FEBRUARY 9, 2021

SECRETARIAT CHIEF EXECUTIVE OFFICER

ALLOCATION FOR AN EDUCATION SECTOR PROGRAM IMPLEMENTATION GRANT TO FEDERATED STATES OF MICRONESIA

Reference	Decision
CEO/2021/02-01	**Allocation for an Education Sector Program Implementation Grant to Federated States of Micronesia** The CEO, in her delegated authority from the Board of Directors: 1. Notes compliance with the requirements for accessing the maximum country allocations for an ESPIG, as described in the application and assessed in the Secretariat quality assurance review phase III report. 2. Approves an allocation from GPE trust funds for an ESPIG, as described in the application submitted and summarized in Table 1, subject to: a. Availability of funds b. Board decision BOD/2012/11-04 on commitment of trust funds for ESPIGs in annual installments. c. Review Meeting's recommendation for funding, set out in Table 1.

	3. Requests the Secretariat to: a. Include in its notification of grant approval to Federated States of Micronesia the requests for report-backs and observations as recommended by the Review Meeting and set out in Table 2. b. Include an update on the issues listed as "report backs" and "observations" in the Grant Performance Report in accordance with the specified timeline.

Table 1: Application Summary and Allocation Recommendations (in US $):

Country: Federated States of Micronesia		
a.	ESPIG Maximum Country Allocation	2,500,000
b.	Allocation Requested (100%)	2,500,000
c.	Fixed Part	2,500,000
d.	**Allocation Recommended**	**2,500,000**
e.	Grant Agent	UNICEF
f.	Agency Fee % - Amount	175,000
g.	Grant Agent's Implementation Support Costs	310,000[1]
h.	Period	Three years
i.	Expected Start Date	July 1, 2021
j.	Funding Source	GPE Fund

Table 2 – Review Meeting Observations, Report-Backs, And Conditions

Country: Federated States of Micronesia	
Observations	The Secretariat would like to commend the Government of the Federated States of Micronesia and its partners on the development of its comprehensive medium-term sector plan. The Education Sector Strategic Development Plan (ESSDP) 2020-24 has been developed through a strong, inclusive approach engaging actors at national/state levels as well as civil society, communities and development partners. We hope that this inclusive approach continues throughout the ESSDP implementation and in the Joint Sector Review as part of ESSDP monitoring. Given that the COFA is ending in 2023, strengthening the collaboration between the government of FSM and development partners through the ESSDP implementation should particularly be useful to discuss the medium-term funding of the education sector.

[1] This amount is to be funded from the grant and is not in addition to the grant amount

	The Secretariat also commends the Government for its commitment to firmly establish compulsory ECE for 5-year-old children throughout the country, overcoming the historically different status of ECE across the states. We hope that the GPE grant could contribute to reinforcing the government commitment to achieving this epoch-making policy.
Report Back	Given that FSM currently provides information to UNESCO Institute for Statistics (UIS) for only 6 out of 12 key indicators, the Secretariat requests that the government reports annually on the progress made to strengthen the UIS reporting through joint sector review reports. Recognizing that ongoing negotiations with the U.S. Government over COMPACT funding made it difficult to provide detailed medium-term government budget projections at the time of the ESPIG application, the Secretariat requests that the government reports annually on the most recent data of government budget allocated to education and on education's share of the total government budget, through joint sector review reports.
Condition	None

Annex A – Secretariat quality assurance review phase III report

QUALITY ASSURANCE REVIEW – PHASE 3 (SECRETARIAT DELEGATED AUTHORITY)

FEDERATED STATES OF MICRONESIA (FSM)

Education Sector Program Implementation Grant

Total Program Cost: US$10,346,315[1], of which
GPE: US$2,500,000; and Grant Agent: US$406,419; Government: US$7,221,501; GPE COVID-19 Accelerated Funding: US$218,395[2]
Proposed GPE Grant Amount: US$2,500,000
Fixed Part: US$2,500,000, of which US$310,000 for Grant Agent's Implementation Support Costs
Variable Part: Not applicable
Implementation period: Three years
Projected implementation start date: July 1, 2021[3]
Grant Agent: UNICEF

1 BACKGROUND AND EDUCATION SECTOR OVERVIEW

1.1. COUNTRY BACKGROUND

The Federated States of Micronesia (FSM) is a geographically dispersed island archipelago located in the North Pacific Ocean, comprising 607 small islands.[4] There are four island groups in the country (Pohnpei, Chuuk, Yap and Kosrae), which have their own languages, cultures and constitutions. They form semi-autonomous state governments, under the national government, whose executive powers are vested in the President. The official language of FSM is English, and there are eight major indigenous languages spoken: Yapese, Ulithian, Woleaian, Chuukese, Pohnpeian, Kosraean, Nukuoro and Kapingamarangi.

[1] The Total Program Cost refers to the cost of the national program on early childhood education, which is mainly financed through government resources with additional support from UNICEF and GPE. Next to the ESPIG, the COVID-19 AF grant from GPE is considered as complementary support to this program through its activities linked to learning continuity.
[2] COVID-19 Accelerated Funding (AF), US$750,000, was granted to FSM on October 21, 2020, with UNICEF as Grant Agent.
[3] The relatively late start date (July 1, 2021) is related to the condition that the FSM Parliament still needs to approve the allocation for the government financed portion of the program.
[4] Center for Excellence in Disaster Management and Humanitarian Assistance (CFE-DM) (2019), Federated States of Micronesia: Disaster Management Reference Handbook, p.14.

These four island groups, which were previously under the US-administered UN trusteeship, decided to form the FSM in 1979 and became independent in 1986 when the Compact of Free Association (COFA) with the United States (US) was introduced. The US provided US$1.3 billion in its first term (1986 – 2001) and US$2.1 billion in its second term (2004 – 2023). The COFA provides the largest portion of funding to the government (58 percent in 2013, for example), which employs two-thirds of the adult working population in the country. Other key industries include fishing, agriculture and tourism. The US is responsible for national defense and security of the FSM. Under the COFA, Micronesians can live, work, and study in any part of the US without a visa.[5]The COFA will likely be replaced by a trust fund beginning in 2024, at which time some reduction of funds to the FSM is expected.[6]

The population is on the decline, decreasing by an estimated 0.6 percent in 2020. FSM's estimated net migration rate for 2020 is -20.9 migrant(s)/1,000 population. While 47 percent of the population is under age 24, the proportion of the population age 55 and above is only 12 percent.[7] Among the four states, Chuuk has the largest population of 47 percent of the total, Pohnpei with 35 percent, Yap with 11 percent and Kosrae with 6 percent.[8].

The country is particularly vulnerable to natural disasters as it is situated in the "Typhoon Belts" as well as in the "Ring of Fire" where volcanos and earthquakes are frequent. The FSM has climate and disaster risks, including rising sea levels, water shortages from extreme climate variability, coastal erosion and typhoons.[9]

As of January 25, 2021, the country has just one isolated COVID-19 case confirmed. The government took preventive measures, such as closing the international borders, discontinuing domestic travels, and closing schools from March through August 2020. The FSM is expected to experience a 6.9 percent decline in GDP in its fiscal year 2020 compared to 2019.[10]

[5] https://www.cia.gov/library/publications/the-world-factbook/geos/fm.html, accessed on December 7, 2020.
[6] Program Document, p.8
[7] https://www.cia.gov/library/publications/the-world-factbook/geos/fm.html, accessed on December 7, 2020.
[8] https://www.fsmstatistics.fm/social/population-statistics, accessed on December 16, 2020
[9] CFE-DM (2019), Federated States of Micronesia: Disaster Management Reference Handbook, p.22
[10] https://www.doi.gov/oia/press/initial-economic-impact-covid-19-reported-micronesia-marshall-islands-and-palau#:~:text=Ultimately%2C%20the%20FSM%20is%20expected,compared%20to%20fiscal%20year%202019.

Table 1: Country Information: Federated States of Micronesia	
Population	113,815 (2019[11])
Human Development Index Ranking	136 out of 189 countries (2019[12])
Learning-adjusted Years of School	Boys 7.0, Girls 7.5, Overall 7.2 (2020[13])
GDP	US$401 million (2018[14])
GNI per capita	US$3,400 (2018[15])
World Bank Income Classification Level	Lower middle income (2020[16])

1.2. EDUCATION SECTOR OVERVIEW

The FSM's free public education system consists of early childhood education (ECE) (3-5 years old depending on states' policies[17]), elementary (grade 1-8) and secondary (grade 9-12). Elementary schooling is compulsory for all children aged 6 to 14 or until the completion of grade 8. Secondary schooling is free but not compulsory. Tertiary education is provided by the College of Micronesia (COM-FSM). Student enrollment has decreased slightly over the past years, except in ECE, as seen in Table 2 below. The 2017-18 data shows that Chuuk has 43 percent of all the students of the FSM, and Pohnpei has 38 percent, while Yap and Kosrae have 11 percent and 8 percent respectively.[18] All four states have reported a decline in overall enrollments across school levels, which matches the decline in population numbers.[19]

Table 2: Student enrollment

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Annual Growth Rate 2012-16
ECE	1,937	2,026	2,313	2,038	2,139	2,087	1.9%
Elementary	18,595	18,778	17,894	18,356	18,022	18,204	-0.4%
Secondary	6,888	6,927	6,905	7,134	6,214	6,354	-1.4%
Total	27,420	27,731	27,112	27,528	26,375	26,645	-0.5%

(Source: FSM Education Sector Analysis 2019 report, p.10)

[11] https://data.worldbank.org/country/micronesia-fed-sts
[12] http://hdr.undp.org/sites/default/files/hdr2020.pdf
[13] https://databank.worldbank.org/data/download/hci/HCI_2pager_FSM.pdf?cid=GGH_e_hcpexternal_en_ext
[14] https://data.worldbank.org/country/micronesia-fed-sts
[15] https://data.worldbank.org/country/micronesia-fed-sts
[16] https://data.worldbank.org/country/micronesia-fed-sts
[17] Number of years provided in ECE: Chuuk (one year for 5 years old), Kosrae and Pohnpei (one year for 5-year-olds, and children identified with special needs can join from age 3) and Yap (three years for 3- to5-year-olds.
[18] ESA 2019 report, p.9
[19] ESA 2019 report, p.9

The National Department of Education (NDOE) covers formal and non-formal education below tertiary education and is responsible for (i) setting national standards (such as school accreditation), (ii) teacher certification, (iii) school curriculum standards and benchmarks; (iv) student assessments; and (v) special education. Each state government has its own Board of Education, which oversees respective State Departments of Education (SDOE). Each SDOE is responsible for providing direct educational services, including administration, curriculum development and special education. Each SDOE can adjust the national standards set by the NDOE to suit its context.[20]

In terms of sector financing, government operations are heavily dependent on grants that come through the financing arrangements of the COFA agreement with the US, which will conclude in 2023. In terms of education, 99 percent of the operational funds for the states comes from this source.[21]

1.2.1. Equity

Access to ECE and elementary education is over 90 percent[22] in recent years, based on the Gross Enrollment Rates. The Gross Intake Rate into grade 6 in 2018 was 95 percent (92 percent male, 97 percent female[23]). Secondary education enrollment is, however, relatively low, with the Gross Enrollment Rate (GER) at 69 percent and Net Enrollment Rate (NER) at 56 percent in 2018[24].

ECE has a wide gap between gross and net enrollment rates (GER at 93 percent and NER at 57 percent in 2018 [25]) due to unaligned enrollment policies among four states (some accommodate 3- to 5-year-olds while others accept only 5-year-olds [26]). The current misalignment has a historical background. ECE in the FSM was introduced through the US federally funded Head Start Program, implemented from the 1960s to early 2000s. Each state adopted and modified the Head Start Program rules and regulations to accommodate their unique demographics, cultural context, and jurisdictions. As a result, access, provision, teaching and curriculum in the sub-sector varies greatly, and currently, there is no clear legislative framework for ECE at the national level[27]. These shortcomings are expected to be addressed in the national ECE program, including with the support of this proposed ESPIG.

[20] ESSDP, p.7-8
[21] ESA 2019 report, p.8
[22] ESA 2019 report, p.11
[23] FedEMIS 2018
[24] ESA 2019 report, p.11
[25] ESA 2019 report, p.11
[26] Since the GER calculation uses the 5-year-old population data as its denominator, it causes the wide gap between GER and NER.
[27] Program document, p.11 and Annex 3

More details on the ECE status are contained in Table 3 below.

Table 3: ECE status by State[28]

	Chuuk	Kosrae	Pohnpei	Yap
Number of 5-year-olds attending ECE	669 (M361/F308)	99 (M55/F44)	566 (M310/F256)	170 (M86/F84)
Number of 5-year-olds NOT attending ECE	441	51	361	65
Number of years provided in ECE	1 year	1 year*	1 year*	• Government ECE: 3 years (for 3-5 years old) • Private ECE: only for the 5 years old
Number of children with Special needs enrolled in ECE	45	28	10	6
Number of public schools offering ECE	61	6	20	23 (ECE centers)
Number of public schools not offering ECE	8	0	9	3
Number of private schools offering ECE	4	1	5	3 or 4

* Children with special needs can join from 3 years old

Nearly one-quarter of FSM children of school age are out of school. The majority of them are of secondary school age.[29] Geographically, the provision of education services for the outer islands is seen as a challenge. For example, Yap's outer islands are at a disadvantage in terms of resource distribution since access to all services and imports depends on transportation to the different atolls. Providing adequate service to the outer island schools consumes a big portion of the Yap DOE's annual budget.[30]

Gender imbalance is observed in favor of girls at higher grades. The gender gap in the graduation rates in 2018 was wide at 84.4 percent for males and 94.4 percent for females in grade 8 and 55.2 percent for males and 58.9 percent for females in grade 12.[31] The ESSDP notes the need for more research on causes of the gender difference in higher grades.[32]

All schools in FSM are inclusively arranged; children with disabilities are mainstreamed with extra care for their inclusion provided by Special Needs Education (SNE) Specialists. Still, some challenges are observed within vocational and technical education due to a lack of suitable facilities and equipment.

[28] Extracted from Program Document Annex 3
[29] ESA 2019 report, p.14
[30] ESA 2019 report, p.24
[31] ESA 2019 report, p.13
[32] ESSDP. P.19

1.2.2. Learning outcomes

Low student learning outcomes are an issue for all sub-sectors. The National Minimum Competency Test (NMCT) data for reading among grades 6, 8, and 10 for school year 2017–18 measures the percentage of benchmarks that were at least minimally met by students. The data show that less than 50 percent of the reading benchmarks[33] were met or exceeded, while in mathematics less than 33 percent of benchmarks were met or exceeded.[34] These low learning outcomes are mainly attributed to low quality of teaching from unqualified teachers, but also cultural and linguistic diversity, with 17 indigenous languages spoken in the country. While local languages are used as the language of instruction in ECE and grades 1 and 2 of elementary education, English is the main language of instruction from grade 3, even though English is not the mother tongue for 98 percent of the population in the FSM.[35]

1.2.3. Efficiency

The ESA 2019 indicates that the collection of accurate data on promotion, repetition and dropout is challenging.[36] However, dropout during the transition between elementary and secondary, and between all grades in secondary is particularly high, especially among boys.[37] This is partly because i) secondary education is not compulsory, ii) out-migration is causing a population decrease in the FSM[38], and iii) the school curriculum is less attractive.[39]

In 2017-18, the FSM had 1,748 teachers (974 females and 774 males) across the system. The national norm for student-teacher ratio (STR) is 25:1, while the actual STR in 2017-18 was 15:1.[40] The ESA 2019 report admits that the FSM does not have a shortage of teachers in some states (like Yap with STR only 8). It appears there is an over-supply of teachers.[41] An Associate Degree is considered as the minimum qualification to teach in the system, and the Education Act requires individuals teaching in FSM schools to have also passed the National Standardized Test for Teachers (NSTT). Although 1,577 of 1,748 teachers (90 percent) possess an associate degree (the minimum qualifications to teach), only 614 (35 percent) also hold the NSTT and are certified to teach. [42]

[33] A "benchmark" is a standard by which learning competency is evaluated or measured (NMCT 2016 report, p.5). For example, one of the five benchmarks in grade six reading assessment is "Identify and use a variety of word strategies to build meaning (e.g. context clues, root words, prefixes/suffixes)" (NMCT 2016 report, p.7).
[34] ESA 2019 report, p.16-17
[35] Appraisal report p.5, ESSDP p.18
[36] ESA 2019 report, p.15
[37] ESSDP, p.25
[38] ESA 2019 report, p.28
[39] ESSDP, p.19
[40] ESA 2019 report, p.19-20
[41] ESA 2019 report, p.20
[42] ESSDP, p.22

With regard to ECE, the status is shown in the table below. Lack of certified teachers is an issue.

Table 4: Pupil-Teacher Ratio by State[43]

State	Standard ECE PTR/PCR	# of ECE Teachers	Gross Enrollment (2019)	Actual Pupil-Teacher Ratio	Pupil-Qualified Teacher Ratio	Pupil-Certified Teacher Ratio
Chuuk	PTR 25:1	62	839	14:1	14:1	56:1
Kosrae	PTR 25:1	11	149	14:1	14:1	19:1
Pohnpei	Minimum PTR of 15:1	52	691	13:1	13:1	30:1
Yap	Maximum PCR of 20:1	26	382	15:1	15:1	n/a
National		**151**	**2,061**	**14:1**	**14:1**	**45:1**

1.2.4. Monitoring of Sector Performance

The local education group in FSM consists of NDOE, SDOEs and Department of Health and Social Affairs and development partners who endorsed the ESSDP. These partners include Australia, Japan, the United States, UNICEF, IQBE project team, the Pacific Community, the Island Research and Education Initiative (IREI), and non-government organizations such as Micronesian Production, PREL, and Micronesia Red Cross Society. The local education group, which has been reactivated to support the implementation of the ESSDP, will perform an annual review of the ESSDP and the MTR.

2 ESPIG DESCRIPTION

2.1 PAST ESPIG PERFORMANCE, IF APPLICABLE

This is the first ESPIG for the FSM. In October 2020, the GPE granted COVID-19 Accelerated Funding of US$750,000 with UNICEF as Grant Agent to support the implementation of the FSM's COVID-19 national education contingency plan. The program started in November 2020. The Accelerated Funding is focused on learning environment, learning continuity, teacher support mechanism and system strengthening.

2.2 ESPIG DESCRIPTION

This regular ESPIG of US$2.5 million will support implementation of a national program which aims to establish one-year of compulsory ECE for five-year-old children in the FSM. The total amount of the national program is US$10.3 million, which includes funds from the government

[43] Program document, p.16

(US$7.2 million), UNICEF (US$406,000) and GPE COVID-19 Accelerated Funding (US$218,000)[44]. Based on GPE's funding model, Small Island Developing States including FSM were exempted from the variable part.

The program's goal, objective and outcome areas are as follows:

Program Goal: Create a learning and developmental foundation for 5-year-old children in FSM, which is expected to lead to improved learning outcomes at primary and subsequent education levels.

Program Objective: By 2024, prepare the enabling environment and achieve the implementation of 1-year compulsory ECE for the 5-year-old children in the FSM

Program Outcome Areas:

Outcome 1: Enabling Environment Established for Achieving 1-year Compulsory ECE in the FSM

Outcome 2: Improved Equitable Access to ECE in the FSM

Outcome 3: Improved Quality and Relevance of ECE in the FSM

Outcome 4: Improved Efficiency and Effectiveness of ECE in the FSM

A large portion of the program expenditures will come from the government, on items such as school feeding running costs (US$1 million), transportation (US$1.2 million), teacher salaries (US$2.8 million) and establishing a pre-service teacher training program (US$31,000) within the three-year program. The ESPIG will mainly support the following development activities: 1) review and finalize the ECE **policy and legislation framework**, and develop a national roadmap and costed action plans for achieving compulsory ECE for five-year-old children in the FSM at national and state levels, 2) improve equitable access to ECE through refurbishing 41 existing **classrooms** and equipping 18 ECE classes, developing a **school feeding** strategy in Chuuk and Kasrae, and constructing cooking spaces with cooking equipment in 46 schools, 3) improve quality and relevance of ECE through establishing and conducting structured **in-service teacher training** programs for ECE in each state (193 ECE teachers in total), providing training of **school management** for implementing compulsory ECE (128 schools in total), developing and conducting a school readiness assessment, and developing and distributing effective **teaching and learning materials**, 4) improve efficiency and effectiveness of ECE through developing standardized procedures and guidelines for **annual monitoring** and developing and conducting policies and programs for **parental and community engagement**.

[44] Through its activities to secure the learning continuity in line with FSM's COVID-19 Education Response Plan, its ECE related costs are considered to contribute to this national program, which is equally supported through the ESPIG. This support through different grants is considered as complementary, as the COVID 19 AF is limited to the short-term learning continuity while the ESPIG has a longer system development focus.

The ESPIG will be managed through the FSM's financial management systems, the government's main revenue account, and its procurement systems. The NDOE and the four SDOEs will implement the whole program with support from UNICEF.

Table 4: ESPIG Components and Costs

	ESPIG Financing US$	% of total ESPIG	Other Financing US$	Total Amount US$	% of total
Total MCA	US$2.5 million				
Program Component					
Outcome 1. Enabling Environment for Achieving 1-year Compulsory ECE in FSM	**134,800**	**5.4%**	**179,688**	**314,488**	**3.0%**
1.1 Policies, Legislations and Ministerial Leadership	134,800	5.4%	179,688	314,488	3.0%
Outcome 2: Improved Equitable Access to ECE in FSM	**781,000**	**31.2%**	**3,782,835**	**4,563,835**	**44.1%**
2.1 Learning Environment	359,000	14.4%	0	359,000	3.5%
2.2 School Feeding	422,000	16.9%	2,348,350	2,770,350	26.8%
2.3 Transportation	0	0.0%	1,216,090	1,216,090	11.8%
2.4 Children with Special Needs and Health Monitoring Support	0	0.0%	0	0	0.0%
2.5 Learning Continuity (in response to COVID-19)	0	0.0%	218,395	218,395	2.1%
Outcome 3. Improved Quality and Relevance of ECE in FSM	**830,950**	**33.2%**	**3,789,212**	**4,620,162**	**44.7%**
3.1 Teachers and School Management	345,450	13.8%	3,695,212	4,040,662	39.1%
3.2 Curriculum Implementation	485,500	19.4%	94,000	579,500	5.6%
Outcome 4: Improved Efficiency and Effectiveness of ECE in FSM	**413,250**	**16.5%**	**94,580**	**507,830**	**4.9%**
4.1 Quality Assurance	104,750	4.2%	94,580	199,330	1.9%
4.2 Family and Community Engagement	308,500	12.3%	0	308,500	3.0%
Program overhead (non-GA costs)	*30,000*	1.2%			
Grant Agent's Implementation Support Costs*	*310,000*	12.4%			

GRAND TOTAL (with Grant Agent's Implementation Support Costs)	***2,500,000***	***100%***	***7,846,315***	***10,346,315***	***100%***
Agency Fees**	175,000				

* Include Grant Agent's direct costs, such as Program Management, Administrative and other direct implementation costs.

** Agency Fee is not included in the MCA and is calculated as percentage rate (agreed with each GA) from the Total.