



FEDERATED STATES OF MICRONESIA NATIONAL OCEANIC FISHERIES INVESTMENT POLICY 2024 - 2029

**A Policy for Maximizing Value of Participatory Rights (Access) under the Vessel
Day Schemes (VDS)**

**NATIONAL GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA IN
COLLABORATION WITH STATE GOVERNMENTS**



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We now have the policy to guide how FSM can make the best use of its valuable Vessel Day Scheme (VDS) days to achieve higher economic growth.

I expect that implementing this policy will enable FSM to maximize the value of Participatory Rights under the PNA VDS to realize a transformational impact on the national budget. It would generate increased returns to the nation, and at the same time, create more significant investment opportunities in the fisheries sector for the benefit of our people.

Roger Arnold

Chairman of the Board of Directors

National Oceanic Resources Management Authority

Abbreviations

CA	Competent Authority
CMM	Conservation and Management Measure
CTF	Federated States of Micronesia Compact Trust Fund
DoJ	Department of Justice
EEZ	Exclusive Economic Zone
FDI	Foreign Direct Investment
FFA	Forum Fisheries Agency
FSM	Federated States of Micronesia
FSMA	Federated States of Micronesia Arrangement
GDP	Gross Domestic Product
IUU	Illegal, Unreported and Unregulated
JCRP	Joint Committee on Compact Review and Planning
JEMCO	Joint Economic Management Committee
LTFFEF	Long term fiscal and economic framework
MCS	Monitoring, Controlling and Surveillance
NORMA	National Oceanic Resources Management Authority
ODA	Overseas Development Assistance
PAE	Party Allowable Effort
PNA	Parties to the Nauru Agreement
PNAO	Parties to the Nauru Agreement Office
R&D	Resource and Development
RoO	Rules of Origin
SNLC	State and National Leaders Conference
SPC	South Pacific Commission
TAE	Total Allowable Effort
UNCLOS	United Nation Convention on the Law of the Sea
VDS	Vessel Days Scheme
WCPFC	Western and Central Pacific Fisheries Commission

Introduction

The aim of the Federated States of Micronesia (FSM) National Oceanic Fisheries Investment Policy 2021 – 2026: A policy to Maximize Value of Participatory Rights under the Vessel Day Scheme (VDS) is to align fisheries policy to contribute to the overall economic growth of FSM. It recognizes the need for FSM's offshore fishery to be developed so that revenue generated from access fees through the selling of its valuable VDS days can also be translated into generating broad economic benefits for the FSM.

The policy carves out an investment strategy where opportunities to expand the productive capacity of the offshore fishery sector are identified, and sources of investment capital are proposed. The important roles of both State and National Government are identified and clearly stated, amongst other Strategic Policy Objectives (SPO). The need to work together for better results takes prominence under existing laws and legislation where the EEZ falls under the National Government's jurisdiction, whilst development and management of fisheries and marine resource within 12 miles are responsible for by the State Governments. The offshore fishery is expected to be a pivotal contributor to FSM's fiscal sustainability and economic growth. With this expectation comes the urgency for all stakeholders to cooperate and collaborate in a concerted manner to implement the Strategic Policy Objectives and the specific Strategic Actions over the five (5) year life of this policy.

Background

FSM's Exclusive Economic Zone (EEZ) of 1.15million sq. miles (2,978,000 sq. km) is the country's most valuable natural endowment. It is the third largest and one of the most productive tuna fishing grounds in the Western and Central Pacific (WCP) region. Over the years, FSM has been able to generate much needed government revenue from selling fishing licenses and charging access fees. It does this through giving participatory fishing rights to distant water fishing fleets, domestic and locally based foreign fleets who fish under bilateral, multilateral (US Treaty) and the Federated States of Micronesia Arrangements (FSMA). These fleets use FSM ports for transshipment activities, and periodically over the years have ventured into shore-based activities such as fish landing, onshore processing and local sales of by-catches.

The country has derived returns in the form of direct revenue and economic benefits from activities of these tuna fishing fleets in its EEZ. This has contributed to government budget, FSM's GDP and the country's ability to sustain growth and development of its economy. The FSM leadership is confident the country can generate even more benefits from its valuable tuna resources noting that value of FSM's catching sector alone is around US\$330million, based on the 2016 ex vessel price for all fishing fleets and techniques in FSM's EEZ. Over 70% of this value is taken by foreign fleets that the FSM licenses to gain participatory rights in the harvest of tuna resources in its EEZ.

These participatory rights are expressed through the allocation of the number of fishing days FSM provide to both foreign and domestic tuna fishing fleets. The amount of fishing days FSM can allocate is based on the level of its Party Allowable Effort (PAE) for the purse seine and longline fisheries under the VDS schemes.

FSM's PAE is its most valuable asset - where it can generate more than US\$70million per year. Noting that FSM is one of the largest and most productive fishing grounds in the region, the demand for its VDS days is high and so is its value. This has placed FSM in a very strong position to leverage its VDS days to not only generate revenue but also promote the development of its tuna industry.

Key Challenges and Constraints

Absence of a fisheries policy that aligns with Economic Development Priorities of FSM	FSM leadership has directed for economic sectors, including fisheries to realign policies that can contribute to fiscal sustainability and economic growth.
Projected short fall in Government finances	Projected fiscal gap due to short fall in FSM CTF contribution by 2024 requires FSM to consider alternative revenue sources, when the Amended Compact Sector Grant ceases in 2023. Now with Article IX Section(m) of the Constitution in effect, the revenue sources coming from the fishing fees generated will now be equally shared (50/50) between the National Government and the State Governments.
Lack of available Investment Capital	Investment capital is required to expand the productive capacity of the offshore tuna fishery, away from the harvest sector – without placing too much pressure on Government's limited funding resources.
Inadequate development in promoting fish exports in forms other than frozen whole fish	Fish export is predominantly confined to trade of frozen whole fish from the catching sector. Expanding fisheries trade to develop other value adding product forms is necessary to generate broad economic benefits such as foreign exchange and employment amongst others.
High cost of doing business	Growth and expansion of the domestic tuna industry is hampered by high costs of doing business in the FSM. Enhancing competitiveness of the domestic industry is necessary if the FSM's domestic tuna industry aspirations are to be achieved.
Danger of Increasing capacity and effort limits	Long term sustainability of the tuna resource will not be compromised for short term gains, as fishing technology improves against drop in catch rates.
Threat to long term profitability of the offshore fishery	Profitability is closely tied to the tuna resource being managed sustainably so that catch per unit effort is not reduced.
Lack of clarity on the roles of State and National Government in tuna sector development	With each State having its own Constitutions, Laws, and Regulations, it gives rise to competing interests in investment, tax and revenue derived from the country's common resources, such as tuna.

The FSM National Oceanic Fisheries Investment Policy

The offshore fishery is a dynamic sector that continues to undergo change in the way it is managed, utilized and controlled, guided by the United Nations Convention on the Law of the Sea (UNCLOS) and UN Fish Stocks Agreement. The recognition by International Law of coastal states sovereignty, and sovereign rights over both the territorial waters and the EEZ, has provided coastal states with the leverage to make important decisions on how they would like fisheries and marine resources, found within this body of water, to be managed and developed.

In 2010, this leverage was further strengthened to the advantage of coastal states that comprise the Parties to the Nauru Agreement (PNA). The operation of the PNA VDS Scheme afforded zone-based control over fishing rights to FSM and other PNA countries. This heralded a significant milestone for PNA countries as they assumed total control over the level of fishing effort in their respective EEZ's through the allocation of VDS days based on their respective Party Allowable Efforts (PAE). Hence, participatory rights for the purse seine fishery are now firmly in the control of coastal states. Largely due to the advent of VDS, FSM can make important decisions including investment decisions on who can participate in the harvest of its tuna resources, in line with its own development aspirations.

Capitalization of FSM's PAE forms the fundamental investment enabler underpinning this policy. Using this as the basis, the policy is geared at expanding the productive capacity of FSM's offshore tuna resource sector. It specifically takes on a structured approach to maximizing participatory rights under the VDS geared towards serving two fundamental aims: namely economic growth and fiscal stability. Reflective of these objectives, the policy adopts a balanced view in providing guidance through strategic policy objectives and actions to translating significant revenue gains from VDS access fees to realizing the full potential benefits it can generate from the sustainable harvest and utilization of its tuna resources.

The aims of this policy, and the approach it takes, underscores FSM's leadership directive for all economic sectors to realign policies that can drive wealth generated capitalization of FSM assets, in this case – FSM's Party Allowable Effort (PAE) that affords tuna industry players the participatory rights to harvest and utilize tuna caught in its EEZ.

The policy takes into account enabling Laws and Legislations, including objectives and priorities of other related fisheries strategic documents, and should be read along with the following documents:

- Title 24
- The Federated States of Micronesia Investment Guide (2015 edition)
- NORMA Strategic Plan (2018 – 2023),
- FSM National Strategic Plan (2004 – 2023),
- Tuna Management Plan (2015)
- Strategic Plan 2018-2023 (May 2018)
- Tuna Management Plan (2015)
- State Development Plans
- FSM Trade Policy
- Proposed Bill to amend FSM Foreign Investment Act 1997
- Overseas Development Assistance Policy (ODA- 2015)
- Infrastructure Development Plan (IDP 2016 – 2023)
- VDS and concessional pricing as an incentive for investment, (Reid & Movick, 2016)
- Revenue sharing from Fishing Fees: Article IX of the FSM Constitution

Guiding principles for investment

The FSM will be guided by the following investment principles in the implementation of this policy, which forms the basis for making investment decisions:

1. There will always be the element of risk in all investment portfolios, therefore diversification of the sector amongst other efforts to spread risk is recognized
2. Balancing economic growth with safeguarding the environment and ecosystem health is critical to the long-term sustainable management of the tuna resource is recognized as a key investment enabler that secures long term economic viability and profitability of FSM's offshore fishery and domestic tuna industry.
3. Protection of the value of tuna resources including risk management are fundamental to securing gains derived from investment in the offshore tuna fishery
4. Eligibility of investment as per relevant State and National Laws and Regulations is to be strictly adhered to
5. Transparency, predictability, and non-discriminatory principles in promoting investment to be observed at all levels
6. Encourage and strengthen both FSM VDS and private enterprise balance sheets so as to maintain the value of VDS fishing days, and operational efficiencies of industry participants
7. Recognition is given to the safety and protection of investment and investors in facilitating and promoting flow of investment capital
8. Development of the tuna longline industry to be driven at the State level, backed by appropriate concessions and infrastructure funding support
9. Purse seine generated revenue is to be prioritized, with economic and financially viable shore-based investment to be supported by both State and National Government
10. A structured approach to be employed in the allocation and value options for FSM's Party Allowable Efforts (PAEs) as the key investment enabler, and this to be preference based
11. Both State and National Government public investment commitment is only encouraged if it is based on sound financial and economic assessment, clearly showing positive returns on investment.
12. An inclusive framework around concessions that balance the trade-off between government revenue and economic development developed by NORMA in consultation with the Department of Finance & Administration and Department of Resources & Development.
13. Foreign Aid, and external funding with minimum cost to Government, is preferred in financing fisheries infrastructure, whilst foreign direct investment (FDI) is encouraged in driving private sector growth in the tuna industry.
14. FDI that provides appropriate levels of employment, foreign exchange, tax revenue, fees & charges, training & capacity building, including expanding FSM's fisheries export base without affecting domestic businesses, is encouraged.
15. Links between industrial-scale fishing and processing, and small-scale community fishing are encouraged

is fundamental to overcoming competing interests, and to encourage structural policy and regulatory reforms to improve efficiencies in service delivery, and an improved environment to invest and do business.

11. Build human resource capital to effectively facilitate growth impacts of investment capital flows	Build necessary capacity and skill sets to support project-based approach within relevant government agencies, including transaction facilitation and advisory support
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Strategic Actions

The following strategic policy actions and directives address the key challenges and constraints faced by FSM as set out in earlier sections of this policy. The strategic actions and policy directives are laid out under eleven (11) Strategic Policy Objectives (SPO).

SPO 1: Maintain and enhance resource sustainability

Strategic action 1: Maintain Rights based and Precautionary Approach in support of the management and development of offshore fisheries resources consistent with the need to safeguard and conserve marine resources, specifically including the FSM's commitment to achieve full protection of at least 30% of the FSM's marine waters.

Policy directives

1. Long term sustainability of the tuna resource will be the primary consideration and will not be compromised for short term gains.
2. The health status of targeted species will guide the investment decision making process as an important enabler for investment in FSM's offshore fishery.

SPO 2: Secure and strengthen fisheries contribution to Government finance and Economic Growth

Strategic action 2: Maximize the value of FSM's Party Allowable Effort

Policy directives

3. Ensure FSM secures and maintains the maximum possible PAE under the VDS Schemes while maintaining their integrity and function.
4. Negotiate and sell purse seine and longline VDS days for a price that reflects the value and importance of the FSM EEZ taking into account future market prices and undertake appropriate analysis to establish guidance on these.

14. All relevant Government departments and agencies are to collaborate and provide effective input to the establishment of the CA, in particular, NORMA, DoJ, and Health.
15. Build expertise and capacity in CA operational requirements through training and capacity building programs, using external support where available.

Strategic action 5: Improve trade and marketing of tradable FSM fish exports

Policy directives

16. Review FSM's Trade Policy, including trade agreements to identify and promote market access opportunities for FSM's tuna products.
17. Encourage product development and diversification of tradable tuna products in line with demand emanating from major fresh, frozen, canned tuna, tuna loins and other value-added export markets.
18. Encourage export capable companies to take advantage of trade preferences that FSM does qualify under such as the trade preferences under the Compact, including regional trade arrangements.
19. Prioritize investment development partners with well established distribution networks and secured markets for tradable tuna products that can be exported out of the FSM.
20. Diversify and utilize catch from artisanal tuna fishermen to strengthen and improve post-harvest sector activities.

SPO 4: Facilitate and support growth of the fisheries private sector

Strategic action 6: Facilitate and support greater private sector participation in the fisheries sector

Policy directives

21. Provide access and incentives to encourage growth of commercially viable FSM national purse seine and longline fishing fleets, which generate net economic benefits for FSM's economy.
22. Improve government service delivery efficiencies with regards to turn-around time in issuing permits and clearances to operations of fishing enterprises.
23. Encourage provision of affordable public utilities, labor, and land for commercial development purposes.
24. Identify impediments to private sector growth and encourage a concerted whole of government approach in addressing them.
25. Explore other economic opportunities in the tuna sector to provide other socio-economic activities.

Strategic action 11: Information, data and knowledge sharing and networking

Policy directives

35. Market information, offshore fisheries economic conditions, trade news and investment opportunities will be provided and shared on a regular basis.
36. The National Government will provide periodic updates on stock status and other relevant scientific data, Conservation & Management Measures (CMM) and resolutions. Also include Monitoring, Controlling and Surveillance (MCS) initiatives and any programs that require State Government support.
37. Enhance Public-Private Sector Dialogue, with a view to incorporate private sector's contribution and participation to the Nation's economic development efforts.
38. Make readily available information on new and revised policies and regulation that affects fisheries private sector participants.

Strategic action 12: Collaborate in protecting the value of FSM's tuna resources (NORMA)

Policy directives

39. Unsustainable fishing practices and IUU activities that undermine sustainability, threaten the value of tuna resources, and potential benefits, will be reported and attended to expediently.
40. Strengthening coordination and collaboration on the Monitoring, Controlling and Surveillance activities.

Strategic action 13: Provision of support to genuine investment leading to development

Policy directives

41. Include state and national government agencies or representatives in discussions with investors with the intention to achieve whole of government decision making.
42. Use cooperative or joint venture arrangements as a vehicle to support state-based development.

Strategic action 14: Promotion and facilitation of Foreign Direct Investment

Policy directives

43. Until such time the proposed Bill to amend FSM Foreign Investment Act of 1997, the National Government will put in place appropriate regulations to:
 - a. Guarantee that revenue currently collected by the State Governments from issuance of foreign investment permits are not forgone; and,
 - b. Enhance the role of State Government in investment promotion and facilitation as well as providing "after care" support once the businesses are established in the country.
44. The State Governments will determine the economic sectors that they want to open to foreign investors, with technical support to be provided by the National Government.

54. Concessions on VDS days will be determined and provided, based on delivery of quantifiable economic benefits that equal or surpass foregone revenue.
55. Ensure that the concessions and allocation of VDS days granted to a company do not result in the level of economic benefits generated to FSM's economy from the allocation, being lower than an alternative allocation, for example, through selling the days to a foreign vessel at the market rate.

SPO 9: Encourage and attract Foreign Direct Investment (FDI) to drive commercial development

Strategic action 18: Increase Foreign Direct Investment flow to FSM's offshore fishery

Policy directives

56. In consultation with National Government and State Governments review investment proposal in the pipeline and ensure facilitation of these investments are done expediently based on sound assessments and due diligence.
57. Whilst FDI is encouraged, it must complement and not threaten FSM local businesses.
58. State and National Government are to collaborate in providing land for development, port upgrades, improve road access and ensure accessibility to public utilities like water, and power are attended.
59. The National Government will provide the necessary VDS concessions and discounts and will support State Governments in providing technical support where necessary in the promotion and facilitation of commercial scale fisheries investment projects.
60. State Governments will ensure provision of competitive rates and charges in attracting and promoting FDIs.
61. Government services in facilitating processing and clearance at both State and National levels will be responsive and investor friendly.

SPO 10: Promote policies and reforms underpinning conducive investment environment

Strategic action 19: Encourage efforts toward streamlining government regulatory processes and procedures

Policy directives

62. State Governments and National Government to harmonize policies and procedures in order to streamline licensing, issuance of business permits, and contractual requirements on the usage of public infrastructure and utilities.

Implementation and funding of the Policy

The implementation of this policy requires the collaboration, cooperation, and partnership between a wide range of implementing partners including the National and State Governments, sub-regional & regional partners, Public Utilities Bodies and service providers, fisheries private enterprises, investors, civil society, and people of FSM. The impetus that drives this is the recognition of the need to work together for better results for the people of FSM.

The Department of Resources and Development (R&D) provides overall oversight and the coordinating role in facilitating active contribution from implementing partners whose mandated responsibilities are critical to achieving outcomes of the policy expressed as strategic objectives. Along with R&D at the national level, NORMA, the Department of Finance & Administration, Department of Environment Protection, the Attorney General's Office, and Health, and related State departments and agencies (Chuuk, Division of Commerce and Industry; Kosrae, Department of Resources and Economic Affairs; Pohnpei, Department of Resources and Development; Yap, Department of Resources and Development) will lead the implementing of actionable policy directives, in line with their respective mandated responsibilities. These are outlined in detail in the Implementation Framework of the policy in **Annex 1**.

The recognition to work together for better results is embraced as the single most important mitigation measure against risks that will fundamentally cause this policy not to achieve its vision - To seek greater social and economic benefits from wealth-generated capitalization of fisheries resources. It is being noted that whilst outstanding structural policy and regulatory reforms (tax, public finance management, public administration, foreign investment, long term fiscal and economic framework) are still being deliberated on, all stakeholders must work together in the interim to work around challenges, and competing interests that emanates from these outstanding reforms.

Linking strategies to funding sources

Given the projected short fall in FSM government finances and limited and expensive domestic capital to finance economic infrastructures and private sector investments, potential funding sources will have to be identified and capital secured to finance this policy. The following funding sources are being noted, and are linked to strategies contained in this policy under the auspices of FSM's Strategic Development Plan, 2004 – 2023, *Strategy Goal 3: Improve the environment for direct investment and expand entrepreneurial and business development support services*

- **Investment Development Fund:** FSM's 2023 Action Plan considered a 2023 Investment Development fund. As stated in the Action Plan, the fund's primary purpose is to provide equity capital to private sector investments that have potential to create employment opportunities for FSM citizens and generate new inflow of revenue to the FSM economy. The FSM Congress appropriated US\$5million in 2014, with a commitment of US\$15million to be spent annually through the fund by targeting fisheries and other three (3) priority sectors.
- **Compact Infrastructure Grant:** A total of US\$140.8million in arrears exists for the FSM to spend on key infrastructures, with construction management and procurement procedures being managed by the US Army Corps of engineers.

Annex 1: Implementation Framework for the FSM National Oceanic Fisheries Investment Policy (2024 – 2029)

Strategic Objective 1: Maintain and enhance resource sustainability

Strategic Policy Actions	Target/Outcomes	Proposed activities/directives	Indicators	Potential funding source	Partners
1: Maintain Rights based and precautionary approach in support of the management and development of offshore fisheries resources	Maintain zone-based rights. Ensure the long-term sustainable management and development of the fishery.	i) Periodic target species assessments ii) Limit effort in accordance with the adjusted PAE iii) Active participation in the WCPFC decision making process.	Status of tuna stocks Majuro Plot	SPC WCPFC	SPC (i) PNA (ii) FFA (ii) State Governments (ii) NORMA (ii) (iii)

Strategic Objective 3: Encourage and promote tradable export of fish in processed and value-added form

Strategic Policy Actions	Target/Outcomes	Proposed activities/directives	Indicators	Potential funding source	Partners
4: Establishment of FSM's Competent Authority (CA)	Accreditation by DG Santé and EU market access.	i.) Establish Competent Authority ii) Complete verification by EU (DG Santé)	Degree of State Government involvement. Achievement of agreed milestones to achieve EU accreditation. Satisfactory CA Audit. Volume of tuna exports to EU.	FFA PEUMP	<ul style="list-style-type: none"> State Governments (i) Dept. of Health (i) DoJ NORMA (i) (ii) FFA (i) (ii)
5: Improve trade and marketing of tradable FSM fish exports	Identify market access opportunities. Export new value-added products. Identify preferred development partners/investors Increase sustainable certifications. Improve awareness of market preferences.	i.) Review of Trade Policy by R&D ii) Export market development iii) Investment promotion	Number of market access opportunities identified Improving market preferences. Number of new products developed. Number of investors expressing interest to invest in FSM.	ADB/EU/IFC – trade policy review. FFA/PTI FFA	State Governments (i – iii) Department of Trade & Commerce (i-iii) R&D (i-iii) ODAs (ii) Tuna processing companies (ii) FFA (ii) (iii)

<p>8: Improve FSM's offshore fisheries competitiveness</p>	<p>Maximize demand for vessel days Maximize PAE Improved environment for doing business Leveraging FSM's competitive advantages</p>	<p>i) Bilateral negotiations ii) Monitor fees and charges for services to vessels, including the use of ports and public utilities. iii) Promotion of voluntary compliance strategy iv) Develop more efficient and effective trading mechanisms.</p>	<p>Full utilisation of the VDS VDS price Number of VDS days sold Improved trading mechanisms</p>	<p>PNAO NORMA</p>	<ul style="list-style-type: none"> • National and State Governments (i) • NORMA (i) • PNAO (i) • R&D (iii) • DoJ (iv)
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Strategic Objective 5: Safeguard profitability of offshore fishery

Strategic Policy Actions	Target/Outcomes	Proposed activities/directives	Indicators	Potential funding source	Partners
<p>9: Control effort limits</p>	<p>Maintain catch rates/effort limits at sustainable levels</p>	<p>i) Monitor and control fishing effort</p>	<p>Catch rates PAE expenditure within the PAE</p>	<p>PNA FFA</p>	<p>NORMA PNA FFA SPC</p>

<p>14: Promote and facilitate of Foreign Direct Investment</p>	<p>Establish an Investment Promotion Agency Increase in FDI</p>	<p>i. Collaboration with relevant government agencies and key stakeholders ii. Investment promotion and facilitation</p>	<p>Investment Promotion Agency Number of investments projects</p>	<p>FSM Government</p>	<p>State and National Government NORMA R & D</p>
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Strategic Objective 7: Identify and secure capital to stimulate investment in targeted economic development infrastructure and commercial projects

Strategic Policy Actions	Target/Outcomes	Proposed activities/directives	Indicators	Potential funding source	Partners
<p>15: Encourage and attract capital flows with minimum cost to Government</p>	<p>Secure ODA funding to finance key fisheries infrastructure and facilities Secure domestic funding under the Compact Sector Grant for Infrastructure Support. Creation of a Fisheries Investment Development Fund</p>	<p>i) Identify key infrastructure requirements ii) Collaborate with State Governments to access Compact Infrastructure funding. iii) Develop a business case to establish a fisheries investment development fund utilising a percentage of annual access revenue.</p>	<p>Report identifying fisheries infrastructure requirements, capital cost and funding options Access to Compact Funds Government support for a fisheries investment fund</p>	<p>ODA's Compact Grants Committee</p>	<p>FFA (i) TC&I (i) National and State Governments (ii) NORMA (i) (iii) R&D (iii)</p>

Strategic Objective 9: Encourage and attract Foreign Direct Investment (FDI) to drive commercial development

Strategic Policy Actions	Target/Outcomes	Proposed activities/directives	Indicators	Potential funding source	Partners
<p>18: Increase Foreign Direct Investment flow to FSM's offshore fishery</p>	<p>Increase investment in FSM's offshore fishery and non-fishery related investment</p> <p>Establish an online investment portal to facilitate applications for foreign investment permits, disseminate information on foreign investments.</p> <p>Improve awareness on secured transaction website</p>	<p>i) Investment promotion</p> <p>ii) Collaboration with State and National Governments to facilitate inputs for investment.</p> <p>iii) Development of project proposals to promote to potential investors</p> <p>iv) Capacity building at State and National level to conduct due diligence, assess and facilitate investment proposals</p> <p>v) Hire contractor(s) to develop the online tools and launch on R&D website</p>	<p>Number of investment proposals received</p> <p>Number of investment proposals approved</p> <p>Number of investment proposals developed</p> <p>Online investment portal being built and launched.</p>	<p>R&D</p> <p>FFA</p>	<p>R&D (i-v)</p> <p>National and State Governments (ii-iv)</p> <p>NORMA (iii)</p> <p>FFA (iv)</p>

Strategic Objective 11: Build human resource capital to effectively facilitate growth impacts of investment capital flows

Strategic Policy Actions	Target/Outcomes	Proposed activities/directives	Indicators	Potential funding source	Partners
20: Encourage public sector training and capacity building to improve project-based approach to development	Improved capacity of State and National government in investment appraisals	<ul style="list-style-type: none"> i) Provide training and investment appraisal in facilitation, including project management and supervision. ii) Collaborate with educational institutions to develop technical fisheries with accreditation standards. iii) Provide support to scholarships and internships for fisheries programs. 	Number of personnel trained.	<p>FFA</p> <p>R&D</p>	<p>National and State Governments</p> <p>FFA</p> <p>NORMA</p>
21. Encourage private sector training into vessel management and operations, including business development	Capacity development and skills transfer to domestic private sector	<ul style="list-style-type: none"> i) Conduct a Needs analysis to identify areas where knowledge and skills transfer may benefit the private sector. ii) Develop training plan to address these needs. 	<p>Needs analysis completed</p> <p>Training plan completed</p>	FFA	National and State Governments (i-ii)

<ul style="list-style-type: none"> • Threat to long term profitability of the offshore fishery 	<p>Profitability is closely tied to the tuna resource being managed sustainably so that little effort can be employed to catch fish.</p>
<ul style="list-style-type: none"> • Lack of clarify on the roles of State and National Government on tuna sector development 	<p>With each State having its own Constitutions, Laws, and Regulations, it gives rise to competing interests in investment, tax and revenue derived from the country's common resources, such as tuna.</p>
<ul style="list-style-type: none"> • Lack of targeted investment capital for fisheries development infrastructure and projects 	<p>Investment capital identified and secured requires a targeted approach.</p>
<ul style="list-style-type: none"> • Decline in the growth of tuna longline fishery 	<p>New approaches are required to rejuvenate this important fishery under the current operational environment of the fishery.</p>
<ul style="list-style-type: none"> • Confined benefits of the purse seine sector 	<p>Under the current operational environment of the purse seine fishery, efforts are required broaden its benefits to the FSM economy.</p>
<ul style="list-style-type: none"> • Streamlining of structural policies and reforms slow 	<p>Lack of complimentary policy measures and reforms that can consolidate growth of commercial fishing activities in all jurisdictions within Federation.</p>
<ul style="list-style-type: none"> • Lack of State Governments Participation and support 	<p>State Governments seek to have more meaningful input as well as derive direct benefits from FSM's offshore fishery which is currently under the jurisdiction of National Government.</p>
<ul style="list-style-type: none"> • Training and technology transfer in vessel management & Business Development 	<p>Lack of necessary business management and project supervisory skills to effectively implement infrastructure and investment development projects.</p>
<ul style="list-style-type: none"> • Limited lending facility and expensive domestic credit. 	<p>There are limited lending facilities and domestic credit is expensive in the FSM to support participation of domestic enterprises.</p>

2. Strategic Issues

<ul style="list-style-type: none"> • Zone based control 	<p>Leverage is maintained and enhanced through having more control over the offshore tuna resources as it relates to participatory (fishing) rights. This has already been achieved under the PNA VDS scheme for the purse seine fishery. A similar VDS scheme however for tropical</p>
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<ul style="list-style-type: none"> • Concession and discount to encourage shore-based development 	Government must decide on how it can forgo in access fee revenue in efforts to promote onshore investments, based on sound assessments.
<ul style="list-style-type: none"> • Multi-year fishing agreements tied to shore base investments 	It is with little doubt that concessions and relevant incentives are required to promote investment and increase commercial activities in the offshore fishery. Offering multi-year fishing agreements encourages investor confidence, and to some extent address high level of perceived risk for credit purposes.
<ul style="list-style-type: none"> • Utilization of FSM PAE 	FSM's PAE under the respective PNA VDS Schemes for purse seine and longline are its most valuable asset. It must, at all costs, secure and enhance its value, and leverage it effectively to maximize returns.
<ul style="list-style-type: none"> • Economic sustainability of the fishery 	For the offshore fishery to be profitable and to generate much needed economic benefits for the long term, catch rates must not be affected due to over-capacity and unsustainable tolerance of fishing effort levels. FSM must be mindful to constrain effort limit and improve catch rates. It must consider replacing effort, instead of increasing it.
<ul style="list-style-type: none"> • Profitability structure & business model 	Limited or lack of appreciation of profitability structures and business model of enterprise operating in FSM's offshoring fishery in the past led to losses, and negative return on investments, as reported.
<ul style="list-style-type: none"> • Market Access 	As FSM looks to diversify its fish export base, it needs to both take advantage of preferential trade arrangements, and at the same time build domestic capacity to meet importing countries health, food safety, rules of origin (RoO), Illegal, Unreported and Unregulated (IUU) including other export market requirements.

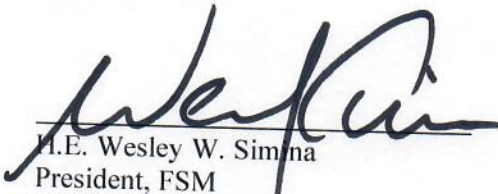
3. Potential Risks

Concentration	
Market	This is mostly associated with volatility in fish price. Therefore, price would need to be monitored diligently as it has direct impact on the level of revenue that can generated, including the sector's contribution to the economy
Regulatory	Licenses, permits, VDS allocation et. PNA LLVDS currently not recognized at WCPFC. Lack of standardized implementation of LLVDS
Financial	Loss of access fee revenue which may not contribute to fiscal sustainability and stability of

Multiple ports to support fishing operations and development	<ul style="list-style-type: none"> ○ Fuel bunkering at port ○ Cold storage and onshore processing ○ Increase unloading at port and transhipment ○ Relocation of Palau LL vessels to Yap
Anticipated growth of service industry	<ul style="list-style-type: none"> ○ Air freight –Chuuk-Tokyo (Air Niugini) ○ Regular airline and shipping services ○ Slipway and dock yard ○ Net mending ○ Stevedoring /port services ○ Training and capacity building
Adequate supplies (provisions/food) available to service vessels	<ul style="list-style-type: none"> ○ High demand for provisioning due to transhipment operations by both PS and LL vessels
Adequate water sources and land area for development	<ul style="list-style-type: none"> ○ Development of tuna processing and value-added sector
Concession offered to domestic based vessel	<ul style="list-style-type: none"> ○ Development of FSM National fleet
Additional discount for catch unloaded at port	<ul style="list-style-type: none"> ○ Increase fish landing
Available Labor pool (except for Kosrae State)	<ul style="list-style-type: none"> ○ Employment generation
Leveraging FSM PAE to generate revenue and broad economic benefits	<ul style="list-style-type: none"> ○ Sufficient VDS days to be allocated to promote development ○ Third largest PAE under VDS Schemes ○ Purse seine under control of PNA LL: 19% of PNA VDS TAE secured (30,928 VDS days). Second highest behind Kiribati PS
Multi-year fishing agreement offered to operations tied to onshore investments	<ul style="list-style-type: none"> ○ Onshore investments
Health of tuna stock improving	<ul style="list-style-type: none"> ○ BEY showing signs of improvement
Available capital and Benefits sharing	<ul style="list-style-type: none"> ○ Infrastructure development funding support ○ Benefits sharing (cargo space / VDS fees) ○
Longline investment development Opportunities	<ul style="list-style-type: none"> ○ Increasing LL fresh & frozen Chinese market ○ Increasing demand for provisions to supply vessels ○ Liancheng providing the impetus for LL development
Purse seine investment development Opportunities	<ul style="list-style-type: none"> ○ Onshore processing and shore base investment
Overview of incentives	<ul style="list-style-type: none"> ○ Access to rich tuna fishing grounds, 50,000-250,000mt catch annually ○ Concessional access to FSM EEZ as well as subregional fisheries ○ No taxes on fisheries export products ○ Import duty drawback scheme, which allows for refund of taxes paid on materials and goods used in producing processed fish for export ○ Flexible labor market with young labor force ○ Longer term for land lease

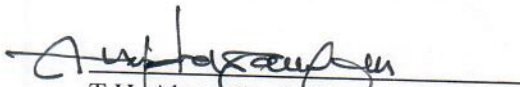
To advance the formal adoption and implementation of the FSM National Oceanic Fisheries Investment Policy, 2024-2029: A policy for Maximizing Participatory Rights (Access) under the Vessel Day Scheme (VDS), our government share a commitment to collaborate where appropriate to achieve the objectives of this policy.

Signature




H.E. Wesley W. Simina
President, FSM

8/16/24
Date




T.H. Alexander R. Narruhn
Governor of Chuuk

8/16/24
Date



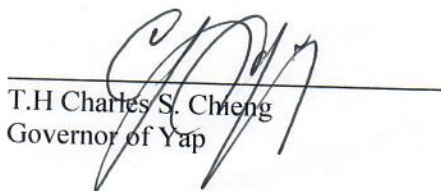
T.H. Tulensa W. Palik
Governor of Kosrae

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Date



T.H. Stevenson A. Joseph
Governor Of Pohnpei

8-16-24
Date



T.H Charles S. Cheng
Governor of Yap

8/16/24
Date