

PACIFIC PRIVATE SECTOR  
DEVELOPMENT INITIATIVE (PSDI)

# FEDERATED STATES OF MICRONESIA

COUNTRY OVERVIEW  
APRIL 2020



## IN THE FEDERATED STATES OF MICRONESIA (FSM), PSDI IS WORKING TO:

- provide ongoing support to the secured transactions regime;
- strengthen the commercial operations of the government-owned FSM Development Bank; and
- analyse outsourcing options for state-owned enterprise.

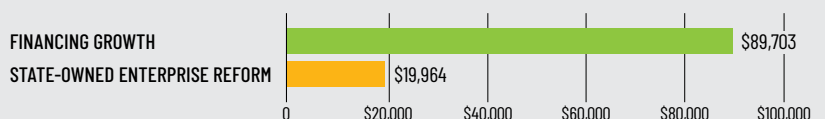
## KEY PSDI ACTIVITIES AND OUTCOMES

- 2014:** Outsourcing analysis undertaken for Pohnpei Utilities Corporation
- 2016:** Helped Federated States of Micronesia Development Bank prepare its 10-year strategic plan
- 2019:** Bank of Federated States of Micronesia and Federated States of Micronesia Development Bank participated in PSDI's comparative study, *Finding Balance 2019: Benchmarking the Performance of State-Owned Banks in the Pacific*

## SPENDING OVERVIEW

Of the \$109,397 PSDI has spent in the Federated States of Micronesia, \$89,703 has gone to Financing growth initiatives. This has largely been used to fund PSDI's work to increase the provision of finance using the secured transactions regime, and support to the FSM Development Bank.

## FSM SPENDING BY FOCUS AREA 2007-2019 (\$109,397)



# FINANCING GROWTH

## OUTCOME, RESULTS, AND FUTURE PROJECTS:

### SECURED TRANSACTIONS AND FSM DEVELOPMENT BANK SUPPORT

PSDI has worked to increase business access to finance by working with lending institutions to encourage the increased use of the secured transactions framework, and by supporting the commercial reorientation of FSM Development Bank (FSMDB).

The secured transactions regime in FSM is the longest running in the Pacific. With PSDI support, the Asian Development Bank assisted the Government of FSM to implement secured transactions reforms in the 2005/2006 financial year (FY), including the development of the Secured Transactions Act 2006 and the creation of an online Personal Property Securities Registry. In FY2016/2017, PSDI also supported an upgrade to the registry and additional training in its use.

PSDI's ongoing work is focussed on increasing the uptake of this framework. For example, with PSDI assistance, FSMDB has designed and is now piloting an agri value chain financing facility, which will help farmers and agricultural businesses access finance needed to operate and expand their businesses. This opportunity—for FSMDB to provide finance to agricultural businesses using the secured transactions framework PSDI helped establish—was identified in the bank's 10-year strategic and business plans that PSDI helped prepare in FY2016/2017.



Pohnpei Utilities Corporation employee.



Pohnpei Utilities Corporation employee.

## STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

### OUTCOME, RESULTS, AND FUTURE PROJECTS:

#### STATE-OWNED ENTERPRISE SUPPORT

PSDI has provided Pohnpei Utilities Corporation (PUC) with an analysis of outsourcing options.




On request from PUC, PSDI undertook an analysis of options for outsourcing its power, water, and wastewater operations. The analysis included public-private partnership opportunities. PSDI presented the analysis to PUC management in June 2014, and it was endorsed by the board in late 2014.

## ANALYTICAL WORK

FSM participated in PSDI's 2019 regional SOE benchmarking study, *Finding Balance 2019: Benchmarking the Performance of State-owned Banks in the Pacific*.

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