



Brussels, 14.8.2019
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COMMISSION DECISION

of 14.8.2019

**on the financing of the annual action programme in favour of the Federated States of
Micronesia for 2019**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund¹, and in particular Article 9(1) thereof,

Having regard to Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323², and in particular Article 24 thereof,

Whereas:

- (1) In order to ensure the implementation of the annual action programme in favour of the Federated States of Micronesia for 2019, it is necessary to adopt an annual financing decision, which constitutes the annual work programme, for 2019. Article 110 of Regulation (EU, Euratom) 2018/1046 establishes detailed rules on financing decisions.
- (2) The envisaged assistance is to comply with the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU³.
- (3) The Commission has adopted the National Indicative Programme for the period 2014 to 2020⁴, which sets out the following priorities: renewable energy and energy efficiency, civil society and support measures in favour of the National Authorising Officer and to accompany the programming, preparation of implementation of the Action.
- (4) The objectives pursued by the Annual Action Programme to be financed under the 11th European Development Fund (EDF) Internal Agreement⁵ ('Internal Agreement') are to assist the Federated States of Micronesia towards achieving a more efficient and sustainable energy sector and, in particular, to increase access to modern and sustainable energy services with focus on outer island populations, to reduce dependence on imported petroleum, and to increase the share of renewable energy.

¹ OJ L 58, 3.3.2015, p. 1.

² OJ L 307, 3.12.2018, p. 1.

³ www.sanctionsmap.eu. Note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy, the OJ prevails.

⁴ Commission Decision on the adoption of the National Indicative Programme between the European Union and The Republic of Palau C(2014)5990 final of 29.08.2014.

⁵ Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies, OJ L 210, 6.8.2013, p. 1.

- (5) The action entitled ‘Sustainable Energy and Accompanying Measures (SEAM) in the Federated States of Micronesia (FSM)’ will assist the Federated States of Micronesia towards achieving a more efficient and sustainable energy sector.
- (6) It is appropriate to authorise the award of grants without a call for proposals and to provide for the conditions for awarding those grants.
- (7) Pursuant to Article 15 of Regulation (EU) 2018/1877, indirect management is to be used for the implementation of the programme.
- (8) The Commission is to ensure a level of protection of the financial interests of the Union with regards to entities and persons entrusted with the implementation of Union funds by indirect management as provided for in Article 154(3) of Regulation (EU, Euratom) 2018/1046 applicable in accordance with Article 30(1) of Regulation (EU) 2018/1877.

To this end, the Commission in accordance with Article 154(6) of Regulation (EU, Euratom) 2018/1046 retains the financial management responsibilities laid down in point 5 of the Annex.

- (9) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU, Euratom) 2018/1046 applicable in accordance with Article 24(2) and Article 25 of Regulation (EU) 2018/1877.
- (10) In order to allow for flexibility in the implementation of the programme, it is appropriate to allow changes which should not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046.
- (11) The action provided for in this Decision is in accordance with the opinion of the EDF Committee established under Article 8 of the Internal Agreement.

HAS DECIDED AS FOLLOWS:

Article 1 *The programme*

The annual financing decision, constituting the annual programme for the implementation of the annual action programme in favour of the Federated States of Micronesia for 2019, as set out in the Annex, is adopted.

The programme shall include the following action:

- Annex : Sustainable Energy and Accompanying Measures (SEAM) in the Federated States of Micronesia (FSM).

Article 2 *Union contribution*

The maximum Union contribution for the implementation of the programme for 2019 is set at EUR 14 200 000, and shall be financed from the 11th European Development Fund:

- budget line FEDF-BFEDF-02.10.10.01-11-FM : EUR 14 200 000

The implementation of this Decision is subject to the availability of the appropriations provided for in the draft general budget of the Union for 2019, following the adoption of that budget by the budgetary authority or as provided for in the system of provisional twelfths.

The appropriations provided for in the first paragraph may also cover interest due for late payment.

Article 3

Methods of implementation and entrusted entities or persons

The implementation of the actions carried out by way of indirect management, as set out in the Annex, may be entrusted to the entities or persons referred to or selected in accordance with the criteria laid down in point 5 of the Annex.

Article 4

Flexibility clause

Increases or decreases not exceeding 20% of the contribution set in the first paragraph of Article 2, or cumulated changes⁶ to the allocations of specific actions not exceeding 20% of that contribution, as well as extensions of the implementation period shall not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046, applicable in accordance with Article 24(2) of Regulation (EU) 2018/1877, provided that these changes do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may apply the changes referred to in the first paragraph. Those changes shall be applied in accordance with the principles of sound financial management and proportionality.

Article 5

Grants

Grants may be awarded without a call for proposals in accordance with the conditions set out in the Annex. Grants may be awarded to the bodies referred to in the Annex selected in accordance with point 5.3 of the Annex.

Done at Brussels, 14.8.2019

For the Commission

Neven MIMICA

Member of the Commission

⁶ These changes can come from assigned revenue made available after the adoption of the financing decision.



ANNEX

of the Commission Decision on the financing of the annual action programme in favour of the Federated States of Micronesia for 2019

Action Document for Sustainable Energy and Accompanying Measures (SEAM) in the Federated States of Micronesia (FSM)

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Sustainable Energy and Accompanying Measures (SEAM) in the Federated States of Micronesia (FSM) CRIS number: FED/2018/041-174 financed under European Development Fund (EDF)	
2. Zone benefiting from the action/location	Region: Pacific, Country: Federated States of Micronesia (FSM) The action shall be carried out at the following location: Federated States of Micronesia (FSM)	
3. Programming document	11 th European Development Fund National Indicative Programme for Federated States of Micronesia (FSM) 11 th European Development Fund	
4. SDGs	Main SDG Goals: 7. Affordable and clean energy, 13. Climate action. Secondary SDG Goals: 3. Good health and wellbeing; 4. Quality education; 5. Gender equality;	
5. Sector of intervention/ thematic area	Component 1 – Strengthen PFM Component 2 – Renewable Energy and Energy Efficiency Component 3 – Civil Society Organisations Support Programme Component 4 – Support Measures to the National Authorising Officer (NAO) Administration	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 14,200,000 Total amount of EDF contribution EUR 14,200,000	

	<ul style="list-style-type: none"> Strengthen PFM, EUR 1,000,000 Renewable Energy and Energy Efficiency, EUR 11,625,500 Civil Society Organisations Support Programme, EUR 1,000,000 Support Measures to the NAO Administration, EUR 274,500 Evaluation and Audit, EUR 300,000 			
7. Aid modality(ies) and implementation modality(ies)	Project Modality with the following implementation modalities: <ul style="list-style-type: none"> For Component 1 (C1) – Strengthen PFM (Contribution Agreement with World Bank or FWCs) For Component 2 (C2) – Renewable Energy and Energy Efficiency (Contribution Agreement to be signed between SPC and EU) For Component 3 (C3) – Civil Society Organisations Support Programme – (Direct Grant Contract to be signed between Micronesia Conservation Trust and EU) For Component 4 (C4) – Support Measures to the National Authorising Officer (NAO) Administration (Direct management with Service contract(s)/FWC/Operational Grant contract) 			
8 a) DAC code(s)	DAC 15111 Public Finance Management DAC 23210 Energy Generation, Distribution and Efficiency DAC 15150 Civil Society DAC 15110 National Authorising Office			
b) Main Delivery Channel	13000- Third country government (Delegated Cooperation) 47000 – other multilateral institutions			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	x
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	x	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	x
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagships	1. Environment and Climate Change 2. Sustainable Energy			

SUMMARY

The overall objective of the Action is to enable the FSM population to utilize affordable, reliable and environmentally sound energy services and benefit from transparent and efficient management of public funds. The specific objectives of the Action are to increase access to renewable electricity and support private sector investment in energy efficiency and

renewable energy; to improve the transparency and effectiveness of the public financial management system and to strengthen engagement of CSOs in national development priorities within the energy sector. The project proposed is consistent with the approach of the 2030 Agenda for Development and the European Consensus on Development as it responds mainly to two of the global challenges in relation to sustainable development: renewable energy and energy efficiency. It addresses PEOPLE and PLANET, but to a lesser extent PEACE priorities as the improved PFM systems (at the National and States' levels) and energy efficiencies made will benefit a wider population.

1 CONTEXT ANALYSIS

1.1 Context Description

Sector/Country/Regional/Thematic context

The Pacific Island Countries and Territories (PICTs) rely heavily on fossil fuels for the generation of electricity. With a total population of about 10 million people spanning from 1,500 to 8 million and a fuel bill of about USD6 billion, access to electricity and modern energy services have been an on-going challenge. The region, over the past decade, has made progress with the transformation of the individual country energy sectors towards environment-friendly policies and laws. The 2010-2020 Framework for Action on Energy Security in the Pacific (FAESP) and its associate action plan have been the regional energy guide, which delineates regional and national responsibilities.

The Federated States of Micronesia (FSM) consists of 607 mountainous islands and coral atolls in the Northern Western Pacific spread over 2,978,000 km² of Economic Exclusive Zone (EEZ). The land area is 701 km². The total population of FSM is around 105,544 people spread across four groups of island states (Kosrae, Pohnpei, Chuuk and Yap). FSM is a federation with considerable autonomy in each of the four states and any analysis of the economy is not complete without an adequate description of developments at the state level. The structure of FSM economy is dominated by a large public sector with a dependent non-traded goods sector providing services to Government and its employees. The public sector, which absorbs about half of total employment, remains the main source of economic activity and FSM faces significant challenges in boosting private sector growth and employment given its remoteness, geographical dispersion and weaknesses in regulatory frameworks.

FSM faces a growing influence of China. In recent years, China financed two new international airline routes, mid-size planes for domestic air service and new marine links to outer islands. China also contributed to FSM's Trust Fund (FSMTF) in recent year. The United States remain the main contributor to the Compact Trust Fund (CTF). Total amount of the CTF was around USD 206 million in FY18. While FSM's external-debt-to-GDP is relatively low at around 20% (USD 75 million), the country will need loans to keep on financing infrastructure in view of the phasing out of the US Compact funding.

Over the past ten years or so, FSM has made considerable progress in both documenting the climate-related risks faced by the nation and developing relevant policies and plans and establishing and strengthening National and State institutions with mandates for managing climate and related risks, including disaster risk management. The Nationwide Climate Change Policy, the National Energy Policy-2012 and State Energy Action Plans, National Action Plan to Combat Land Degradation, Nationally Determined Contributions (under the Paris Agreement FSM committed to unconditionally reduce emissions by 28% by 2025), and the recently endorsed FSM Gender Policy.

In terms of PFM, a draft PEFA assessment for the National Government has indicated a multitude of weaknesses and work on PFM Reform Plan/Roadmap has been initiated, but it has not yet been finalised. A preliminary assessment during the identification phase and a Public Expenditure Review of the WB conclude that FSM does not meet the eligibility criteria for budget support. While apart from the conduct of foreign affairs and defence, main government functions take place at the level of the four states, the current national budget system is not even appropriately coordinated between the five states (national government and the four states) due to a failing FMIS system. Meanwhile WB has signed a large PFM programme with the Government to address, inter alia, the FMIS-problems. This programme proposes to complement WB's work on improving PFM, mainly at the States' levels, and a partnership with the Pacific Community (SPC) through a delegation agreement.

In this way, FSM can prepare for a budget support programme, in particular with a view to the phasing out of the US Compact funding in 2023. A key requirement for this is that the Government starts a policy dialogue on PFM reforms with donors on Budget Support and addresses transparency and accountability regarding the National and States' Budgets.

FSM Energy Sector context

FSM is highly dependent on imported petroleum fuels. FSM annually spends approximately US\$50 million on fuel imports with most fuel used for electricity generation and transportation. Apart from LPG, virtually all petroleum products are supplied by FSM Petroleum Corporation (FSM Petrocorp) established by FSM Congress and signed in to law in September 2007. Electricity in the four states are generated and distributed by four independent public state enterprises owned by the state governments. A benchmark exercise conducted by the Pacific Power Association on all state utilities, published in June 2017 using the 2015 data sets has identified areas where improvements are required so as to enhance efficiencies in their operations. There is little to no participation of the private sector in energy generation in FSM, including through forms such as public-private partnerships, due to the lack of the necessary regulatory framework or the appropriate incentives.

1.2 Policy Framework (Global, EU)

With energy being the focal sector in FSM, the action makes a good effort in addressing the key priorities of 2030 Agenda for Sustainable Development and the New European Consensus. It tackles SDG 7 and – to an extent - SDG 13¹. It also addresses the European Consensus priorities 3.1 'People – human development and dignity', in particular its emphasis on improving access for all to clean, affordable energy without damaging effects on the environment; and 3.2 'Planet – protecting the environment, managing natural resources and tackling climate change' and its emphasis on energy as a critically important development enabler and central to solutions for a sustainable planet.

The overarching Energy Master Plan (EMP) 2017, along with the relevant sector strategy papers and investment plans, are consistent with the EU lines on development policy and in particular the Agenda for Change which recognises energy as a key driver for sustainable and inclusive growth. The overarching priority areas of human rights, democracy, good governance, environment, as well as inclusive and sustainable growth for human development are explicitly and clearly embedded in the 2012 National Energy policy (NEP-2012). Furthermore, this Action contributes to the achievement of the EU Gender Action Plan 2016-2020 (GAP II)² and SDG5 – notably through C2 on renewable energy and energy efficiency

¹ SDG [link](#)

² GAP II in Thematic priority C on Economic, Social and Cultural Rights – Economic and Social Empowerment, Objective 15 – equal access by women to financial services, productive resources including land, trade and entrepreneurship; and, Objective 16 – equal access and control over clean water, energy,

and C3 – CSO support programme, which includes the promotion and participation of women and youth groups in government development priorities such as entrepreneurship, project management, contribution to policy review and access to energy. The project can also provide a solid support for the development of the international dimension of the EU Clean Energy for Islands initiative.

1.3 Public Policy Analysis of the partner country

The National Energy Policy (NEP-2012)³ together with the four state action plans forms the policy frameworks in developing the energy sector. The NEP-2012 describes how to improve the livelihoods of all the FSM population with affordable, reliable and environmentally sound energy. It specifically promotes sustainable, social and economic development of FSM through the provision and utilisation of cost-effective, safe, reliable and sustainable energy services. The NEP-2012 is yet to be reviewed so as to align its targets and timelines to SDG7 and the Nationally Determined Contributions. The participation of other key stakeholders such as the private sector and CSOs including women and youth (boys and girls) groups in energy development has been at minimum to non-existent due to the absence of guidelines and enabling factors.

The NEP-2012⁴ has been recently complemented by the Energy Master Plan (national and state level) that provides in particular an investment plan aimed to achieve the national energy goals in terms of renewable energy production, emission reduction and electricity access. The NEP-2012 is in line with the objectives of Sustainable Energy for All Initiative (SE4ALL) and Agenda for Change. All these development objectives can be achieved and accelerated with a reinforced cooperation and partnership between FSM and its development partners.

FSM Strategic Development Plan 2004-2023 (SDP)⁵ along with the recently updated Infrastructure Development Plan 2016-2025 (IDP) are the strategic programming guides for the national and the four state governments and are intended to guide the programming of assistance from development partners. The SDP aims at poverty reduction notably through improved standards of governance, including transparency and accountability; through the strengthening of institutional and regulatory processes for economic growth and through the promotion of the private sector, among others. Climate change, environmental issues and the sustainable management of natural resources also form an essential part of the SDP development plan which, complemented by the recent Development Framework "Looking to the Future", provides a solid base for development of the country and for the 11th EDF support 2014-2020.

FSM Gender Policy (FSM GP-2018) has outlined three principle areas to guide its implementation – with two relevant for this project: Personal safety and equitable access to services are fundamental to all people reaching their potential **and** Women and men in all their diversity – including youth, elders, people with disabilities and those living on the outer islands – are entitled to fundamental human rights and to participate in discussions that affect them

transport infrastructure, and equitable engagement in their management, enjoyed by girls and women. For Thematic priority D on Political and Civil Rights in Objective 17 – equal rights and ability for women to participate in policy and governance processes at all levels; and Objective 20 – equal rights enjoyed by women to participate in and influence decision-making processes on climate and environmental issues.

⁴ NEP 2012: National Energy Policy [link](#)

⁵ The SDP was developed in collaboration with a wide variety of actors, including private sector, non-government organizations, churches, women's and youth groups as well as donor institutions.

The relevant goal is a better representation of women in decision-making and women's economic empowerment, which is associated with reducing the time women spend on unpaid household and caring chores. Where feasible, the FSM Division of Statistics will consider improving the collection of energy related sex disaggregated data engaging the Gender focal person to work together with the utilities. This Action will have a particular emphasis to the implementation of the four state energy action plans and FSM Energy Master Plan assisting to progress towards its national energy targets, NDC and SDGs 5 and 7 and carry out reforms to strengthen the sector for future development cooperation.

The support to CSOs will contribute to promoting engagement in government development and EU priority areas such as energy, gender, human rights and other regional priority interventions. The focus on capacity building efforts at the NAO and other government stakeholders will complement, where needed, the efforts of FSM to ensure that EU interventions are implemented efficiently and effectively focussing on rights based and/or gender sensitive/inclusive approaches.

1.4 Stakeholder analysis

FSM National Government – Resource and Development Department (R&D) is responsible for all energy matters coordinated by the Assistant Secretary (Energy) with focal points at the state level through the Chair of the State energy working groups. The Secretary R&D represents FSM in high-level regional and international energy meetings. The Secretary R&D (or designee) also chairs FSM Energy Steering Committee/Working Group which functions as the coordination hub for all energy matters.

Office of the Vice President (OVP) – the Overseas Development Assistance (ODA) Unit, currently under the Office of the Vice President, is the focal unit for all grants and development assistance to FSM.

FSM State Governments – are autonomous in their respective operations and makes final decisions on energy interventions at the state level. As such all activities that are to be implemented at the state level require a consultative process so as to ensure they address state priorities and enhance state ownership.

FSM State Utilities – mandated by law to provide water, sewage and electricity services and are each governed by a Board appointed by the state government. Due to capacity constraints there are often shared responsibilities within the state utilities for electricity and water matters.

Civil Society Organisations (CSO) – The Micronesia Conservation Trust (MCT) supports biodiversity conservation and related sustainable development and builds partnerships, raises and manages funds, provides small grants, influences policy and provides conservation and financial expertise. There are several other non-government and civil society organisations whose outreach, capacity and financial resources are limited.

FSM Women's councils and associations – there are women's councils in the four states and they have recently formed an FSM Women's Council. Women's associations also exist at the local level. The Councils will be key vehicles for assisting the Action to conduct consultations on women's priorities and needs.

1.5 Problem analysis/priority areas for support

Public Financial Management: The Government finished a PEFA and has been working on a PFM Reform Plan/Roadmap at the national level. The Delegation is in the possession of the draft documents, though the Government has not yet endorsed these. The PEFA indicates a multitude of weaknesses. Since PFM core functions need to be in place, it is of high

importance to strengthen the current PFM system. The suggested actions – i.e. increase transparency and accountability, mini PEFAs for the four states, review of the regulatory framework and fighting corruption and fraud – are thus highly relevant. The Delegation will have to work closely with the Government and the WB, which has a large PFM programme for a long duration, to define a credible strategy. This strategy will stress transparency around the Budget and work on accountability, fighting corruption and fraud, at the national level and in each in the four states.

The Energy sector: The sector development priorities and plans are outlined in the NEP-2012 and state action plans, as well as the recently completed Energy Master Plan that provides guidelines on focused areas for electrification purposes. FSM through their NDC has unconditionally committed to reduce 28% of its GHG emissions from the year 2000 levels by 2025 (see Annex C for more details).

There is the need to strengthen the NAO Administration to implement projects in line with FSM and EU development objectives. The OVP's mandate includes the management of EDF funds and ensures efficient and optimal utilization of EU development assistance. With only three staff and more than thirty donors and development partners to manage (multilateral and bilateral), the ODA Unit has limited capacities to handle its task, let alone ensuring consistent follow up of EU programmes.

2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
Component 2 – Renewable Energy and Energy Efficiency		
Political risks on embracing proposed reforms the energy sector such as on: review of the energy policy and action plans to be aligned to SDG7 and NDC, enabling frameworks for private sector participation, equipment /appliance standards, etc.	M	On-going advocacy programme for politicians at the national and state level governments on the proposed reforms, which will be, addressed through a staged approach and Congress approvals on the lead-up process.
Challenges of having the States to adopt the nationally-led reforms of the energy sector to their context	H	A review on the Energy Sector Reform to be conducted and report presented at an energy dialogue forum to be established and convened between the national and state high-levels (senators and congressmen) to update and consider the proposed reforms. Also to identify champions amongst the forum so as to have them continue the advocacy plans.
The challenges of cost recovery to sustain the installed hardware versus affordability and operational costs of power utilities at remote sites	M	Work with planned /on-going income generation initiatives for the outer island communities so as to strengthen the community ability to pay for the services to be provided through installed renewable energy technologies. C2 has income generation initiatives through micro enterprise.
The progress in leveraging additional financial and bankable projects should the necessary policy reforms are stalled	M	The benefits, including those to the direct beneficiaries and government, of having additional partners to be clearly articulated with the required policy framework. The involvement of FSM Sustainable Development Council is to be maintained including the ODA.

Implementation and completion of activities not been able to be accomplished on time due to the dependence on the necessary policy reforms that may take time for adoption and signing in to law	M	The inclusion of high-level participation in ESCWG ⁶ meetings will be encouraged so as to have insights on the proposed interventions and impacts. Activities such as the installation of hardware are not dependent on the reform process. The reform process is to strengthen the existing mechanisms and governance structure of the sector, such as with the power utilities
Risk of a gender blind and non-rights-based implementation of the programme due to lack of mainstreaming these in all three thematic priorities, and lack of shared gender and rights-based data and information	M	FSM gender policy endorsed by President. Advocacy and dialogue on such issues by CSOs and women's groups and a gender representative on the project steering committee. Reinforcement of the capacity of the gender national machinery and sensitise all the actors involved, on gender mainstreaming.
Risk of environmental impact from Waste products due to inadequate infrastructures for waste management.	M	Action will support and contribute to the regional PacWaste project and the JICA led initiatives to ensure that there is a waste management programme put in place for FSM with emphasis on battery disposal management. Further the Action will also be looking at climate proofing measures for RE infrastructure that will be constructed out of this action.
Component 1 – Strengthen PFM; Component 3 – Civil Society Organisations Support Programme; and Component 4 - Support Measures to the NAO Administration		
Lack of commitment and/or (political) ownership by national and state governments	L	Inclusive dialogue will encourage ownership of the process, mitigating or addressing challenges early when identified
Lack of financial and human capacities in government to implement EDF 11	M	C4 will provide capacity and ensure civil servants the opportunity to develop their skill sets
Reduced capacity of the relevant government departments to manage the projects and processes	L	The provision of TA and capacity development in the C1, C2 & C4 will mitigate this risk. Regular dialogue with NAO will help.
Women and youth (boys and girls) are not involved in energy development – e.g. in operation and maintenance and are now intended to be trained in the area	M	C2 and C3 are to be jointly implemented so as to have these women & youth (and CSOs) extend the services to remote communities where the utilities are not in operation.
Political instability	L	The EU will strategically engage with authorities in political dialogue and monitor political development.
Capacity building support undermined due to the departure of trained staff	L	Involve Government officials on permanent contract and expected to remain in the Unit for a minimum of 3 years
Assumptions		
There is cordial working relationship between national government and the four-state governments including the broad understanding of the need to transform the energy sector for future eligibility to direct sector budget-support, development partner and private /government entity participation including enhanced civil society involvement.		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Energy activities and interventions in FSM have been approached through previous funding (EDF9 and EDF10) taking in to account the lessons learned – these are summarised as follows with proposed and need to further enhance the respective areas.

Lesson learned	EDF10 experience	Current proposed approach
Poor level of ownership of	Some level of ownership	Strengthen the EDF10 experience through

⁶ FSM National Energy Committee and Working Group (ESCWG) will be the overarching committee that the project will annually report to, to review progress and provide overall guidance of the programme.

installed equipment and other interventions (Evaluation of Renewable Energy Programme for 5 Pacific Island Countries (REP5) – EDF9 and 2013 ROM for North-REP – EDF10)	demonstrated through community participation in as paid workers in construction works, provision of storage facilities, O&M letters of agreement between utilities and State governments and utilities' assistance to the implementation of activities.	co-financing and co-implementation by local partners /private sector enhanced by existing and to be developed frameworks. The involvement of women and youth, including CSO initiatives under C3 will mitigate the community ownership challenges
Gender interests not adequately addressed (2013 ROM North-REP)	The provision of electricity to remote communities had a net impact on the lives of women and children. The impacts have not been adequately reflected in the documents.	C3 on women including CSO-led women and youth activities is expected to strengthen this and adequately address and reflect the impacts of EDF11 interventions.
Need for standardization of systems at State level to avoid complex maintenance problems and diversified and expensive stocks of spare parts (REP5 – EDF9 evaluation report)	Use of common regional /international standards and best practices such as that developed by SEIAPI (Sustainable Energy Industry Association of the Pacific Islands) and the Pacific Power Association and, ISO standards.	FSM to have these standards endorsed at the state level so as to have all equipment from any development partner adhere to. These guidelines will be developed through EDF11.
The need for the Certification of local technicians (REP5 – EDF9 evaluation report)	An O&M course on grid-connected solar PV systems was developed and accredited with the Palau Community College	Provide resources to enable FSM nationals participate in such courses including those developed and accredited by the PacTVET project and other applicable certification from other institutions /initiatives.
Limited participating opportunities for CSOs in government development programmes	This was not programmed under EDF10	C3 will train women (and youths) to participate and lead energy projects for remote communities. The engagement of MCT will support CSO capacities and support their participation in development priorities.

3.2 Complementarity, synergy and donor coordination

The World Bank (WB) and FSM Government signed a programme of USD 11 million in 2018 to strengthen the PFM environment, to work on the Financial Management Information System (IFMIS), the Revenue Management System, Change Management and Human Resource Development and Project Management (click on [link](#)). The Asian Development Bank (ADB) has an ongoing program since 2013 on public administration for the North Pacific (click on [link](#)). The EU will align its PFM-support with both the activities of the WB and the ADB.

The multiple development partner assistance on the installation of renewable energy systems in FSM has been implemented with a mix of procurement policies for equipment, such as for the Pacific Environment Community Fund (funding by Japan) where all equipment were sourced from Japan and, for North-REP all equipment were sourced from Europe. Currently in the Pacific there are regionally approved standards and guidelines for both off-grid and on-grid PV systems. These were primarily the referenced standards and guidelines for EDF10 as implementation was through SPC policies that used open international tendering procurement for equipment. Presently across the Pacific and with the experiences on hand there is the attempt to harmonise the technical specifications and installation standards for ease of operation and maintenance.

GCCA+: FSM will benefit from "GCCA + Scaling Up Pacific Adaptation (SUPA) Programme" (€15 Million) and from "Intra-ACP Programme GCCA+ Pacific Adaptation Climate Change and Resilience (PacRES)" (€12 Million).

Special Measures: FSM benefits from the El Niño Response under the RIP (€1,800,000). This special measure focuses mainly on water security under the Readiness for El Niño (RENI)" that also includes Marshall Islands and Palau.

2014-2020 Regional Indicative Programme (€166 million). FSM will also benefit from support under the following regional programmes: *Pacific-European Union Marine Partnership (PEUMP)* and *Pacific-EU Waste Management Programme (PacWaste Plus)*.

The Electrification Financing Initiative (ElectriFi) will roll-out, in 2019, a Pacific window. ElectriFi can provide complementary support to FSM by providing financing for projects developed with support from this action.

European Investment Bank (EIB) - An FSM Development Bank SME Focused Facility is being set up to provide funds to finance private enterprises, mostly SMEs, in the local markets in eligible sectors like transport, agribusiness, tourism, services, etc.

Asia Development Bank (ADB) - FSM is one of the countries which is part of the ADB-GCF regional project, which has a complimentary component to this Action with power utilities.

World Bank (WB) - The current WB energy project for FSM has the objective to increase the available generation capacity and efficiency of electricity supply in the state power utilities, and to strengthen the planning and technical capacities of the National Government and the state power utilities in the energy sector.

Japan International Cooperation Agency (JICA) – There are the current on-going development activities in Kosrae with improvement in electricity generation and transmission.

FSM has strengthened its donor coordination through its ODA Unit under the OVP by establishing the FSM Sustainable Development Council. This Council is chaired by the Vice President to discuss and oversee overall development assistance including energy.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective of the Action is to improve enable the FSM population to utilize affordable, reliable and environmentally sound energy services and benefit from transparent and efficient management of public funds. The specific objectives of the Action are to increase access to renewable electricity and support private sector investment in energy efficiency and renewable energy; to improve the transparency and effectiveness of the public financial management system and to strengthen engagement of CSOs in national development priorities within the energy sector. The proposed induced outputs are structured into 4 components as follows:

4.1.1 Component 1 (C1) - Strengthen Public Finance Management (PFM)

- O1.1 Regular dialogue and joint PFM policy reform actions developed with the Government and other development partners about their PFM reforms in the short term;
- O1.2 Regulatory framework on the Budget process reviewed at the four States' level;
- O1.3 Mini-PEFAs performed in each of the four States;
- O1.4 Measures to improve accountability and fight corruption and fraud developed.

4.1.2 Component 2 (C2) – Renewable Energy and Energy Efficiency

- O2.1 Policy, institutional and legislative structures are reviewed;

- O2.2 Capacities of FSM nationals (male and female) are built in energy planning and management, developing funding proposals in renewable energy (RE)/energy efficiency (EE), and monitoring and evaluating interventions in the energy sector;
- O2.3 Potential IPPs and jointly implemented/co-funded grid-connected RE systems are explored; and
- O2.4 RE systems and technologies are promoted especially in remote communities and among youth and women. These activities will complement and contribute to the CSOs led energy initiatives under C2.O2.2.

4.1.3 Component 3(C3) – Civil Society Organisations Support Programme

- O3.1: Increased participation of CSOs in the energy sector with CSOs jointly delivering energy sector development priorities with governments.
- O3.2: Increased access to renewable electricity for outer island communities, providing improved economic and sustainable livelihood opportunities.
- O3.3: Increased empowerment and capacity of women from outer-island communities through training in solar engineering and livelihood skills, leading to increased participation and representation of women in community-based actions and decision-making processes, with particular respect to energy and sustainable livelihood opportunities.

4.1.4 Component 4 (C4) – Support measures to the NAO Administration

- O4.1. Strengthened technical capacity of FSM government in managing EU funded projects (including cross-cutting issues such as gender equality and rights-based approach).

Activities

For Component 1 (C1) - Strengthen Public Finance Management (PFM)

Main Activities for O1.1:

Support to the PFM reforms, with other partners, complementing a large WB programme of seven years (until 2023 when the Compact funding expires), with the aim of EU Budget Support under the next programming cycle. It will work on establishing a PFM-dialogue with the Government by means of setting up regular meetings with the Government on policy issues and it will aim at drafting a prioritised set of PFM-actions in close cooperation with the WB and other development partners (including PFTAC).

Main Activities for Output O1.2:

Support to FSM in reforming the regulatory framework of the Budget process (improve quality and timeliness of the budget documentation and increase transparency) at the state levels.

Main Activities for Output O1.3:

Support to FSM in performing mini-Public Expenditure and Financial Accountability (PEFA) assessments, in each of the four states.

Main Activities for Output O1.4:

Support to FSM on defining and implementing measures to improve accountability and fight corruption and fraud.

For Component 2 (C2) – Renewable Energy and Energy Efficiency

Main Activities for O2.1: Policy frameworks where a review of the national energy policy to better align the national energy targets and timelines to be consistent with other nationally-endorsed commitments such as the NDC and SDGs;

- Laws and institutional reforms to strengthen administration and governance – develop frameworks to encourage private sector participation such as guidelines for IPP⁷, PPA⁸s or net-metering, including private-public partnerships
- In partnership with CSOs, provide guidance on mainstreaming gender and rights-based approaches in the national or state policy and legislative reviews;
- RE and EE standards – provide technical assistance to draft and formalise minimum standards and performance for renewable energy equipment and electrical appliances;
- Conduct pre-feasibility study(ies) and develop a full funding proposal(s) based on identified priority projects in FSM Energy Master Plan for the period 2019-2023.

Main Activities for O2.2: Capacities of FSM nationals (male and female) are built in energy planning and management, developing funding proposals in renewable energy/energy efficiency, and monitoring and evaluating intervention in the energy sector. Where possible the planned capacity building activities will promote and enabling environment to also include participation of persons with disabilities.

- Scholarships for FSM nationals (male and female) to undergo formal education or training in energy planning, management and engineering – such as having students participate in the certificate programmes that were developed as part of the PacTVET and, provide entrepreneurship training for the private sector so as to enhance their participation in the development of the energy sector. If gaps are identified in terms of the existing courses available, the action may support the developing of new courses or training modules on technical and vocational training in the area of sustainable energy, based on the PacTVET model;
- Development of a monitoring and evaluation framework to take stock of the implementation of the Energy Master Plan and progress towards realisation of national energy policy goals, SDG 5 and SDG 7, NDCs, as well as opportunities offered by the Clean Energy for Islands initiative, and improvement in other cross cutting measures of environment, gender and rights-based approach.

Main Activities for O2.3: Potential IPPs and jointly implemented/co-funded grid-connected renewable energy systems are explored.

- Seek expressions of interest for IPP, identify and progress potential PPAs under the guidelines to be developed in O1.1;
- Foster joint implementation of renewable energy under the improved partnership frameworks to be developed through O1.1, and the Clean Energy for Islands initiative;
- Explore partnerships with FSM Development Bank in providing technical support for households or businesses to develop and access loans for energy efficiency and renewable energy projects. The partnership programme will also be placing emphasis in encouraging the participation of women and persons with disabilities to have equal access to the new facilities (loans, credits, etc).
- Assist power utilities in improving supply side efficiency; and
- Provide the capacity to perform the energy audits and support energy efficiency retrofitting to government premises such as the state hospitals.

⁷ Independent Power Producers

⁸ Power Purchasing Agreements

Main Activities for O2.4: RE systems and technologies are promoted especially in remote communities and among youth and women.

The activities will focus on providing access to energy services in remote communities and public facilities such as schools and health centres in the outer islands, as well as on increasing the share of RE in to the main island grids. These objectives will be achieved through matured technologies such as solar PV, wind and hydropower. The activities include:

- Procure RE systems for the electrification of remote communities, schools and health centres in the outer islands of FSM;
- Procure RE technologies for grid connected systems; and
- Develop and procure community-specific small projects for communal development activities targeting participation of youth and women groups and CSO-led activities in C3.

For Component 3 (C3) – Civil Society Organisations Support Programme

Main Activities for O3.1: Increased participation of CSOs in the energy sector with CSOs jointly delivering energy sector development priorities with governments.

- Micronesia Conservation Trust (MCT) to work with National and Chuuk State governments to jointly select target communities for action, in line with national energy sector development priorities.
- MCT and Chuuk Public Utilities Corporation (CPUC) to sign a formal Memorandum of Understanding (MoU) to strengthen and formalise government and non-government partnerships within the energy sector to ensure viability and success of the action beyond the lifetime of project funding.
- MCT and Barefoot College to work with outer island communities to establish (or strengthen existing) CSOs in each community.
- MCT and Barefoot College to provide capacity building, including project and financial management, to CSOs on outer islands.
- MCT, and other CSOs, to participate in national and state level energy working group meetings.
- Mainstream gender, environment and rights-based approach to conservation, climate change and energy development initiatives.
- Monitor and evaluate the key result areas/outputs including collection of data, disaggregated by sex and age, on beneficiaries during the lifetime of the project.

Main Activities for O3.2: Increased access to renewable electricity for outer island communities, providing improved economic and sustainable livelihood opportunities.

- Deployment of 500 Solar Home System (SHS) to target communities. Installation will be by women from these communities who have been trained at the Barefoot College.
- Establish alternative sustainable livelihood projects in each target community. Women will receive training on this through the Barefoot College's *Enrich Programme*. Ensure that trained women are supported by their communities and are able to pass their training and skills onwards to others.

Main Activities for O3.3: Increased empowerment and capacity of women from outer-island communities through training in solar engineering and livelihood skills, leading to increased participation and representation of women in community-based actions and decision-making processes.

- 10 women from selected communities in the outer islands of Chuuk will attend a 6-month training program at the Barefoot College in Tilonia, India. Women will receive training in

the construction, operation and installation of small-scale solar systems. Women will also receive training in essential livelihood skills through the *Enrich Program* including skills in: financial management, health, sanitation, entrepreneurship and enterprise skills.

- Ensure that CSO groups strengthened or established in each target community contain a majority of women as well including women in positions of influence (e.g. chairperson, secretary, etc).
- MCT and Barefoot College to provide capacity building and support to women to ensure successful implementation of the action, including beyond the lifetime of project funding.
- Collection of gender disaggregated data in project monitoring and evaluation activities.

For Component 4 (C4) – Support measures to the NAO Administration

Main Activities for O4.1: Strengthened technical capacity of FSM government in project management (including cross-cutting perspectives such as gender equality and rights-based approach) to successfully manage the actions under EDF 11 and other EU instruments, including programming the next cooperation cycle. The activities will focus on ensuring that all necessary lessons learned from previous EDF programmes are taken into consideration and that C2, C3 and C4 are coordinated and jointly implemented. Assistance towards having the financial and compliance audits, project reviews and ROMs are effectively conducted and successfully completed. Support will be provided for the functioning of the NAO Support Unit through an operating grant which will include staff costs, office costs, and conference – related travel. This component will also include a provision for TA to NAO and ad-hoc assistance through FWC where needed, in particular in support of future programming needs.

4.2 Intervention Logic

The Action follows a clear intervention logic which will enable the FSM population to utilise affordable, reliable and environmentally sound energy so as to upgrade social and economic development for better livelihoods in FSM. This will be facilitated through a reform of the energy sector, including the power utilities, with interventions beyond having a national energy policy, state action plans and an energy master plan. The reform will consider policy reviews to better align towards FSM SDG7 and NDCs, mainstreaming of gender and rights-based approach, legislating the sector in areas to promote independent regulation, private sector participation, having standards for renewable energy and energy efficient equipment/appliances and, training and capacity building including utility management and Board of Directors. Further, the participation of CSOs including women and youth groups through C3 will enhance the inclusiveness of actors in the energy sector development priorities.

The EU supported activities will contribute to the continued cooperation to improve national ownership and enhance engagement of all actors. Focused on the energy sector, the EU supported efforts will lead to increased access to affordable energy services for the population, including in the outer islands, through increased use of renewable sources for the generation of electricity, improved energy efficiency, inclusive of CSO (and women and youth groups) participation in government development priorities and, targeted training. These efforts will also strengthen the governance structure of the sector at the national and state levels and, build partnerships.

At the result level, the intervention is expected to facilitate the implementation of the national energy policy and activities are orientated towards a long-term vision of a sustainable energy for all. This shall lead to a political, administrative and financial framework conducive for renewable energy and energy efficiency improvement including the energy sector contribution to productivity in FSM. The participation of women, youth and vulnerable groups will enable them to capture opportunities to enhance their capabilities and meet their

needs through appropriate technologies in the development of priority sectors of agriculture, tourism and fisheries. Sustaining project results after implementation has ended is always challenging but the following approaches are envisaged:

- Ownership of action activities by FSM through the EMP⁹ increases the likelihood of their continuation after the project activities cease. C4 of this action will strengthen the function of the NAO administration and this creates ownership and commitment to address the limited capacities & resources available, as well as the challenges of remoteness and working relationship between national government and the four-state governments.
- The emphasis on capacity building targeting the remote communities and the private sectors will be an enabler for the national and state government to increase access to electrification as well as increasing the share of Renewable energy contribution.
- Adopting gender sensitive/rights- based approaches across the policy reforms will contribute a fairer or holistic approach in the development of the energy sector where no one is left behind.
- Fostering partnerships within local players and Partnerships with other projects and groups provide opportunities for the continuation of key activities.

4.3 Mainstreaming

Environmental Sustainability: Improvement to the environment will be by decreasing dependency on fossil fuels and by reducing CO₂ emissions. These will be achieved through the use of RE technologies and improved EE. All infrastructure interventions should be subject to an environmental screening to determine the need for an Environmental Impact Assessment (EIA). Waste management from RE systems installed out of this action, particularly batteries, will be an area that the action will actively support and contribute to existing projects eg. PacWaste Plus and the JICA led initiatives to ensure that there is a waste management programme in place for FSM.

Gender Equality: The provision of electricity to remote households is likely to have a positive net impact on the community, particularly on the lives of women, youth, children and persons with disability. Men and women may have different priorities when it comes to electricity needs, with men prioritizing refrigerators and freezers over streetlights, whereas women value street lights due to the safety benefits. Further, women will experience greater health benefits from using electricity as opposed to other means of fuel.

However, the affordability of electricity services needs to be carefully considered as across FSM female-led households (approximately 20% of the total) have a lower annual average income than the male-lead ones. The difference is particularly striking in Chuuk, the state that lags the most behind the rest of FSM in terms of electricity access, with an average income gap of up to 40%.¹⁰

Under C3, important gender disaggregated data on energy access and use in targeted communities will be collected. This data will help create a clearer picture of the impacts on women and allow for better informed decision-making and planning in the future.

The inclusiveness of CSOs and community organisations, in particular women's groups in C3 with a focus on strengthening their participation in the development priorities of government, representation in decision-making and dedication to women will enhance equal participation

⁹ Energy Master Plan

¹⁰ Energy Master Plans for the Federated States of Micronesia State Social Assessments Report

of community members in order for these concerns to be reflected both in terms of policy priorities at national or state level, but also in the design of this action.

Good Governance and Human Rights: These two critical elements will champion and put in place necessary structures and policies so as to strengthen national governances, transparency and accountable management as outlined in the reforms.

Economic and Financial: The Action will progress the PFM reforms that will strengthen future partnerships with other development partners to support government development priorities.

4.4 Contribution to SDGs¹¹

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDGs 3,4,5,7 and 13.

5 IMPLEMENTATION

5.1 Financing Agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the FSM.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹².

5.3.1 Grants (direct management)

The action under C3 "*Empowering women and communities through the Barefoot Solar Engineers training programme (using expertise of the Barefoot College) and solar-powered electrification of outer island communities*" may be implemented as a direct award to the Micronesia Conservation Trust (MCT) in accordance with Article 195 FR.

(a) Purpose of the grant

C3 has the specific objective to strengthen engagement of CSOs national development priorities within the energy sector. The key activities to deliver and achieve C3 are: the careful selection of women and communities, identification of relevant sustainable alternative livelihood activities, development and strengthening of local CSOs, training and capacity building of women in solar engineering and livelihood skills, and the deployment of solar home systems (SHS) to non-electrified communities.

(b) Type of applicants targeted

¹¹ <https://sustainabledevelopment.un.org/?menu=1300>

¹² www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The relevant applicants targeted to implement C3 were decided between working with a local or sub-regional NGO such as MCT or with an international NGO such as the International Union for Conservation of Nature (IUCN) in accordance with section 2 of the PRAG guidelines. A direct grant approach is favourable for FSM and to work with MCT as the preferred option to strengthen local capacity in driving CSO led initiatives in the Energy sector. The Action will support MCT to improve CSO linkages with the national and state governments of FSM through delivery of C3 which will empower women and their communities, from remote outer islands in Chuuk State, through the *Barefoot Solar Engineers* training program run by the Barefoot College (based in Tilonia, India) and solar electrification of their communities.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified on the basis of the de facto monopoly the organisation has in the FSM in delivering the kind of services and implementing the type of activities required. A supportive letter (Annex F) from the FSM government endorsing MCT to be the nominated entity to implement C3 of the Action under Direct grant contract request is attached.

The action under C4 "*Support measures to the NAO*" will be implemented through consecutive operational (direct) grants¹³ in support of the NAO activities (replacing programme estimates of previous EDFs, due to serious compliance issues). Service contracts/FWCs will be procured, as needed, for specific technical assistance and studies aimed at strengthening the technical capacity of the FSM government in project management (including cross cutting perspectives ie gender equality and rights based approach) to successfully manage the actions under EDF 11 and other potential EU instruments, including programming the next cooperation cycle.

5.3.2 Procurement (direct management)

Components	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
<i>Fall-back option</i> Component 1 - Strengthen PFM (See 5.3.3)	FWCs	4 - 5	3Q 2019
Component 4 – Support Measures to the NAO	Service contract(s)/FWC	1 - 3	2Q 2019; 2Q 2021
Evaluation and Audit	FWC	1 - 3	2Q 2021; 4Q 2024

5.3.3 Indirect management with international organisation

The preferred option for Component 1 "*Strengthen PFM*" is implementation in indirect management with the World Bank (WB). This implementation entails the provision of technical assistance and advisory services to support the update of PFM rules and regulations, the performance of PEFAs in the four states, the provision of technical assistance and advisory services to strengthen the capacity of the Auditors-General in Pohnpei (the national

¹³ The choice of operating grants is mandated in reference to Section 1.1 of the 11th EDF Practical Guide for PEs and Art. 6.10.3 of the PRAG v.2018.0 where a distinction is made between supporting an implementation structure with full delegation and the management of procurement contracts and grants (which is not the case here), and support to the NAO.

and state ones) and the establishment of regular meetings with the Government, together with the WB.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management by means of framework contracts. The implementation by this alternative entity would be justified because of the fact that FWCs are relatively quick to draft in the EU Delegation and provide the Government of FSM the requested services in the Ministry of Finances of the four states and the offices of the Auditor-Generals in Pohnpei.

A part of this action, C2 “*Strengthening Renewable Energy and Energy Efficiency 2019-2023*”, may be implemented in indirect management with the Pacific Community (SPC¹⁴).

The envisaged entity, SPC, has been selected using the following criteria:

i) Has a strong mandate in the Pacific regional energy sector, climate change, disaster risk management and education/capacity building; ii) Have a broad range of Scientific and technical expertise and support that could add value to the implementation of this action; iii) have experienced past bilateral projects for the European Union such as the €15 million North-REP, 10th EDF intra-ACP GCCA and DCI-ENV GCCA as well as ACSE projects (for a total value of €27.4 million); and iv) have demonstrated efficient financial and operational management of above-mentioned projects in the Pacific region, and with the full support of country partners, as demonstrated by several final evaluations.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in indirect management with GIZ Pacific (or other international organisation). The implementation by this alternative entity would be justified because of the following: the activities foreseen would require energy specialists of which GIZ (already present in the country) has the ability to work closely with MCT and FSM stakeholders and have an active and permanent presence in the region.

In case the envisaged entity and the replacement entity mentioned above would need to be replaced, the Commission's services may select other replacement entity using the same criteria.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply:

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement; the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: USA, Japan, Republic of China, Australia, New Zealand and India. The supplies originating there shall also be eligible.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

¹⁴ The Pacific Community

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution
Component 1: Technical Assistance – Strengthen PFM		
Indirect management under section 5.3.3 <i>Fall-back option: Direct management (See 5.3.2)</i>	1,000,000	N.A
Component 2: Strengthening Renewable Energy and Energy Efficiency 2019-2023		
Indirect management with SPC - cf. section 5.3.3 <i>Fall back option: Indirect Management with GIZ Pacific or other (See 5.3.3)</i>	11,625,500	N.A
Component 3 : Empowering women and communities through the Barefoot Solar Engineers training programme		
Grant – total envelope under section 5.3.1	1,000,000	N.A
Component 4 : Support Measures to the NAO		
Direct management 5.3.2		N.A
Service contracts/FWCs and Operational grant(s) -	200,000 74,500	
Evaluation, (cf. section 5.6), 5.10 – Audit (cf. section 5.7)/Expenditure verification	300,000	N.A.
Communication and visibility (cf. section 5.11) ¹⁵		N.A.
Contingencies	N.A	N.A.
Total	14,200,000	N.A

5.6 Organisational set-up and responsibilities

The contracting authority for the project shall be the European Union Delegation for the Pacific (EUDP).

However, the overall responsibility for the implementation of C1 lies with the WB (or in case of the *fall-back option* the European Union Delegation in the Pacific), C2 lies with the Pacific Communities (SPC) (or fall back option GIZ); C3 with the Micronesia Conservation Trust (MCT); C4 will be the EUDP. The TA to the NAO will report to the NAO and the EUDP.

The FSM Energy Steering Committee and Working Group (ESCWG) will be the overarching committee that the project will annually report to, to review progress and provide overall guidance of the programme. The ESCWG is chaired and coordinated by R&D¹⁶ with members represented from the Department of Finance and two representatives from the four state energy working groups. As the EMP will also be coordinated through the ESCWG, there is likelihood of wider representation of committee members. For this action, additional representatives to the ESCWG will include the Attorney General's Office, one senior representative from each of the three implementing partners (SPC, MCT and EUDP); and the PIU managers. Other organisations may be invited to attend as observers.

The steering committee will meet at least once a year, or more if required. The main role of the steering committee is to advise on the delivery of the project activities. The PIU managers will be responsible for coordination, the preparation of the agenda, all meeting documents and official minutes. Wherever possible the annual steering committee meetings will be combined with training activities and/or lesson learnt and reflection activities/launches of activities, other regional-national programme steering committee meetings.

¹⁵ Will be funded from within the contribution agreement, direct award grant and operational grants

¹⁶ Department of Resources and Development

The day-to-day delivery and coordination will be the responsibility of each of the implementing partners (SPC, MCT and EUDP). The implementing partners will also be responsible for the reporting and communications of their respective components to ensure that whole-of-project outcomes are effectively communicated and with full donor visibility.

5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission or via an implementing partner.

The mid-term evaluation will be carried out for accountability and learning purposes on all four components, in particular with respect to progress on PFM, as well as to ascertain progress on the sustainable energy Cs 2 and C3.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision) of all four components, taking into account, in particular, the fact that C1 of the actions are strengthening PFM in order for FSM to receive budget support under the 12th EDF.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services will be contracted under a framework contract.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

INDICATIVE LOGFRAME MATRIX: SUSTAINABLE ENERGY AND ACCOMPANYING MEASURES (SEAM): FED/2018/041-174

	Results chain	Indicators	Baselines	Targets <i>Aligned to the FSM Energy Master Plan & NEP2012</i>		Sources and means of verification	Assumption
Overall objective: Impact	To enable the FSM population to utilize affordable, reliable and environmentally sound energy services and benefit from transparent and efficient management of public funds.	(1) Proportion of population with access to electricity (SDG7.1.1) Proportion of population with primary reliance on clean fuels and technology (SDG7.1.2) * and**; Proportion of population living in households with access to basic services (SDG 1.4.1) (gender disaggregated)	(1) 67% of population currently have access to electricity at national level (2016) 30% access in Chuuk; 94% in Pohnpei, 98% in Kosrae and 85% in Yap (2015). No. disaggregated data by sex available on people with access to sustainable energy service.	<u>FSM Targets</u> (1,2) NEP – electrify 90% of population (2020)	<u>Action Targets</u> (1,2) Average of 5% growth/increase in access to electricity in FSM by 2023 is contributed by this action.	(1) Global tracking framework; Energy and Gender policy reviews; monitoring and evaluation framework for the Energy master plan; SEAM end of project final report and evaluation	
		(2) Reduction of GHC emissions from energy generation (in tCO ₂ e)	(2) 150,000 tCO ₂ e (2000) – total; 63,000 tCO ₂ e (2000) from electricity generation	(2) NDC – 28% reduction in emissions from the year 2000 by 2025; 28% reduction from electricity generation emissions by 2025		(2) Third national communication and national inventory system when developed or the national monitoring reports in tracking the NDC targets	

Specific Objective(s) Outcome(s) – C 1	Component 1 (C1) Improved the transparency and effectiveness of the public financial management	(1.1) Status of PFM systems (1.2) Compliance level for budget support in FSM	(1.1) PFM system does not fully comply with EU requirements (1.2) Budget support implementation modality not recommended for EDF11		<u>Action Targets</u> (1.1) Established dialogue and list of PFM priorities (1.2) Compliance to EU requirements for budget support under the EU cooperation development assistance by 2023	(1.1) Project reports from ThA1, ThA2 & ThA3 (1.2) EU evaluation and audit reports	New funding continues to be made available to FSM
Specific Objective(s) Outcome(s) – C 2	Component 2 (C2) Increased access to renewable electricity and support private sector investment in energy efficiency and renewable energy.	(2.1) Renewable energy share in total final energy consumption * and ** (SDG7.2.1) (2.2) No. of kW of RE installed through co-financing /co-implemented with a development partner /private sector /local entity	(2.1) 19% RE share of final consumption at national level (2018) Kosrae 8%, Pohnpei 7%, Chuuk 3%, Yap 22% (grid connected RE share at state level – 2018) (2.2) No. jointly financed and co-implemented RE installation	<u>FSM Targets</u> (2.1, 2.2) NEP – 30% of the energy supply from renewable energy by 2020; Increase overall energy efficiency by 50% by 2020	<u>Action Target</u> (2.1) Minimum 20% increase in installed grid connected RE systems by 2023	(2.1) Installation and commissioning reports (2.1) Procurement document/proposals (2.1) M&E framework reporting on Progress to the Energy master plan (2.2) Co-financing agreement	FSMs economy has the capacity to produce sufficient private sector players as IPPS There is interest and commitment from the private sector to contribute to the development of the energy sector. National focus on private sector investment is maintained

Specific Objective(s) Outcome(s) – C 3	<p>Component 3 (C3) Strengthened engagement of CSOs in national development priorities within the energy sector.</p>	<p>(3.1)) Number of CSOs participating in energy policy decision making processes, including on issues related to gender mainstreaming and rights-based approaches.</p> <p>(3.2) No. of households (HH) access to electricity through CSO implemented small scale RE systems</p>	<p>(3.1) Limited participation of CSOs in decision-making and planning within the energy sector, including with respect to gender mainstreaming and rights-based approaches.</p> <p>(3.2) Zero HH have electricity access through CSO-implemented projects</p>		<p>(3.1) CSOs are represented as a key stakeholder in government policy decisions relating to development priorities in the energy sector (e.g. MCT is an active member of government energy working groups).</p> <p>(3.2). Installation of 500 small-scale solar systems on households in un-electrified outer island communities of Chuuk State (2023).</p>	<p>(3.1) Outcome documents (e.g. reports, meeting minutes, etc.) from working group meetings and other decision-making processes.</p> <p>(3.2) Reports from Barefoot College.</p>	<p>National and state governments are receptive to changes that will eventuate out of CSO led initiatives.</p> <p>Communities actively engage and participate in project and positive community attitude towards project, specifically of women's inclusion and promotion.</p>
Specific Objective(s) Outcome(s) – C4	<p>Component 4 (C4) NAO Administration Strengthened</p>	<p>(4.1) Improved capacity of the Office of NAO for management of 11th EDF programme</p>	<p>(4.1) Number of main activities successfully completed</p>		<p>Improvements in the overall management and coordination of the programme and timely implementation of the activities planned in 11th EDF projects</p>	<p>(4.1) Project monitoring and reporting and bilateral coordination with EU Delegation</p>	<p>Effective communication and traction from NAO.</p>

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumption
Outputs C1 01	C1 – Output 1 Capacities of the FSM National and State governments in Public Financial Management are strengthen-ed.	(1.1.1) Percentage of PFM review recommendations addressed with the support of this Action	(1.1.1) 2016 PEFA assessment report	(1.1.1) Scores as in latest PEFA	(1.1.1) Technical assessments and reports on PFM in FSM from development partners and PFTAC, including project reports	Related public financial policies and protocols are endorsed Public financial management system at the state and national government are same.
Outputs C2 01	C2 – Output 1 Policy, institutional and legislative structures are reviewed	(2.1.1) Status of policies /legislation to promote energy investments in economic enterpris (2.1.2) Status of IPP ¹⁷ and PPA ¹⁸ guidelines and policies, and partnership framework for the 4 states * (2.1.3) No. of proposals on RE ¹⁹ & EE ²⁰ developed/funded	(2.1.1) Existing frameworks do not fully support energy investments in economic enterprises (2.1.2) No. IPP & PPA guidelines and partnership frameworks (2.1.3) No. new RE & EE project funding	<u>Action Targets</u> (2.1.1) Enabling energy investment policies developed for adoption at the state level (2.1.2) IPP & PPA guidelines and partnership frameworks developed for the 4 states (2.1.3) Feasibility study and Full funding proposal developed for a 1MW Lenmesi hydropower plant in Pohnpei; Feasibility study and Full funding proposal developed for wind turbines in Chuuk.	(2.1.1) Draft energy investment policies (2.1.2) IPP and PPA guidelines (2.1.2) Framework for joint-implementation of activities (2.1.3) Proposals – available for submission	State and national government agree on policy reforms Draft policies and guidelines are endorsed timely

¹⁷ IPP : Independent Power Producer

¹⁸ PPA: Power Purchase Agreements

¹⁹ RE: Renewable Energy
²⁰ EE: Energy Efficiency

Outputs C2 02	<p>C2 – Output 2 Capacities of FSM nationals (male and female) are built in energy planning and management, developing funding proposals in renewable energy /energy efficiency, and monitoring and evaluating interventions in the energy sector.</p>	<p>(2.2.1) No. of scholarships funded</p> <p>(2.2.2) No. of training modules developed or supported</p> <p>(2.2.3) No. of Private entrepreneurs trained.</p> <p>(2.2.4) Status of monitoring and evaluation framework for the energy master plan</p>	<p>(2.2.1) Lack of qualified nationals in energy planning, management and engineering</p> <p>(2.2.2) Lack of training modules or programme in place to support private sector development of the energy sector</p> <p>(2.2.3) No capacity building activities have been undertaken targeting private entrepreneur's on energy related initiatives</p> <p>(2.2.4) No formal monitoring document available to take stock of the implementation of the Energy master plan.</p>	<p><u>Action targets:</u></p> <p>(2.2.1) Scholarship provided - 2 degree level scholarships on energy planning and 2 on electrical engineering</p> <p>(2.2.2) At least 1 training module developed or revised on technical and vocational training in the area of sustainable energy</p> <p>(2.2.3) At least one training per state undertaken for the private sector to enhance their participation in the energy sector</p> <p>(2.2.4) Monitoring and evaluation framework for the energy master plan developed</p>	<p>(2.2.1) Scholarship /sponsorship Agreement</p> <p>(2.2.1) Funded participants awarded certificates</p> <p>(2.2.2) Revised or new training course or module</p> <p>(2.2.3) Training reports</p> <p>(2.2.4) Monitoring and evaluation report</p>	<p>National government is supportive of the scholarship programme and is prepared to employ the funded recipients after graduation</p> <p>Training modules designed are recognized by government as an area of need</p>
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Outputs C2 03	C2 – Output 3 Potential IPPs and jointly implemented /co-funded grid-connected renewable energy systems are explored	(2.3.1) No. of potential IPP identified and PPA negotiation process initiated * (2.3.2) No. of jointly financed and co-implemented RE installation (2.3.3) No. of loans approved through the FSM Development Bank for EE and RE projects	(2.3.1) 1 IPP (conventional) in operation as at Jan 2017 (2.3.2) No jointly financed and co-implemented RE installation (2.3.3) FSM development bank has a subsidy loan schemes for RE and EE projects. Collaborations with IUCN.(2018)	<u>Action Targets</u> (2.3.1) At least 1 additional IPP and PPA negotiated (2.3.2) At least 1 co-financed and co-implemented RE project Chuuk (Tonoas, Fefen & Uman) – 300kW solar PV (200 kWh storage, 200kW converter, 13.8kV OH network plus LV UG network mini-grid system (partnership to provide 2 x 450kW diesel genset) (2.3.3) Extend/expand the subsidy loan schemes for RE and EE initiative and or introduce a revolving fund for RE or EE initiatives with the FSM Development Bank targeting private entrepreneurs	(2.3.1) Signed contracts /PPA (2.3.2) Co-financing agreement signed (2.3.3) Partnership agreement with FSM Development Bank and number of loan applications	There is at least one IPP available for participation. There is consensus among the development partners to go into collaboration or partnership. There is interest from companies and individuals to apply for loans at the FSM FDB for RE and EE systems
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Outputs C2 04	C2 – Output 4 Renewable energy systems and technologies are promoted especially in remote communities and among youth and women.	(2.4.1) Number of standalone solar systems procured for schools, dispensary, and remote communities (2.4.2) Total installed capacity of RE technologies into the Grid (2.4.3) No. of community-based development projects funded and implemented – possible collaboration with C2 2.2	(2.4.1) 12,464 in Chuuk, 31,059 in Pohnpei & 7,517 in Yap (No. HH Access 2015) (2.4.1) 16 outer islands in Pohnpei, Chuuk & Yap that do not have access to electricity (2016) (2.4.2) Current RE connected to the Grid is around 3.85MW (2.4.3) N. CSO participation in community-based development projects on Energy	<u>Action targets</u> (2.4.1) 42 stand-alone solar systems in Mwokilloa (including a school, a dispensary, and 2 community centres) To be co-implemented with C2 (O2.2) 3 communities in Chuuk (Tonowas, Fefen & Uman) electrified – 300kW solar PV. To be co-implemented with C2 (O2.2) (2.4.2) 300kW installed Grid connected RE in Pohnpei (2.4.3) 15 stand-alone solar systems in Kapingamarangi 4 islets. To be co-implemented with C2 (O2.2)	(2.4.1; 2.4.2) Equipment supply contracts signed (2.4.1; 2.4.2) Installation contracts signed (2.4.1; 2.4.3) Utility and community MOUs signed (2.4.3) Community-based project proposals and completion reports	Natural and man-made hazards do not adversely affect installation of RE systems
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Outputs C3 01	<p>C3 – Output 1 Increased participation of CSOs in the energy sector. CSOs jointly delivering energy sector development priorities with governments.</p>	<p>(3.1.1) Number of formal cooperative agreements and established working relationships between the government energy sector and CSOs.</p> <p>(3.1.2) Number of CSO-led projects - jointly implemented between CSOs and governments - addressing energy development priorities.</p>	<p>(3.1.1) Limited working relationships established between governments and CSOs within the energy sector.</p> <p>(3.1.2) No jointly implemented projects - delivering energy sector development priorities - between CSOs and governments exist.</p>	<p><u>Action Targets</u> (3.1.1) At least one formalised working agreement established between the government energy sector and CSOs (e.g. MoU between Chuuk Public Utilities (CPUC) and MCT). (3.1.2) Implementation of CSO-led activity addressing government energy sector development priorities.</p>	<p>(3.1.1) Signed MoU between MCT and CPUC.</p> <p>(3.1.2) Reports from Barefoot College.</p>	<p>National and state governments are receptive to the changes that will eventuate out of CSOs involvement.</p>
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Outputs C3 02	C3 – Output 2 Increased access to renewable electricity for outer island communities, providing improved economic and alternative sustainable livelihood opportunities.	(3.2.1) Number of households with access to electricity in Chuuk outer islands. (3.2.2) Number of alternative sustainable livelihood projects in Chuuk outer islands.	(3.2.1) 26 percent of households have access to electricity in Chuuk. (3.2.2) No, or limited, alternative sustainable livelihood projects implemented in outer island communities of Chuuk.	(3.2.1) Installation of 500 small-scale solar systems on households in un-electrified outer island communities of Chuuk (2023). (3.2.2) Establish up to 10 sustainable alternative livelihood projects in target communities.	(3.2.1, 3.2.1) Project monitoring and evaluation reports.	Community acceptance and support of project. Sustainable alternative livelihood projects are sustainable beyond life of project.
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Outputs C3 03	<p>C3 – Output 3 Increased empowerment and capacity of women from outer-island communities through training in solar engineering and livelihood skills. Increased participation and representation of women in community-based actions and decision-making processes.</p>	<p>(3.3.1) Number of women in Chuuk who have completed training with the Barefoot College.</p> <p>(3.2.3) Number of CSOs established in outer-island communities.</p> <p>(3.3.2) Number of women represented in CSOs, including in positions of influence; and in community-based decision-making processes.</p>	<p>(3.3.1) Two women in Chuuk have completed training with the Barefoot College.</p> <p>(3.3.2) Very few CSOs established in outer island communities. Existing groups are often small, informal and not well-established.</p> <p>(3.3.3) Low participation of women in community-based decision-making processes. Few women in positions of influence in outer island communities.</p>	<p>(3.3.1) 10 Chuukese women from remote and outer island communities trained through the Barefoot College.</p> <p>(3.3.2) One CSO is established, or an existing group is strengthened, in each target community.</p> <p>(3.3.3) CSOs formed, or strengthened, during this project contain a majority of women. At least one woman per group should be in a prominent position (e.g. chairperson, secretary, etc.)</p>	<p>(3.3.1) Training reports from Barefoot College.</p> <p>3.3.2, 3.3.3) Project monitoring and evaluation reports, including pre- and post-implementation and the collection of gender disaggregated data. Outcome documents from CSOs (e.g. meeting minutes, by-laws, etc.).</p>	<p>Women complete training, remain in their communities after training and are committed to the program beyond the lifetime on the project.</p> <p>Positive community attitude towards project, specifically towards women's inclusion and promotion.</p> <p>CSO groups are able to support sustainable alternative livelihood projects.</p>
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Outputs C4 01	C4 – Output 1 Strengthened technical capacity of the FSM government in energy to successfully manage the actions under EDF 11 and other EU instruments, including programming the next cooperation cycle.	(4.1.1) No. of reviews (mid- term and ROM) successfully completed	(4.1.1; 4.1.3) Project implementation lessons learned from EDF9 and EDF10	(4.1.2; 4.1.3) Financial and compliance audits successfully completed	(4.1.2; 4.1.3) Audit reports	There is commitment from government to maintain the NAO administration team beyond the project timeframe. New funding continues to be made available to FSM
		(4.1.2) Percentage of planned activities successfully completed annually for C1, C2 & C3	(14.1.4) No. full-time TA to NAO and FSM RND on EDF	(4.1.1) Satisfactory mid-term review and ROM (4.1.2; 4.1.3) Annual evaluation of implementation completed (4.1.4) TA(s) recruited to support NAO & FSM RND on EDF11 (4.1.5) Energy sector and aid modality study published	(4.1.2; 4.1.3) Evaluation reports (including mid-term review) (4.1.2; 4.1.3) Progress reports (4.1.1) Midterm and ROM reports (4.1.4) TA contract and ToR (4.1.5) Aid modality study report	

²¹ RND: Department of Resources and Development