015. The average growth rate for this period is 2.3 percent, almost half the average annual inflation rate of 4.4 percent for the



same period. Expenditure on personnel as a percentage of domestic revenue has declined from a peak of 49.8 percent in FY2010 to 18.5 percent in FY2015.

28. Public Law 18-114 introduced the Cost of Living Adjustment which takes effect on 1 July 2015 with a \$40 per fortnight contribution for all government employees. As a result, personnel costs rise by \$0.3 million in FY2016 to reflect a full year expenditure.

29. Expenditure on goods and services has only grown by an average 0.1 percent per annual since FY2004. This along with the personnel cost average annual growth rates suggest the National Government has been successful in keeping government current expenditure under control since the beginning of the Amended Compact.

30. Capital expenditure funded from grants was very strong from FY2009 – FY2012, peaking at \$61.5 million in FY2012. This was the impetus for the only period of economic growth so far during the Amended Compact era. Over the last two years' external grants have declined as FAA projects were completed and JEMCO suspended Compact infrastructure grants in 2012. Following the update of the Infrastructure Development Plan (IDP) in FY2015 Compact infrastructure sector allocations were made available again in January 2016.

## 2.2. 2023 Action Plan

31. The key component of the 2023 Action Plan (refer Appendix 5.1 for the updated 2023 Action Plan Matrix) that has been completed and approved at the end of FY2015 was the update of the IDP. As a result of this update, JEMCO has freed up the infrastructure arrears of \$135 million and the infrastructure program can resume in FY2016. The Plan had a target allocation of \$20 million in arrears for FY2016 plus the annual allocation of \$23 million. On January 21 2016, JEMCO Resolution 2015-4 allocated \$55 million in infrastructure funding for FY2016 projects, \$12 million more than the Action Plan target.

32. In conjunction with the IDP update the Action Plan Matrix included revised infrastructure implementation arrangements. The repeal of Public Law 14-48 in September 2015 saw a change in authority for project implementation. The Law had previously mandated that all infrastructure projects be managed and implemented at the National level, but due to many issues around the program, this responsibility has now been passed down to the States. The updated IDP had anticipated this change in authority and had recommended a State based implementation model with the National PMU having an oversight role and four State Project Management Offices (PMO) being set up to manage the project implementation.

33. Compact grants have been received to finance the PMO at the State level and the States are currently in the process of resourcing them. A grant has also been received for Support to the Department of Transport, Infrastructure & Communications to assist with its role of IDP program oversight.

34. In the tourism sector the Department of Resource & Development (DR&D), in consultation with the States, has completed the National Tourism Policy in accord with Sustainable Tourism principles, and this is now with Congress for final endorsement. In conjunction with this draft Policy, four State Tourism Investment Plans were completed and in FY2016 Congress appropriated \$1.9 million in initial financing for these plans. The DR&D is currently working with States on implementing the tourism projects.

35. The DR&D has launched its new website which includes information on Trade and investment policy and foreign investment laws

### 2.3. Revenue Sharing

36. The National Government, through Congress, continues to support the States with a number of initiatives in recent times which have seen an increase in the share of revenue to the States (refer table 3). This amounted to \$9.4 million in support in FY2012 and has risen to \$47.7 million in FY2016. Over the same period the National Government has also invested over \$60 million in the FSM Trust Fund.

37. The most significant initiative has been Public Law 18-57 which has seen a change in calculation of the division formula for Compact Grant funds. From FY2015 onwards, the National Government allocation is zero. This has seen an additional \$8.0 million in grants being available for the States annually.

38. There have also been cases of forced revenue sharing under the Amended Compact, for example in 2011 JEMCO resolved that the allocation to COM-FSM would be reduced by \$700,000 per annum (an amount greater than the annual decrement), until it reached \$1 million in FY2017. The National Government stepped in and replaced the grant funding to COM-FSM allowing the additional \$700,000 grant to be distributed among the States. A similar decision was made by JEMCO with regards to scholarships and this funding was also picked up by National Government allowing more grants directly to the States.

**Table 3: National Government Revenue Sharing (\$ million)**

	FY2012	FY2013	FY2014	FY2015	FY2016
Amended Compact Grant			4.0	8.0	8.0
Education	2.3	3.0	4.0	5.9	7.4
Infrastructure	3.4	3.6	1.3	14.5	14.7
Congress Regional Projects	3.4	6.5	10.0	8.4	8.4
Judiciary	0.3	0.3	0.3	0.3	0.3
State Tourism Development					1.9
Change in tax revenue formula					4.8
Other	0.1	0.4	0.4	0.8	4.1
<b>Total</b>	<b>9.4</b>	<b>13.7</b>	<b>20.0</b>	<b>38.0</b>	<b>47.7</b>

Source: FSM Budget & Economic Management Office

39. Public Law 18-107 in FY2015 amended the tax collection allocation to the States from 50 percent to 70 percent of net taxes collected for import taxes, income tax, and gross revenue tax. The impact of this tax policy change sees a \$.8 million decline in tax revenue for the National Government from FY2016 onwards. This revenue has not been passed directly to the States but by law is invested in the FSM Trust Fund on their behalf. It is estimated that \$40 million will be invested in the Trust Fund on behalf of the States by 2023.

40. In addition to the \$10 million domestic funding of infrastructure grants to the States in FY2015 and FY2016 the National Government continued to provide funding for outer island airstrips. A \$1.8 million allocation was also made in FY2016 for AIP matching funds for States.

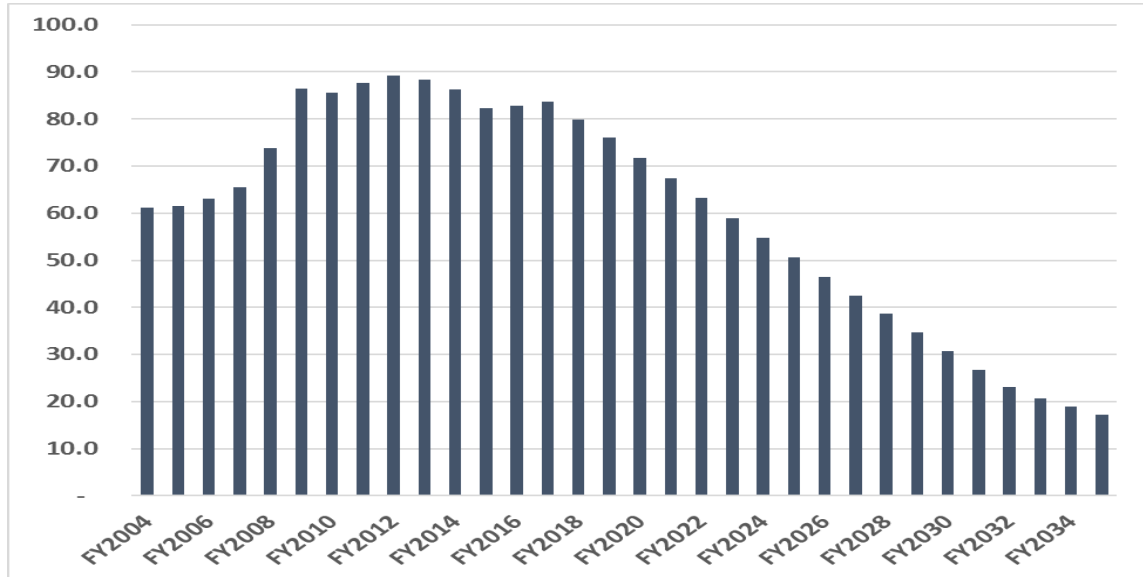
41. Expenditure by the National Congress on Public Projects rose from \$6.8 million in FY2013 to \$10 million in FY2014 and dropped back to \$8.4 million for FY2015 and FY2016. Public projects are a mix of infrastructure, economic, and social projects at the State and municipal

42. The other category includes \$1.9 million in tourism funding and \$1.6 million in budget support to the States, mainly to fund personnel whose jobs were to be lost due to JEMCO cuts in small grant funding.

## 2.4. Government Debt

43. Although many indicators do not suggest a vibrant picture of recent economic performance, the FSM has maintained a prudent external debt profile. After a period of sizeable borrowing in the early 1990s, to finance development projects, external debt has fallen significantly. The Debt-to-GDP ratio has halved from 54 percent in FY1995 to 26.1 percent in FY2015. Debt service ratios also remain very favorable by international standards, reflecting the concessionary nature of the remaining outstanding debt.

**Figure 2: External Debt (\$ million)**



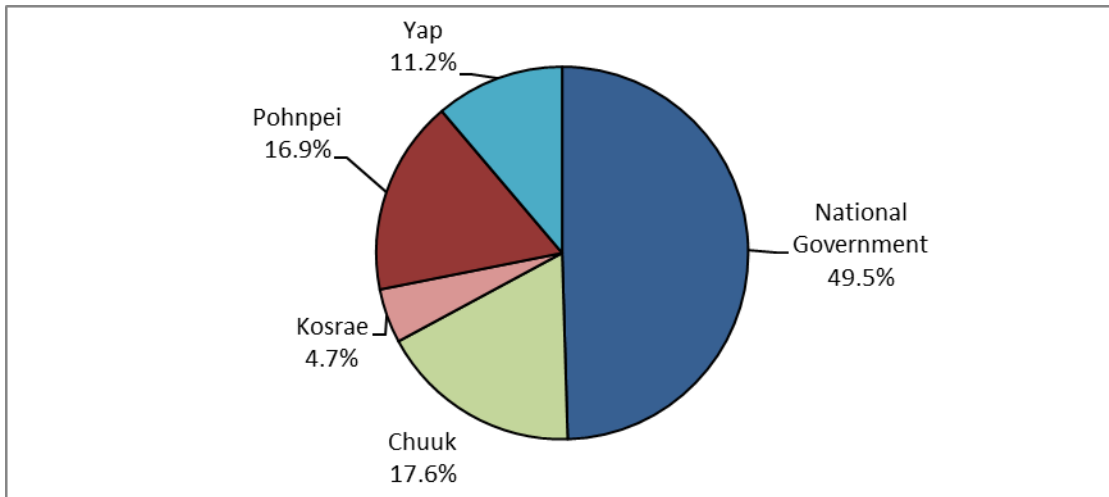
44. Substantial borrowing occurred in FY2008 and FY2009 that raised the level of debt by more than \$20 million from the FY2007 level of \$65 million (refer figure 2). Debt levels have been declining since the peak of \$89.2 million in FY2012 with external debt of the FSM at the end of FY2015 of \$82.2 million. FY2017 will see a slight rise in external debt as the Yap

Renewable Energy loan comes on stream but without further borrowing debt will continue to decline in the medium to long term.

45. The bulk of the public external debt, \$54.8 million (66.7 percent), is owed to the Asian Development Bank. Of the debt, 32.0 percent is publicly guaranteed debt, mainly FSM Telecom debt owed to the United States Rural Utilities Services, and 1.3 percent is debt owed by the FSM Development Bank to the European Investment Bank.

46. By government, almost half (48.6 percent) of total external debt is owed by the National Government and component units, 20.0 percent by Chuuk, 17.6 percent by Pohnpei, 9.0 percent by Yap, and 4.8 percent by Kosrae (refer figure 3).

**Figure 3: External Debt by National & State (% share)**



47. In the past, it has been ADB’s policy to lend only to the FSM National Government and not directly to the FSM States. As the National Government obtained the loans to finance the implementation of FSM-wide projects including those in the states, a significant portion of the loans were on-lent to the States and/or to public enterprises. For the on-lent loans, the on lending agreement between the national government and the state government specifies the terms and conditions as the same as the ADB loan agreement signed between the National Government and ADB.

48. FSM’s external debt service has increased steadily from just \$2.0 million in FY2006 to a peak of \$7.9 million in FY2013, as some maturing debts required increased principal payments. As a share of domestic revenues, debt service has been declining since FY2011 and was at 5.9 percent in FY2015. As FSM has \$13 million in trust accounts reserved for debt servicing, the actual debt servicing burden is effectively less.

## 2.5. FSM Trust Fund

49. The FSM Trust Fund was established through Public Law 10-150 in April 1999 and Public Law 13-48, September 23 2004, gave the President the authority to transfer the appropriated balance of \$7,015,000 in the FSM Trust Fund in to the Compact Trust Fund as the

National Government's contribution to the Fund. This transfer took place on September 30 2004, reducing the Fund balance to zero.

50. The current status of the FSM Trust Fund is shown in table 4 below.

**Table 4: FSM Trust Fund Balance (\$ million)**

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Net Assets, Beginning</b>	6.2	8.2	8.0	11.3	13.6	22.4
Appropriations	2.5		1.8	1.0	7.0	38.0
Net Investment income:	-0.5	-0.2	1.5	1.3	1.8	-2.6
<b>Net Assets, Ending</b>	8.2	8.0	11.3	13.6	22.4	57.8

51. From FY2007 to FY2013 the National Government invested \$11 million into the Trust Fund. Additional deposits to the Trust Fund were made by Congress Resolutions 15-88 (FY2008) and 16-97 (FY2010) sourced from Chinese Grants of \$1 million each. The National Congress made a considerable deposit into the Fund of \$7 million in FY2014 and this has been further increased with a \$38 million investment in FY2015.

52. As with the Compact Trust Fund, earnings for FY2015 were negative (-\$2.6 million), reflecting international investment market returns.

53. From FY2016, through Public Law 18-107, the National Congress has committed \$5 million of tax revenue annually from FY2016 to the Trust Fund on behalf of the States. It is estimated that the FSM Trust Fund will reach \$250 million by FY2023, providing a valuable contribution to the projected fiscal deficit in FY2024.

54. The FY2016 appropriation allowed for a further \$10 million investment into the Trust Fund and this deposit was made in January, seeing the Trust Fund balance increase to \$67 million as at March 31 2016.

## 2.6. Overseas Development Assistance

55. The FSM is dependent upon support from the international development community and the depth and diversity of challenges facing the country means that it will remain dependent on assistance for the foreseeable future. In December 2013, the FSM adopted a Policy for Overseas Development Assistance (ODA) with the aim of maximizing the benefits of development assistance for all stakeholders. ODA priorities will be set on a 3-year cycle and these will be used to direct allocations to those activities that are deemed most urgent and crucial. Alignment between the process for identifying official ODA requests and the budget cycle will help to ensure that ODA resourcing is met with adequate local implementation capacity.

56. Table 5 below provides a summary of ODA activity by key sector. The table is not complete, but an estimate based on information available to date. In particular, donor allocations

work on 3-4 year cycles so in some cases the program and data is not available for the later years.

**Table 5: ODA Activity by Key Growth Sector (\$million)**

Item	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Agriculture		0.5	0.2	0.2	0.2		
Fishing	0.4		1.3	1.3	1.3		
Tourism			0.3	0.4	2.0		
Energy		0.6	2.0	9.1	11.1	4.4	14.7
ICT			0.5	1.0	14.0	20.0	
Infrastructure	0.5		4.6	16.2	0.5	5.0	5.0
Environment	4.1	2.7	0.1	0.5	0.4	0.4	0.4
Government	2.6	2.8	2.8	3.0	2.8	2.0	2.0
<b>Total</b>	<b>7.6</b>	<b>6.6</b>	<b>11.8</b>	<b>31.7</b>	<b>32.3</b>	<b>31.8</b>	<b>21.2</b>

Source: Estimates based on latest available donor information

57. Budget support as a delivery modality is a stated goal of the FSM and, as agreed in 2011 in Busan, the preferred modality of many development partners. This form of support affords the FSM the flexibility to align external resourcing with domestic priorities, including 2023 Action Plan strategies. Negotiations with the European Union (EU) on the Fund-11 allocation of \$18 million have resulted in an agreement to work towards a budget support modality related to the energy sector.

58. The major goal of the Energy Policy is ‘to become less dependent on imported fossil fuels by having an increased share of renewable energy sources and having cross-sectorial conservation and efficiency standards in place. By 2020, the share of renewable energy sources will be at least 30 percent of total electricity production, while energy efficiency, including a reduction in energy loss, will increase by 50 percent. Total fossil fuel usage by the four State utilities was \$23 million in FY2013 and thus a reduction of 30 percent for renewable energy would see foreign exchange savings of around \$7 million per annum.

59. The energy policy is accompanied by a National and four State Action Plans that cover energy development programmes as well as the promotion and adoption of energy efficient appliances, energy conservation, and energy awareness campaigns. Significant commitments from Development Partners are in place, giving FSM a positive outlook to achieve its energy target by 2020.

60. The Yap Renewable Energy Development project (\$9.0 million) aims to reduce fossil fuel dependency in the State through the development of renewable energy and improved supply side energy efficiency of the current grid. The project will include construction of 1.4MW wind power, 300kW grid-connected solar power, and installation of a 1.8MW diesel generator to improve the efficiency of the current grid.

61. The World Bank energy project (\$14.4 million) will increase the available power generation capacity and efficiency of the four state power utilities which will over time lead to more sustainable and affordable electricity tariffs throughout the country.

62. Together with the World Bank Group, the governments of FSM and Palau are undertaking an FSM-Palau ICT Regional Connectivity Project which will finance investments in key telecommunications infrastructure to provide enhanced connectivity in FSM and to strengthen the regulatory environment. Project components include: (i) laying a submarine cable system for Yap and Palau; (ii) providing faster and more reliable ICT connectivity for Chuuk and Kosrae; and (iii) financing technical assistance for advisory services to support sector regulation and regulatory capacity development and promoting universal access throughout FSM. The World Bank project is funded by utilising the FSM International Development Association 17 allocation of \$12.4 million to leverage a further \$38.6 million in regional funds.

63. The Japanese delivered a new inter-island ferry to FSM in April 2015 with a value \$11 million while the Chinese completed the Kosrae airport causeway and bridge in 2015.

## 2.7. Compact Trust Fund

64. The summary highlights of the Compact Trust Fund for FY2015 were:

- The Fund's total net position value increased 1.5 percent to \$396.7 million in FY2015 from \$380.9 million in FY2014. The increase was solely due to a contribution from the United States government of \$27.0 million, with net investment income declining by \$11.4 million.
- The Fund had a dollar-weighted annual rate of return of -2.7 percent for FY2015 compared to 9.8 percent for FY2014 and 15.9 percent for FY2013.
- The gains in the previous 3 years have been partially offset by the negative performance in FY2015.
- Given the negative return, no allocation was made to the "C" account for FY2015, leaving the total balance of the account at \$73.7 million.

65. Recent performance of the Compact Trust Fund is shown in table 6 below.

**Table 6: Statement of Changes in Net Assets (\$ million)**

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Restricted Net Assets, Beginning	138.1	177.2	198.5	257.4	323.1	380.9
United States contributions	21.5	22.4	23.6	25.0	26.1	27.0
Net investment income	17.8	-1.0	35.5	40.9	31.9	-11.4
Less Administrative expenses	0.2	0.1	0.2	0.2	0.2	0.2
<b>Restricted Net Assets, Ending</b>	<b>177.2</b>	<b>198.5</b>	<b>257.3</b>	<b>323.1</b>	<b>380.9</b>	<b>396.7</b>

Source: Compact Trust Fund Annual Reports

66. The major concern for the FSM is there have been 4 years of negative returns in the first 10 years of the CTF. This does not bode well for post 2023 under the current structure and distribution formula in the CTF.

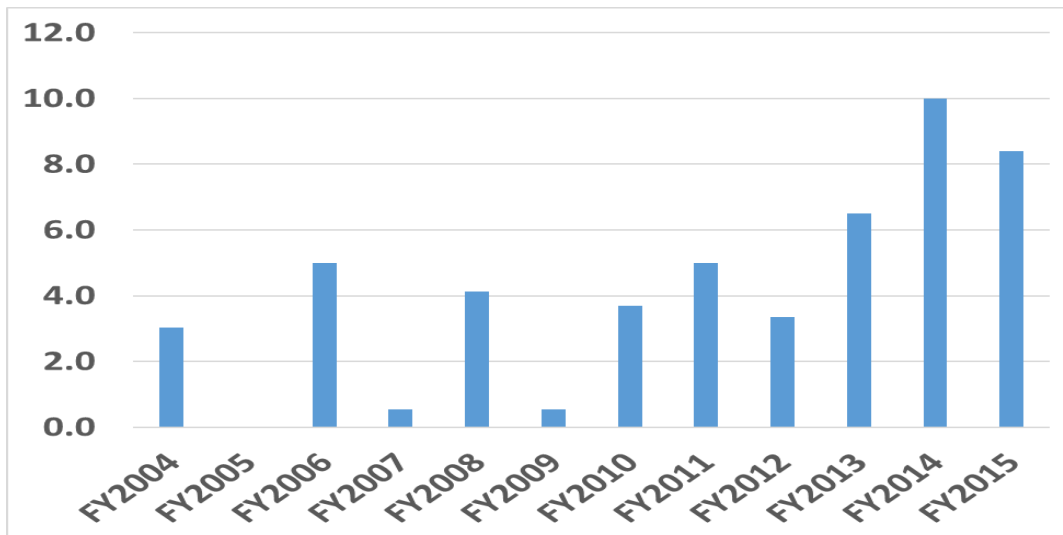
67. The current value of the Fund as at 28 February 2015 was \$420 million. Taking into account the US Government deposit of \$28.1 million in the first week of October, and the opening balance of \$380.9 million, the Fund’s return for the first five months of FY2015 sees a return to growth levels of the three years prior to FY2016.

**2.8. Public Projects**

68. Since the beginning of the Amended Compact \$49.2 million has been appropriated on public projects up to the end of FY2015. Of this amount, Chuuk has received \$21.4 million, Pohnpei \$13.8 million, and Kosrae and Yap \$7 million each.

69. Prior to FY2013 annual public project appropriations had not exceeded \$5 million. In FY2014 public projects expenditure doubled with two appropriations to the value of \$4.9 million and \$5.1 million (refer figure 4 below). In FY2015 there has been three appropriations of \$2.8 million each, giving a total of \$8.4 million for the year.

**Figure 4: Public Projects Appropriations (\$ million)**



Source: FSM Congress Public Laws

70. An analysis of these projects by expenditure category are given in table 7 below. The ‘Other’ category is projects which are not deemed to be in the “public interest” or do not meet any economic or social development criteria. For FY2013, the other category includes the retirement of debt on behalf of the States. This mainly included debt to Federal Emergency Management Agency and the social security system. The majority of “government” projects are funding of municipalities and offices. These are appropriated every year and should not be funded under public projects but be appropriated through the annual budget process.



**Table 7: Public Projects Expenditure by Category (percent)**

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Economic Development	10.8	13.9	10.3	6.5	11.2	7.0
Infrastructure	40.6	40.1	40.8	28.1	37.0	43.3
Social Development	18.4	20.2	21.1	13.5	23.2	21.6
Government	26.3	19.0	24.3	14.2	20.6	16.2
Emergency/Disaster Relief	1.9	0.0	0.0	0.0	1.0	6.4
Other	2.0	6.8	3.5	37.7	8.0	5.5
Total	100	100	100	100	100	100

Source: Budget & Economic Management Analysis

71. As can be seen above, over 50 percent of public projects are spent on what would be classed as projects that foster economic growth (economic development plus infrastructure). Infrastructure spend is consistently around 40 percent per annum and is mainly for secondary and rural roads, and village water supply projects.

72. Table 8 below gives a breakdown of FY2015 public projects by State and by category. Chuuk has the highest portion on economic projects reflecting the importance of fishing projects for the State. For both Pohnpei and Yap over 50 percent of their public projects are on infrastructure.

**Table 8: Public Projects by State by Category, FY2015 (percent)**

	Chuuk	Kosrae	Pohnpei	Yap	Total
Economic Development	10.3	11.6	2.3	2.0	7.0
Infrastructure	25.0	31.2	71.7	53.3	43.3
Social Development	22.4	34.5	12.6	24.7	21.6
Government	22.3	22.8	8.4	6.7	16.2
Emergency/Disaster Relief	11.7	0.0	0.0	13.3	6.4
Other	8.4	0.0	0.0	13.3	5.5
Total	100	100	100	100	100

Source: Budget & Economic Management Analysis

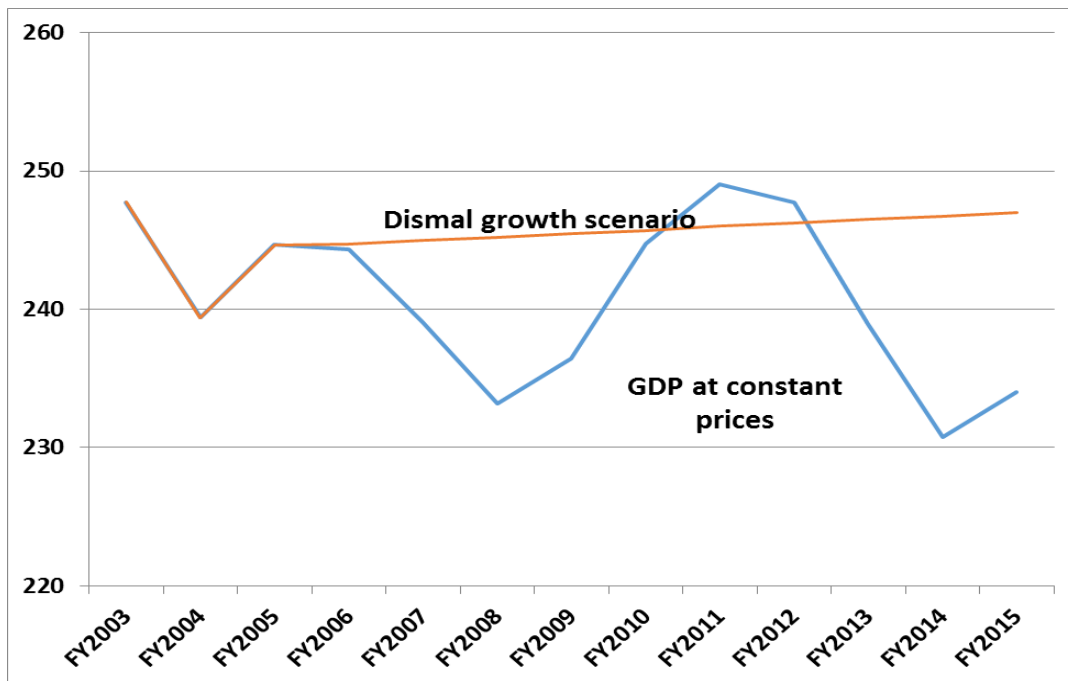
### 3. ECONOMIC UPDATE

#### 3.1. Gross Domestic Product

73. The FSM economy continues to underperform in the Amended Compact period, with economic levels in FY2015 well below those in FY2003 (refer figure 5). The economy in fact, has not attained the level of the dismal growth scenario<sup>3</sup> as outlined in the Strategic Development Plan, 2004 - 2023. Average real GDP growth over the Amended Compact period to date has been -0.4 percent.

74. After three years of recession the FSM economy finally returned to growth in FY2015, albeit a modest 1.5 percent. However, the economy will need to experience at least three years of continuous growth just to return to its FY2003 levels.

**Figure 5: Real GDP Levels (\$ million)**



Source: FSM Statistics Office & BEM Estimate

75. In FY2004 the economy contracted sharply by 3.2 percent mainly as a result of the reduction in Amended Compact expenditure, and FSM ability to adjust to the new Fiscal Procedures Agreement, leaving Compact Grants significantly underspent. Some of the lost ground was recouped in the following year, but growth turned negative in FY2007 as both Chuuk and Kosrae were required to implement a sizeable Reduction-In-Force to restore fiscal balance as the capacity building sector grant was phased out from non-conforming purposes.

<sup>3</sup> Projections in the SDP 2004 - 2023 were after the initial adjustment in FY2004 and FY2005 to the Amended Compact

As a result, the economy contracted by 2.1 percent in FY2007. In FY2008, with the fiscal restructuring ongoing, the negative shock of the world recession impacted on the FSM economy. Higher fuel and food prices eroded real incomes and GDP fell by a further 2.5 percent.

76. While the international economic conditions remained adverse in FY2009, strong growth in construction through the Federal Aviation Administration (FAA) funded Airport Improvement Programs (AIP) resulted in a return to positive growth in the economy of 1.0 percent. FY2010 turned out to be a good year for the FSM economy. This reflected continuing expansion in construction as use of the infrastructure grant picked up momentum, and there was a further injection of funds into the AIP. After several years of fiscal consolidation, FY2010 saw a return to growth in public administration and the economy expanded by 3.2 percent overall. These trends continued to exert themselves in FY2011 although good performance in fisheries replaced public administration as a source of growth, and the economy grew by 1.8 percent. The economy was static in FY2012 as strong growth in fisheries was offset by declines in the construction, wholesale/retail, and hotels and restaurant industries.

**Table 9: Real GDP Growth by Major Sector (annual percentage change)**

	2010	2011	2012	2013	2014	2015
Agriculture, Hunting & Forestry	1.5	0.9	-0.4	0.6	2.6	1.4
Fisheries	4.1	6.5	10.8	-11.4	-1.8	0.0
Construction	26.4	18.1	-2.7	-27.2	-40.1	-17.0
Wholesale & Retail Trade & Repairs	3.9	-1.5	-6.3	-3.5	-2.6	0.8
Hotels & Restaurants	3.3	-1.3	-0.9	-4.5	-7.6	1.6
Transport & Communications	-2.3	-0.8	-0.7	3.5	-9.9	0.3
Real Estate, & Business Activities	2.0	1.0	-1.1	0.8	2.2	0.8
Government	1.8	-0.3	-1.1	-1.3	-1.4	-0.1
<b>Total GDP</b>	<b>3.5</b>	<b>1.8</b>	<b>-0.5</b>	<b>-3.5</b>	<b>-3.4</b>	<b>1.4</b>

Source: FSM Statistics Office

77. In FY2013 the economy experienced a 3.5 percent decline in real GDP due to a major decline in construction activity of -27.2 percent. In addition to FAA funded projects drawing to a close, the economy has felt the adverse impact of JEMCO’s resolution to freeze any new Infrastructure Grant projects at the March 2012 JEMCO meeting. Adding to this, the fishing industry declined by 11.4 percent in FY2013, following three years of solid growth.

78. FY2014 saw a further contraction in the economy of 3.4 percent as construction activity retrenched by 40.1 percent and other key sectors of wholesale/retail, transport, and business services felt the flow on effects of the major recession in the construction industry.

79. Historically, the government sector has been dominant in the FSM. The Education sector, following growth in the early years of the Amended Compact, has declined by over 10 percent since its peak in FY2009 and has now returned to the levels of the beginning of the Amended Compact. The Health sector on the other hand has grown by over 40 percent since FY2004, mainly driven by Federal programs and private sector investment.

80. Despite being a priority sector for economic development, the agriculture sector’s contribution to GDP growth remains minimal. Agriculture has been growing steadily from FY2009 to FY2014 as a reflection of subsistence and informal activity rather than any major cash based activity. In FY2012 FSM endorsed its Agriculture Policy 2012 – 2016. This Policy provides the basis for action by both public and private sectors to invigorate sustainable agriculture growth in FSM.

81. Following three years of fisheries growth, FY2013 and FY2014 saw declines in the fishing industry. During this period both the Yap Diving Seagull and the Caroline Fisheries Corporation had vessels in dry dock which effected there catch and financial results, as high maintenance costs reduced operating surpluses.

82. The key issue with oceanic fisheries in FSM is the failure to date to fully realize the potential benefits associated with the exploitation of available resources. While FSM has enjoyed an increasing return from receipt of fisheries access fees, attempts to promote returns through infrastructure investment, trans-shipment, domestic fishing, and value added processing, vessel servicing, and employment have had limited success in adding significant value or return on investment.

83. Hotels and restaurants, following 4 years of decline, grew by 1.6 percent in FY2015. This is a welcome result after sixth of the last seven years had seen negative growth in the industry.

84. Visitor arrivals to the FSM grew by 1.8 percent in FY2013 following three years of decline. FY2014 saw significant growth for the first time in many years with visitor numbers up by 7.8 percent and underlying this was a 16.5 percent increase in tourism numbers. This increase resulted from FSM hosting the Micronesian games in Pohnpei in July 2014 with pacific island and US visitors increasing significantly, reflecting the countries and US territories participation in the games.

**Figure 6: Visitor Arrivals by Purpose of Visit**



Source: FSM Statistics Office

85. However, visitor arrivals once more dipped in FY2015, with tourists and visitors at an all-time low since the beginning of the Amended Compact. Visitor arrivals declined by 21.1 percent in FY2015. Almost all countries and regions showed a decline in FY2015 in visitor arrivals, with the largest decline in US visitors as numbers returned to normal levels following the micro-games boost in FY2014.

**Tourist Survey 2015<sup>4</sup>**

Almost a quarter of tourists to FSM are from the US while cumulatively, arrivals from Asian countries account for more than half of all tourists. The survey also showed that 63 percent of visitors to the FSM were first time visitors. Kosrae, was the only State with more than 50 percent of visitors being repeats.

Male visitors accounted for 65 percent of all visitors while a high proportion of visitors, 45 percent, were travelling alone.

Over 70 percent of tourists made their own travel arrangements, with only 22 percent using a travel agent or tour operator.

Average length of stay was 9.1 nights with US tourists staying an average of 12.3 nights and Japanese tourist only staying only 4.3 nights. This would reflect the distances travelled.

Around 37 percent of tourists came to FSM for diving, with Chuuk having over 50 percent diver tourists.

Over 75 percent of tourists stayed in hotels and resorts.

The average spend per person per night was \$299 with accommodation accounting for \$107 of this spend. Expenditure by State was diverse, with Chuuk having the highest at \$319 per night and Pohnpei the lowest with \$174 per night. This reflects the higher cost for dive tourists who make up the majority of Chuuk tourists.

Overall, more than 90 percent of tourists would definitely or probably recommend FSM to family, friends, or colleagues. Over 75 percent stated they were either very likely or likely to return to the FSM for another trip.

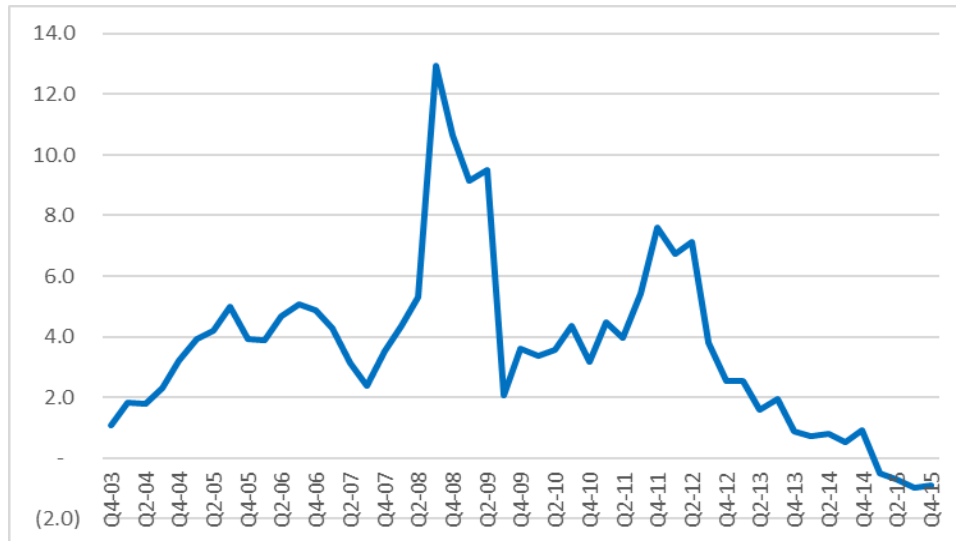
86. The key challenge for FSM for the remainder of the Amended Compact is to dramatically alter the economic landscape. Without sustained economic growth the fiscal challenge of FY2024 cannot be met. The economic challenge is being addressed through the 2023 Action Plan where key areas of failure have been identified and strategies for growth are being outlined. The implementation of the 2023 Action Plan will require a commitment from all, National and State Governments, businesses, civil society, community leaders, and FSM citizens. The FSM Government also invites the external community to play a much more active role in addressing economic sustainability issues.

<sup>4</sup> Federated States of Micronesia, Tourist Survey, September 2015.

### 3.2. Consumer Price Index

87. Inflation has generally followed international trends in the FSM, although at higher levels than its developed trading partners (refer figure 7 below). However, changes implemented as a result of the Amended Compact saw the loss of the Energy Sector Grant which had been used to subsidise public utility prices in the FSM. As a result, significant increases in electricity prices caused a shock to the FSM economy and inflation in the energy group of the Consumer Price Index (CPI) peaked at over 25 percent in the third quarter of 2005, and inflation in overall consumer prices rose to 5 percent.

**Figure 7: Annual CPI (percent change)**



Source: FSM Statistics Office

88. Increases in world food prices, in particular rice which is the main staple food in FSM, coupled with rising fuel prices, during the second half of 2008 resulted in a rapid rise of the FSM's traditionally low inflationary profile with inflation peaking at 13 percent in the third quarter 2008. Reductions in fuel and a levelling of food prices resulted in inflation moderation towards the end of FY2009. However, further increases in fuel and utility prices once again reasserted themselves in FY2011 and together with a resurgence of food prices towards the year-end once again put upward pressure on inflation with the CPI peaking at 7.6 percent fourth quarter 2011. Since quarter two 2012 inflation has dropped dramatically to the levels experienced prior to the Amended Compact.

89. The FSM annual inflation rate for FY2014 was 0.5 percent compared to 1.9 percent for FY2013. The decline in the inflation rate reflected the slowdown in fuel, light and water, and clothing and footwear group's prices. In FY2015 the FSM experienced deflation, with a -1.0 percent decline in overall prices.

90. The inflation outlook for FY2016 is for continued low inflation rates as world prices maintain their low levels.

## 4. CONSOLIDATED ACCOUNTS OF THE NATION

91. In recent years, consolidated government revenues have been growing faster than consolidated government expenses (refer Table 10 below). This has resulted in fiscal surpluses of \$38.3 million and \$40.4 million in FY2014 and FY2015 respectively. These surpluses are driven by the National Government and the profile is somewhat less positive at the State level.

92. Consolidated government revenues declined in FY2015 as tax revenue returned to normal levels and grants continue to decline. Domestic revenues increased from \$84.3 million in FY2013 to \$109.6 million in FY2014 and to \$111.9 million in FY2015. The main contributor to domestic revenue growth has been the increase in fishing license fees. Grant revenue declined for the third year in a row but is anticipated to increase in FY2016 as the Compact Grant infrastructure program resumes and the Chuuk runway surfacing gets underway.

**Table 10: Consolidated Government Finances (\$ million)**

Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Revenue</b>	<b>200.3</b>	<b>201.0</b>	<b>215.2</b>	<b>196.1</b>	<b>217.3</b>	<b>203.5</b>
Tax revenue	35.6	37.3	38.0	38.2	60.8	38.3
Non-tax revenue	28.0	26.8	36.6	46.1	58.8	73.6
Grants	136.7	136.8	140.6	111.7	97.7	91.6
<b>Expenditure</b>	<b>197.9</b>	<b>200.9</b>	<b>211.5</b>	<b>186.7</b>	<b>179.0</b>	<b>163.1</b>
Wages & salaries	68.0	68.0	68.3	69.7	67.2	67.5
Other goods and services	62.1	63.7	69.2	68.3	68.1	68.1
Interest, subsidies, & grants	6.6	7.4	6.7	6.0	8.3	5.0
Capital expenditure	61.1	61.7	67.3	42.7	35.4	22.5
<b>Overall fiscal balance</b>	<b>2.4</b>	<b>0.1</b>	<b>3.7</b>	<b>9.4</b>	<b>38.3</b>	<b>40.4</b>

Source: FSM Annual Audit Reports & FY2015 Unaudited

93. Consolidated government expenditure declined for the third year in a row, as capital expenditure continued to decline from the FY2012 peak. Wages and salaries have remained relatively constant for the last 6 years, while other goods and services experienced a jump in FY2012 and have remained at this level since.

94. At the State level, following deficits in FY2014, all States achieved significantly better results for FY2015. However, surpluses may in fact represent unspent Compact Grants funds which will be carried over to the following year.

**Table 11: Chuuk State Finances (\$million)**

Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Revenue</b>	<b>32.6</b>	<b>36.9</b>	<b>34.3</b>	<b>34.1</b>	<b>35.6</b>	<b>37.1</b>
Tax revenue	6.1	6.5	6.7	6.6	6.4	6.8
Non-tax revenue	1.1	1.9	1.6	1.2	2.4	1.5
Grants	25.4	28.5	26.0	26.4	26.8	28.8
<b>Expenditure</b>	<b>33.1</b>	<b>34.0</b>	<b>33.9</b>	<b>33.6</b>	<b>34.9</b>	<b>33.0</b>
Wages & salaries	17.6	17.9	17.2	18.4	18.2	18.6
Other goods and services	12.2	12.1	14.8	13.2	14.9	13.4
Interest, subsidies, & grants	1.1	2.2	0.8	0.5	0.5	0.6
Capital expenditure	2.3	1.8	1.2	1.6	1.3	0.4
<b>Overall fiscal balance</b>	<b>-0.5</b>	<b>3.0</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>	<b>4.1</b>

Source: Chuuk Annual Audit Reports &amp; FY2015 Unaudited

**Table 12: Kosrae State Finances (\$ million)**

Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Revenue</b>	<b>10.9</b>	<b>10.1</b>	<b>10.8</b>	<b>10.8</b>	<b>11.7</b>	<b>10.8</b>
Tax revenue	1.4	1.6	1.9	1.5	1.9	1.4
Non-tax revenue	1.3	0.7	0.6	0.7	0.5	0.4
Grants	8.2	7.8	8.3	8.6	9.3	9.0
<b>Expenditure</b>	<b>10.8</b>	<b>10.4</b>	<b>10.5</b>	<b>10.6</b>	<b>11.5</b>	<b>10.6</b>
Wages & salaries	5.2	5.1	5.3	5.7	5.9	5.9
Other goods and services	5.0	4.6	4.4	4.4	4.2	4.4
Interest, subsidies, & grants	0.1	0.1	0.2	0.2	0.1	0.1
Capital expenditure	0.5	0.6	0.7	0.4	1.3	0.2
<b>Overall fiscal balance</b>	<b>0.1</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

Source: Kosrae Annual Audit Reports &amp; FY2015 Unaudited



**Table 13: Pohnpei State Finances (\$ million)**

<b>Item</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Revenue</b>	<b>31.9</b>	<b>31.0</b>	<b>32.4</b>	<b>30.9</b>	<b>32.6</b>	<b>30.4</b>
Tax revenue	10.1	10.1	9.9	9.3	9.1	9.6
Non-tax revenue	1.5	1.0	1.1	1.8	3.0	0.9
Grants	20.2	19.9	21.4	19.8	20.5	19.9
<b>Expenditure</b>	<b>32.3</b>	<b>33.3</b>	<b>34.0</b>	<b>32.3</b>	<b>35.7</b>	<b>28.3</b>
Wages & salaries	18.6	18.2	18.4	18.5	18.1	18.0
Other goods and services	10.2	11.5	11.7	10.4	10.7	9.2
Interest, subsidies, & grants	2.9	2.7	2.9	2.9	3.0	0.5
Capital expenditure	0.6	0.9	1.0	0.5	2.8	0.6
<b>Overall fiscal balance</b>	<b>-0.5</b>	<b>-2.3</b>	<b>-1.6</b>	<b>-1.4</b>	<b>-2.0</b>	<b>2.1</b>

Source: Pohnpei Annual Audit Reports &amp; FY2015 Unaudited

**Table 14: Yap State Finances (\$ million)**

<b>Item</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Revenue</b>	<b>21.3</b>	<b>20.7</b>	<b>19.6</b>	<b>21.9</b>	<b>20.0</b>	<b>19.1</b>
Tax revenue	4.1	3.6	3.5	3.5	3.4	2.9
Non-tax revenue	1.7	1.3	1.9	3.4	1.7	1.7
Grants	15.5	15.8	14.3	15.0	14.9	14.5
<b>Expenditure</b>	<b>21.0</b>	<b>22.3</b>	<b>22.7</b>	<b>23.1</b>	<b>23.4</b>	<b>20.7</b>
Wages & salaries	8.7	9.0	8.9	9.0	9.0	9.0
Other goods and services	9.9	11.8	9.6	11.1	8.7	10.9
Interest, subsidies, & grants	0.5	0.2	0.7	0.5	1.5	0.6
Capital expenditure	2.0	1.3	3.5	2.5	4.2	0.2
<b>Overall fiscal balance</b>	<b>0.4</b>	<b>-1.6</b>	<b>-3.1</b>	<b>-1.1</b>	<b>-3.4</b>	<b>-1.6</b>

Source: Yap Annual Audit Reports &amp; FY2015 Unaudited

## 5. APPENDICES

### 5.1. 2023 Action Plan Matrix Update

	Action	Responsibility	Status
<b>1.</b>	<b>Infrastructure</b>		
1.1	Infrastructure Development Plan updated	TC&I	<b>Complete</b>
1.2	PMU enhancement plan implemented	PMU	June 2016
1.3	Infrastructure Arrears Implementation Plan		<b>JEMCO allocation January 2016</b>
	\$20 million arrears	PMU	<b>Construction underway</b>
	\$35 million arrears	PMU	FY2017
	\$41 million arrears	PMU	FY2018
	\$30 million arrears	PMU	FY2019
1.4	Complete Contracting Manual	TC&I	Dec 2016
1.5	Implement Procurement Plan	TC&I & PMU	Dec 2016
<b>2.</b>	<b>Tourism</b>		
2.1	Develop a National Tourism Policy in accord with Sustainable Tourism principles	R&D	<b>With Congress</b>
2.2	Implementation of State Tourism Investment Plans	R&D & STO's	<b>In Progress</b>
2.3	Upgrade and improve access to historic and tourist sites, including addressing land issues for tourism sties	R&D & STO's	2015 - 2017
2.4	Establish a National Tourism Authority	R&D	Dec 2015
2.5	Conduct an Annual Tourism Conference	R&D	2016
2.6	Develop a branding strategy for FSM tourism	R&D	2016
2.7	Strengthen and expand hospitality and tourism management training	R&D, DOE & COM	2016
2.8	Develop an accreditation system for hotels, commercial tourism operators and tour guides	R&D	2017
2.9	Improve & expand tourism statistics	R&D	2016
<b>3.</b>	<b>Agriculture</b>		
3.1	Develop Agriculture Sector State Action Plans – Yap & Chuuk	R&D, States	Dec 2014
3.2	Food Security & Coconut Rehabilitation Project	States/R&D	2015-2017
3.3	Establish a National Agriculture Research Center in	R&D/COM-FSM	Mar 2015

	<b>Action</b>	<b>Responsibility</b>	<b>Status</b>
	partnership with COM-FSM		
3.4	Establish export protocols with U.S.	R&D, T&I	Dec 2015
3.5	Build Quarantine, treatment and processing facilities	R&D, States	2017
3.6	Establish quality compliance centers and build producers capacity to meet Sanitary and Phyto Sanitary standards	R&D	2017
3.7	Establish feed mills for processing local materials for poultry, pig and aquaculture feeds	R&D, States,	2016
3.8	Establish Central Markets in each State;	R&D T&I, States	Dec 2015
3.9	Increase extension services to equip farmers associations and cooperatives with appropriate technology	R&D	2017
<b>4</b>	<b>Fishing</b>		
4.1	Develop a comprehensive national overarching plan covering inshore fisheries	FSM R&D	2015
4.2	Competent Authority established to facilitate EU fish exports	DoH&SA/R&D	2016
4.3	Establish National Over-arching Aquaculture Development Framework	R&D-MRU	2015
4.4	Promote small-scale community managed aquaculture projects	R&D	2015-2017
4.5	Undertake training for packaging, storage, and marketing fisheries products		2016 - 2017
4.6	Complete management plan for key inshore resources (commercial marine invertebrates: trochus, clams and sea cucumber)	R&D-MRU	2015
4.7	Establish National coastal fisheries monitoring teams	R&D-MRU & OEEM	2015
4.8	Deployment of FADs	R&D/OEEM	2016
4.9	Develop National Aquatic Animal Health Strategy	R&D-MRU	2015
<b>5</b>	<b>Energy</b>		
5.1	Increase share of renewable energy sources in total energy production to 30 percent by 2020	R&D	2020
5.2	Develop relevant legislation to regulate the energy sector	R&D	2015
5.3	Increase private participation in the energy sector to improve efficiency	R&D	2015 - 2017
5.4	Develop State Energy Action Plans	R&D/States	2015
<b>6</b>	<b>ICT</b>		

	<b>Action</b>	<b>Responsibility</b>	<b>Status</b>
6.1	Advance submarine cable to Yap/Chuuk	TC&I	2017
6.2	Introduce telecommunication competition	TC&I	2016
6.3	Free internet access at all government sites	TC&I	2016
<b>7</b>	<b>Fiscal Reform</b>		
7.1	Update Financial Management Act and internal procedures	DoFA	2015
7.2	Publish Annual Economic & Fiscal Update (includes monitoring and updating of the Action Plan)	SBOC	<b>Complete</b>
7.3	Unified Revenue Authority operational	DoFA	2015
7.4	Tax Reform implemented	DoFA	FY2017
7.5	Debt policy endorsed, including fiscal responsibility ratios	Debt Management Advisory Committee	Mar 2015
7.6	Annual FSM Trust Fund contributions \$10M up to 2023	DoFA	<b>On target</b>
7.7	Complete organizational, functional, and staffing review of the public administration system	President's Office	Dec 2014
7.8	Revise pay structure and staff grading in the National Government	President's Office	Mar 2015
7.8	Formulate incentive-compatible revenue sharing arrangement between the National Government and the States	SBOC DoFA	Mar 2015
<b>8</b>	<b>Enabling environment</b>		
8.1	Replicate the State of Kosrae's dispute resolutions system in Chuuk, Pohnpei, and Yap	DoJ	2017
8.2	Establish time standards for State Courts based on FSM Supreme Court	FSM Supreme Court	2015
8.3	Develop Legal Framework for Protection of FSM genetic resources and associated traditional knowledge	DoJ/R&D	2015
8.4	Complete land survey and boundary identification in the States for sites suitable for commercial development	TC&I	2015 - 2017
8.5	Establish the Registrar of Corporations, including legislation amendments	Department of Justice	2015
8.6	Intellectual property rights regime review	R&D	2015
8.7	Develop Legal Framework for Deep Sea Mining of FSM non-living resources	DoJ/R&D	2015
8.8	Assess and upskill the capacity of existing SBDCs to deliver private sector support	R&D	2015

	<b>Action</b>	<b>Responsibility</b>	<b>Status</b>
8.9	Diversify trading partners and seeking preferential market access opportunities	R&D	2015-2017
<b>9</b>	<b>Financing the Action Plan</b>		
9.1	2023 Investment Development Fund Act	DoJ	<b>Policy change</b>
9.2	IDF institutional set-up	SBOC	<b>Policy change</b>
9.3	Foreign Investment Law Review	R&D	<b>In progress</b>
9.4	Enhance the existing online information system on investment within the FSM	R&D	<b>R&amp;D website operational</b>
9.5	Establish Investment Promotion Agency at the national level to act as a One-Stop-Shop to handle foreign investment	R&D	2015
9.6	Development Partner Forum to align ODA programs with FSM development priorities	ODA	<del>Feb 2015</del> -May 2016
9.7	FSM Development Bank policy review <ul style="list-style-type: none"> <li>- Reevaluate lending policies to small businesses</li> <li>- Strengthen entrepreneurs capacity to formulate fundable business projects</li> </ul>	FSM Development Bank	Mar 2015

## 5.2. Statistical Tables

**Table 1: FSM Constant Price GDP by Industry (\$ million)**

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Agriculture, Hunting & Forestry	35.3	35.6	35.5	35.7	36.6	37.2
Fisheries	24.2	25.7	28.5	25.3	24.8	24.8
Manufacturing	1.0	1.0	0.9	0.8	0.8	0.7
Electricity, Gas & Water Supply	4.3	4.1	4.3	4.4	4.2	4.1
Construction	13.2	15.5	15.1	11.0	6.6	5.5
Wholesale & Retail Trade & Repairs	25.7	25.3	23.7	22.9	22.3	22.5
Hotels & Restaurants	4.0	3.9	3.9	3.7	3.4	3.5
Transport, Storage & Communications	13.3	13.2	13.1	13.6	12.2	12.3
Financial Intermediation	4.4	5.1	5.6	5.7	6.2	6.2
Real Estate & Business Activities	29.0	29.3	29.0	29.2	29.9	30.1
Public Administration	26.5	26.9	26.8	26.8	26.1	26.1
Education	33.4	32.6	31.5	30.6	29.9	29.9
Health & Social Work	11.8	12.0	12.4	12.4	12.7	12.7
Other Community & Personal Services	3.2	3.2	2.9	3.0	3.1	3.1
<i>less intermediate FISIM</i>	-3.4	-3.4	-3.2	-3.1	-3.1	-3.2
<i>Plus Net Indirect Taxes</i>	18.8	18.8	17.7	16.6	14.8	18.5
<b>GDP at purchaser's prices</b>	<b>244.7</b>	<b>249.0</b>	<b>247.7</b>	<b>239.0</b>	<b>230.8</b>	<b>234.0</b>

Source: FSM Statistics Office, Budget & Economic Management estimate (FY2015)

**Table 2: Constant price GDP by industry sector (annual percent change)**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Agriculture, Hunting & Forestry	1.5%	0.9%	-0.4%	0.6%	2.6%	1.4%
Fisheries	4.1%	6.5%	10.8%	-11.4%	-1.8%	0.0%
Manufacturing	5.2%	2.3%	-10.9%	-13.8%	1.8%	-9.7%
Electricity, Gas & Water Supply	-0.1%	-5.4%	5.1%	2.1%	-4.6%	-1.4%
Construction	26.4%	18.1%	-2.7%	-27.2%	-40.1%	-17.0%
Wholesale & Retail Trade & Repairs	3.9%	-1.5%	-6.3%	-3.5%	-2.6%	0.8%
Hotels & Restaurants	3.3%	-1.3%	-0.9%	-4.5%	-7.6%	1.6%
Transport, Storage & Communications	-2.3%	-0.8%	-0.7%	3.5%	-9.9%	0.3%
Financial Intermediation	11.7%	16.1%	9.1%	1.1%	9.2%	0.6%
Real Estate, & Business Activities	2.0%	1.0%	-1.1%	0.8%	2.2%	0.8%
Public Administration	5.0%	1.5%	-0.3%	0.0%	-2.5%	0.0%
Education	-2.1%	-2.4%	-3.4%	-3.1%	-2.0%	0.0%
Health & Social Work	6.4%	1.7%	3.3%	0.5%	2.5%	-0.4%
Other Community & Personal Services	5.7%	-0.5%	-8.1%	2.2%	4.9%	-1.6%
<b>GDP at purchaser's prices</b>	<b>3.5%</b>	<b>1.8%</b>	<b>-0.5%</b>	<b>-3.5%</b>	<b>-3.4%</b>	<b>1.4%</b>

Source: FSM Statistics Office, Budget &amp; Economic Management estimate (FY2015)

**Table 3: FSM Current price GDP by industry (\$ million)**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Agriculture, Hunting & Forestry	43.1	44.8	45.1	46.2	47.9	48.6
Fisheries	30.7	37.2	46.5	37.3	31.8	35.7
Manufacturing	1.3	1.3	1.3	1.1	1.1	1.0
Electricity, Gas & Water Supply	3.3	3.3	4.8	6.2	7.9	8.2
Construction	16.8	20.6	21.1	15.7	9.4	7.7
Wholesale & Retail Trade & Repairs	36.6	37.1	37.0	36.3	35.6	36.0
Hotels & Restaurants	5.1	5.3	5.5	5.4	5.0	5.1
Transport, Storage & Communications	16.7	17.1	17.8	19.0	17.2	17.2
Financial Intermediation	5.7	6.9	8.1	9.0	9.6	9.6
Real Estate, & Business Activities	31.7	32.4	32.4	32.9	34.3	34.6
Public Administration	31.2	31.9	32.2	33.1	32.6	32.8
Education	34.5	32.9	33.8	33.1	33.1	33.3
Health & Social Work	13.8	14.1	14.6	14.8	15.3	15.3
Other Community & Personal Services	4.2	4.3	4.0	4.3	4.7	5.3
<i>less intermediate FISIM</i>	-4.4	-4.5	-4.6	-4.6	-4.6	-4.6
<i>Plus Net Indirect Taxes</i>	25.4	25.8	26.3	26.0	22.2	27.3
<b>GDP at purchaser's prices</b>	<b>295.6</b>	<b>310.4</b>	<b>325.8</b>	<b>315.7</b>	<b>303.0</b>	<b>313.1</b>

Source: FSM Statistics Office, Budget &amp; Economic Management estimate (FY2015)



**Table 4: Current GDP by Industry (annual percent change)**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Agriculture, Hunting & Forestry	4.6%	4.0%	0.6%	2.5%	3.7%	1.4%
Fisheries	8.1%	20.9%	25.2%	-19.8%	-14.7%	12.2%
Manufacturing	8.3%	6.3%	-6.0%	-11.6%	2.6%	-10.1%
Electricity, Gas & Water Supply	-35.8%	-0.2%	43.1%	30.1%	27.5%	3.5%
Construction	30.1%	22.8%	2.3%	-25.8%	-40.0%	-18.0%
Wholesale & Retail Trade & Repairs	5.1%	1.4%	-0.4%	-1.9%	-1.9%	1.3%
Hotels & Restaurants	6.2%	2.6%	4.6%	-2.0%	-6.9%	1.1%
Transport, Storage & Communications	0.7%	2.5%	4.2%	6.5%	-9.5%	0.1%
Financial Intermediation	14.3%	21.3%	17.1%	12.2%	5.8%	0.1%
Real Estate, & Business Activities	4.0%	2.1%	0.2%	1.4%	4.4%	0.8%
Public Administration	0.5%	2.1%	0.9%	3.0%	-1.6%	0.8%
Education	4.8%	-4.5%	2.8%	-2.0%	-0.1%	0.5%
Health & Social Work	12.7%	2.7%	3.4%	1.1%	3.6%	0.2%
Other Community & Personal Services	9.6%	3.3%	-6.7%	6.1%	9.3%	14.1%
<b>GDP at purchaser's prices</b>	<b>6.1%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>-3.1%</b>	<b>-4.0%</b>	<b>3.3%</b>

Source: FSM Statistics Office, Budget & Economic Management estimate (FY2015)

**Table 5: CPI by Major Group (annual percent change)**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Food	2.2	2.6	4.5	2.6	1.3	0.0
Tobacco & Alcohol	9.1	5.1	10.8	-0.4	1.2	1.6
Clothing & Footwear	5.4	1.5	6.0	0.6	-0.1	7.3
Housing	2.0	1.2	3.4	1.0	1.5	0.4
Fuel, Light & Water	6.7	14.5	9.2	5.5	-0.2	-4.2
Services	1.0	4.5	8.9	1.2	0.8	-0.7
Miscellaneous	4.5	3.7	3.5	2.6	0.5	-1.5
<b>Total All Groups</b>	<b>3.7</b>	<b>4.3</b>	<b>6.3</b>	<b>2.1</b>	<b>0.9</b>	<b>-0.5</b>

Source: FSM Statistics Office

**Table 6: Visitor Arrivals by Purpose**

	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
By purpose						
Tourism & visitors	13,727	12,625	12,565	12,714	14,811	11,682
Business & employment	5,770	6,247	5,771	5,852	5,509	5,610
Volunteer, religious, etc.	747	622	681	663	743	839
Seamen & crew	1,126	866	838	1,009	740	602
Not specified	3,052	202	36	13	23	26
<b>Total</b>	<b>24,422</b>	<b>20,565</b>	<b>19,891</b>	<b>20,251</b>	<b>21,826</b>	<b>18,759</b>

Source: FSM Statistics Office

**Table 7: Tourists & Visitor Arrivals by Origin**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Asia	801	674	635	690	767	495
Australia	952	867	991	907	847	696
Canada	313	217	202	205	341	152
China	228	220	347	246	303	362
Europe	1,694	1,543	1,709	1,893	1,893	14,85
Japan	2,539	2,467	2,567	2,544	2,535	2,162
New Zealand	135	127	120	119	129	290
Pacific Islands	734	1,192	1,048	1,108	1,578	1,491
Philippines	471	268	226	246	280	231
USA	5,748	4,944	4,550	4,601	5,946	4,375
Other	560	450	492	479	192	131
<b>Total</b>	<b>13,727</b>	<b>12,625</b>	<b>12,565</b>	<b>12,714</b>	<b>14,811</b>	<b>11,682</b>

Source: FSM Statistics Office

**Table 8: FSM Commercial Banking Survey (\$ million)**

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Total Assets</b>	<b>178.4</b>	<b>190.1</b>	<b>228.1</b>	<b>237.7</b>	<b>270.4</b>	<b>263.3</b>
Total Liquid Assets	115.3	127.1	163.6	176.2	202.1	177.5
Cash & Due from Local banks	3.5	2.8	4.1	3.8	2.8	3.9
Foreign Assets - Due from Banks Abroad	111.8	124.3	159.5	172.4	199.3	173.6
Total Loans	55.7	55.2	56.8	54.0	60.9	78.4
Commercial Loans	34.0	33.0	31.5	29.4	33.5	39.4
Consumer Loans	21.7	22.2	25.3	24.6	27.4	39.0
Other Assets	7.4	7.7	7.7	7.5	7.4	7.6
<b>Total Liabilities &amp; Capital</b>	<b>178.4</b>	<b>190.1</b>	<b>228.1</b>	<b>237.7</b>	<b>270.4</b>	<b>263.3</b>
Total Deposits:	154.1	166.2	204.3	213.2	243.9	234.2
Demand	34.0	37.6	55.6	45.7	64.3	59.3
Savings	88.5	98.0	120.8	137.2	147.0	144.9
Time	30.8	28.6	27.3	29.6	31.9	29.3
Other	0.8	2.1	0.7	0.8	0.8	0.7
Other Liabilities & Capital	24.3	23.8	23.7	24.5	26.5	29.1
Memorandum Items:						
Loan/Deposit Ratio	36	33	28	25	25	33
Commercial Loan Share of Total Loans (%)	61	60	57	54	55	50
Consumer Loan Share of Total Loans (%)	39	40	21	46	45	50
Deposits Annual Rate of Change (%)	16.3	7.8	22.9	4.3	14.4	-4.0
Loans Annual Rate of Change (%)	19.3	-0.9	2.9	-4.8	12.8	28.8
Commercial Loans Annual Rate of Change (%)	10.1	-3.1	-4.5	-6.6	13.9	17.7
Consumer Loans Annual Rate of Change (%)	37.1	2.6	13.8	2.6	11.4	42.3

Source: FSM Statistics Office

**Table 9: Interest rates of domestic money banks**

(percent)	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014	FY2015
<b>Deposit rates</b>							
Savings deposits	1.2	1.0	0.9	0.6	0.5	0.5	0.2
CDs	0.9	0.6	0.4	0.4	0.5	0.5	0.6
Time Deposits	1.0	0.8	0.7	0.8	0.6	0.6	0.6
Other Deposits	0.0	0.0	0.1	0.0	0.0	0.0	0.1
<b>Loan rates</b>							
Consumer loans	15.1	14.4	14.3	15.7	15.8	15.8	15.9
Commercial loans	6.6	6.6	6.4	7.1	6.8	6.8	6.8

Source: FSM Statistics Office

**Table 10: FSM Balance of Payments (\$ million)**

	FY2010	FY2011	FY2012	FY2013	FY2014
<b>Current account balance</b>	<b>-44.4</b>	<b>-55.3</b>	<b>-41.2</b>	<b>-31.6</b>	<b>21.5</b>
<i>Goods and services balance</i>	-169.2	-177.3	-167.7	-170.1	-150.0
<i>Goods balance</i>	-128.4	-134.0	-125.7	-131.1	-114.6
Exports of goods	31.6	40.4	57.6	47.8	39.9
Fish	19.0	27.7	39.7	28.3	21.2
Other	12.7	12.7	17.8	19.5	18.7
Imports of goods f.o.b.	160.0	174.4	183.2	178.9	154.5
<i>Services balance</i>	-40.8	-43.3	-42.1	-39.0	-35.5
Exports of services	37.9	35.0	38.2	40.5	39.9
Travel	24.4	21.8	22.3	23.9	25.3
Other	13.5	13.1	15.9	16.6	14.6
Imports of services	78.7	78.3	80.2	79.6	75.3
Transport	41.3	43.9	47.0	44.7	41.9
of which: Passenger services	15.6	15.4	17.2	16.8	16.7
of which: Freight and postal services	25.6	28.4	29.7	27.8	25.2
Construction services	10.2	7.1	7.3	8.1	8.2
Other	27.3	27.3	25.9	26.7	25.3
<i>Primary income balance</i>	11.0	10.8	16.2	27.4	24.5
Receipts	23.5	23.7	31.4	39.9	52.5
Fishing licence fees	17.7	18.7	26.3	34.9	47.4
Other (mainly dividends and interest)	5.8	5.0	5.1	5.0	5.1
Payments	12.5	12.9	15.2	12.5	28.0
<i>Secondary income balance</i>	113.8	111.2	110.3	111.1	147.1
Receipts	129.1	126.9	126.7	127.2	163.1
Budget grants	85.9	83.7	81.7	79.7	78.4
Off-budget grants	6.1	5.8	5.2	4.3	2.8
College of Micronesia	16.3	13.4	13.7	12.8	11.5
Other (mainly households)	20.8	24.0	26.2	23.1	24.3
Payments (mainly households)	15.3	15.7	16.4	16.0	16.0

**Table 10: FSM Balance of Payments (\$ million)**

	FY2010	FY2011	FY2012	FY2013	FY2014
<b>Capital account balance</b>	<b>64.2</b>	<b>62.0</b>	<b>68.3</b>	<b>42.2</b>	<b>21.2</b>
Compact capital grants	16.3	19.2	28.5	16.5	4.9
Other	47.9	42.7	39.8	25.7	16.3
<b>Net lending/Borrowing (Curr + Cap)</b>	<b>19.8</b>	<b>6.7</b>	<b>27.2</b>	<b>10.6</b>	<b>42.8</b>
<b>Financial account balance</b>	<b>-19.9</b>	<b>-8.1</b>	<b>-34.4</b>	<b>-15.8</b>	<b>-26.9</b>
Direct investment	0.8	0.8	1.0	0.8	0.3
Portfolio investment (increase in assets: -)	-8.5	0.2	-1.0	-3.6	-8.0
Assets	-8.8	1.4	-0.4	-4.7	-7.9
Liabilities	0.3	-1.2	-0.6	1.1	-0.0
Other investment (increase in assets: -)	-12.2	-9.1	-34.5	-13.0	-19.2
Assets (mainly bank deposits)	-12.5	-12.5	-35.2	-13.0	-21.6
Liabilities (public sector loans)	0.3	3.4	0.7	-0.1	2.4
<b>Errors and omissions</b>	<b>-0.1</b>	<b>-1.5</b>	<b>-7.3</b>	<b>-5.2</b>	<b>15.9</b>
<i>Memorandum item</i>					
Exports by FSM incorporated, non-resident fishing vessels	26.6	18.3	30.7	20.4	21.0

Source: FSM Statistics Office

**Table 11: FSM external debt (million)**

<b>(US\$ millions)</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
External Debt Total (US\$ millions)						
New	1.8	5.5	3.2	3.1	3.4	0.0
Amortization	2.5	3.1	3.3	4.0	4.2	3.8
Interest	2.3	2.3	2.1	2.3	2.3	2.2
Principal balance	85.4	87.9	87.8	87.1	84.8	81.0
External debt as % of GDP	29%	28%	27%	28%	28%	26%
Debt service as % domestic revenue	7.6%	8.5%	7.3%	7.5%	6.7	5.9

Source: FSM Statistics Office



**Table 12: Population by state, 1980 to 2010**

	FSM	Yap	Chuuk	Pohnpei	Kosrae
1973	61,992	7,867	31,596	19,263	3,266
1980	73,155	8,100	37,488	22,081	5,486
1994	105,506	11,178	53,319	33,692	7,317
2000	107,008	11,241	53,595	34,486	7,686
2010	102,843	11,377	48,654	36,196	6,616
Annual Growth rate %					
1973-1980	2.37	0.42	2.44	1.95	7.41
1980-1994	2.62	2.30	2.52	3.02	2.06
1994-2000	0.26	0.10	0.09	0.42	0.89
2000-2010	-0.40	0.12	-0.97	0.48	-1.50

Source: FSM Statistics Office

**Table 13: Age and sex distribution, and households, by state and outer islands, 2010**

	FSM	Yap	Chuuk	Pohnpei	Kosrae
Age groups					
0-14	36,697	3,681	17,795	12,807	2,414
15-24	21,349	2,004	10,515	7,550	1,280
25-34	14,239	1,591	6,845	5,002	801
35-59	24,957	3,282	11,045	8,970	1,660
60+	5,601	819	2,454	1,867	461
Sum, all ages	102,843	11,377	48,654	36,196	6,616
Median age	21.5	25.0	20.7	21.7	21.5
Dependency ratios (%) = dependent age population/working age population (15-64)					
Youth (0-14 years)	60.6	53.5	62.6	59.5	64.5
Aged (65+ years)	9.3	11.9	8.6	8.7	12.3
Total	69.9	65.4	71.3	68.2	76.9
Sex and Sex ratio					
Males	52,193	5,635	24,835	18,371	3,352
Females	50,650	5,742	23,819	17,825	3,264
Sex ratio (males per 100 females)	103.0	98.1	104.3	103.1	102.7
Number of households	16,767	2,311	7,024	6,289	1,143

Source: FSM Statistics Office

**Table 14: Labour force indicators, by state and outer islands, 2010**

	FSM	Yap	Chuuk	Pohnpei	Kosrae
<i>(Number of persons)</i>					
Labour Force (Persons aged 15+)	66,146	7,696	30,859	23,389	4,202
Labor force	37,919	5,181	16,416	14,082	2,240
Employed population	31,789	4,871	12,373	12,820	1,725
Males	18,647	2,392	7,526	7,673	1,056
Females	13,142	2,479	4,847	5,147	669
Subsistence workers	16,658	2,406	7,917	6,000	335
<i>Males</i>	<i>9,081</i>	<i>903</i>	<i>4,644</i>	<i>3,359</i>	<i>175</i>
<i>Females</i>	<i>7,577</i>	<i>1,503</i>	<i>3,273</i>	<i>2,641</i>	<i>160</i>
Unemployed	6,130	310	4,043	1,262	515
Males	3,429	190	2,336	627	276
Females	2,701	120	1,707	635	239
<i>(Rates, % of labour force)</i>					
Labor force participation rate	57.3	67.3	53.2	60.2	53.3
<i>Males</i>	<i>66.1</i>	<i>69.1</i>	<i>62.7</i>	<i>70.3</i>	<i>62.9</i>
<i>Females</i>	<i>48.4</i>	<i>65.7</i>	<i>43.3</i>	<i>49.9</i>	<i>43.6</i>
Employment rate	83.8	94.0	75.4	91.0	77.0
<i>Males</i>	<i>84.5</i>	<i>92.6</i>	<i>76.3</i>	<i>92.4</i>	<i>79.3</i>
<i>Females</i>	<i>83.0</i>	<i>95.4</i>	<i>74.0</i>	<i>89.0</i>	<i>73.7</i>
Unemployment rate	16.2	6.0	24.6	9.0	23.0
<i>Males</i>	<i>15.5</i>	<i>7.4</i>	<i>23.7</i>	<i>7.6</i>	<i>20.7</i>
<i>Females</i>	<i>17.0</i>	<i>4.6</i>	<i>26.0</i>	<i>11.0</i>	<i>26.3</i>

Source: FSM Statistics Office