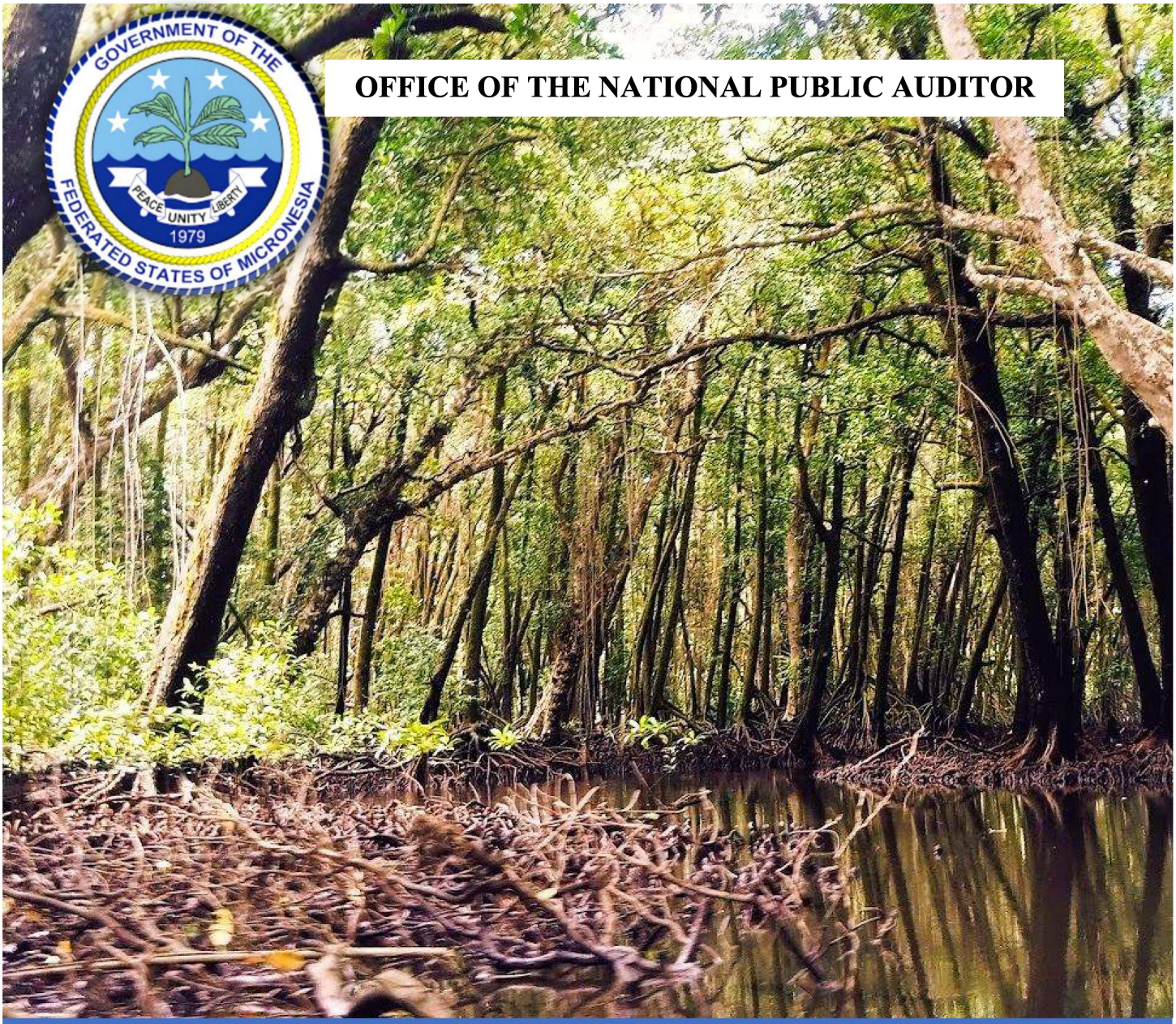


OFFICE OF THE NATIONAL PUBLIC AUDITOR

Planning, Implementation, Monitoring and Reporting of FSM's Climate Change Adaptation Actions Need Improvement

REPORT NO. 2025 - 04

FEDERATED STATES OF MICRONESIA
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April 24, 2025

His Excellency President Wesley W. Simina
Honorable Members of the 23rd Congress
Secretary, DECEM
Federated States of Micronesia

RE: Global Cooperative Performance Audit of the Implementation of Climate Change Adaptation Planning and Actions in the FSM

We have completed the performance audit above that included our review of the roles and responsibilities of the Department of Environment, Climate Change and Emergency Management (DECEM) and the National Government of the Federated States of Micronesia (FSM) in coordinating, implementing, monitoring, and reporting climate change adaptation planning and actions in the FSM.

We conducted this performance audit in accordance with the generally accepted government auditing standards as part of a global cooperative audit initiative known as the Cooperative Audit on Climate Change Adaptation Actions (CCAA). The CCAA audit is coordinated by two organisations within the International Organisation of Supreme Audit Institutions (INTOSAI), namely the INTOSAI Development Initiative (IDI) and the INTOSAI Working Group on Environmental Auditing (WGEA).

Under the initiative, 48 Supreme Audit Institutions (SAIs) undertook a CCAA audit during 2024 in one of four topic areas – implementing climate change adaptation plans or actions, disaster risk recovery, water resource management, and sea level rise and coastal erosion. Nine (9) SAIs in the Pacific region are taking part in the CCAA project, along with SAIs from Europe, Africa, Asia, the Caribbean, South America and Canada. The IDI WGEA and the Pacific Association for Supreme Audit Institutions (PASAI) have supported the SAIs in conducting our audits. We acknowledge the guidance and support provided to the audit team.

In 2025, after the SAIs have completed and published their audits, a global overview report will be prepared for presentation to international stakeholders and events including the 2025 United Nations Climate Change Conference (COP30). Prior to this, a regional overview report will be prepared by PASAI about the results of the CCAA audits in our Pacific region.

This performance audit covered the National Government Climate Change Act, Joint State Action Plans (JSAPs), International treaties and FSM Government Department policies, and plans relating

to climate change, as well as the status of coordination, monitoring, and reporting of climate change adaptation activities.

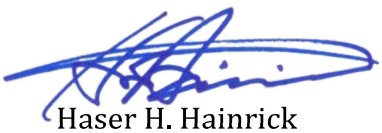
The scope of the audit was not limited to a specific timeline or cutoff date due to the fact that the subject matter covers climate change actions from the inception of relevant policies and laws up to current date. The team performed assessments on all information relevant to the audit objectives. The main audit objective was to assess the extent of adaptation planning or efforts by the FSM National Government to effectively address climate change issues.

We concluded that there are improvements needed in the coordination of climate change adaptation actions in the FSM. This is based on our findings that the Government of the FSM is yet to develop a National Adaptation Plan (NAP) to help the nation prepare for current and future climate risk, and to build a climate-resilient nation through effective adaptation strategies that foster a robust society and ecosystems and stimulate sustainable economic growth. We also found instances of non-compliance with the Climate Change Act; as well as poor coordination of the planning, implementation, monitoring, and reporting of the existing climate change adaptation policies, plans and actions. The last finding relates to climate finance; a subject that is so relevant to the FSM consideration the funding limitations we face to enable us to better protect the people and resources of our island nation.

The details of the findings and recommendations are presented in the report attached and were discussed with the Secretary of DECEM, and key staff from the Division of Climate Change. DECEM's formal response was obtained and reported in the management response of this report. As part of ONPA's audit process, there will be a follow-up audit to verify the extent of implementation of recommendations 9 months after the date of this report.

We express our gratitude and appreciation to Your Excellency and His Honorable the Vice President of our nation, including your key staff for the support and the opportunity to discuss our findings and recommendations in person. We acknowledge and commend the cooperation of the management and staff of DECEM throughout this audit, and their commitment to address the findings and recommendations. With the cross-cutting nature of climate change, we also recognize and acknowledge the ongoing efforts and collaborations of the FSM Government departments affected by the Climate Change Act and Disaster Risk Management and Climate Change Policy; as well as our key stakeholders both in the national and international communities.

Respectfully submitted,



Haser H. Hainrick
National Public Auditor

cc: Honorable Vice President Aren B. Palik

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Abbreviations

Abbreviation	Meaning
CCAA	Climate Change Adaptation Actions
CCCSD	Council for Climate Change and Sustainable Development
COP	Conference of Parties
DECEM	Department of Environment, Climate Change and Emergency Management
DoFA	Department of Finance and Administration
DRM&CC	Disaster Risk Management and Climate Change
GAGAS	Generally Accepted Government Auditing Standards
GCF	Green Climate Fund
GHG	Greenhouse Gas
INC	Initial National Communication
IDI	INTOSAI Development Initiative
INTOSAI	International Organization for Supreme Audit Institution
JSAPs	Joint State Action Plans
M&E	Monitoring and Evaluation
NAP	National Adaptation Plan
NC	National Communication
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NWCC	Nation Wide Climate Change
ODA	Overseas Development Assistance
OEEM	Office of Environment and Emergency Management
ONPA	Office of the National Public Auditor
PASAI	Pacific Association for Supreme Audit Institution
SIDS	Small Island Developing States
SNC	Second National Communication
SPREP	South Pacific Regional Environment Programme
TNC	Third National Communication
UNFCCC	United Nations Framework Convention on Climate Change
WGEA	Working Group on Environmental Auditing

1. INTRODUCTION

1.1. Reason for the Assignment

The Office of the National Public Auditor (ONPA) recognized the vulnerability of our nation to the impact of climate change. Therefore, we joined the Global Cooperative Audit of Climate Change Adaptation Actions (CCAA) launched by the International Organization for Supreme Audit Institutions (INTOSAI) Development Initiative (IDI) and INTOSAI Working Group on Environmental Auditing (WGEA). With support and technical assistance from IDI, WGEA and the Pacific Association of Supreme Audit Institutions (PASAI), ONPA joins eight other Pacific Island Audit Offices on this collaborative audit. The ONPA audit assessed the extent of adaptation planning or efforts by the FSM National Government to effectively address climate change risks and related issues.



Source: ONPA

The ONPA CCAA audit team chose to audit climate change adaptation planning for several reasons and these included to assess; (1) the Federated States of Micronesia's (FSM's) progress in developing a National Adaptation Plan (NAP) for the nation; (2) the status of policy development and planning regarding climate change adaptation planning within the country; and (3) the implementation of existing policies and plans to determine governance, accountability, effectiveness, and transparency of climate change adaptation planning and actions at the national, state and local government levels, including the private sector.

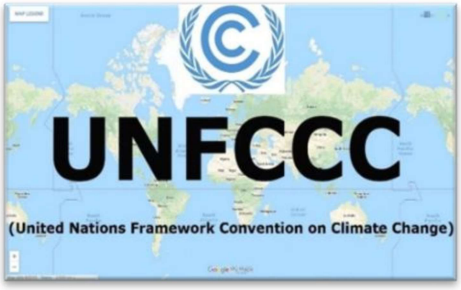
1.2. Background

1.2.A. Treaty with UNFCCC and the 2015 Paris Agreement

In 1992, recognizing the potential threats of climate change, the Government of the FSM joined the movement and signed the United Nations Framework Convention on Climate Change (UNFCCC). The UNFCCC is the United Nation's entity tasked with supporting the global response to the threat of climate change. The FSM Government through the FSM Congress ratified this Convention on November 18, 1993. The ultimate objective of UNFCCC is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system, in a time frame which allows the ecosystems to adapt naturally and enables sustainable development.

To meet their obligations under the UNFCCC, all parties must report in national communications (NCs) information on circumstances related to the achievements of the objectives of the Convention and must detail their greenhouse gas (GHG) emissions

as well as efforts to address climate change, and report on their vulnerability and adaptation options.



Source: UNFCCC | International Organization

The Conference of the Parties (COP) of the UNFCCC, at its 21st Session, adopted the Paris Agreement on December 12, 2015. In 2016, the FSM signed up as a party to the Paris Agreement as a Small Island Developing State (SIDS) and became one of the first twenty countries in the world to ratify the 2015 Paris Agreement. Per Climate Change SIDS Report published by UNFCCC in 2005, although SIDS are among the Parties that are least responsible for climate change, this phenomenon on Climate Change is nonetheless very important to SIDS because these are small island nations, which are among the most vulnerable to climate change impacts that could be critical in terms of loss of life and damage to properties and infrastructures, if no appropriate actions are taken. Thus, on August 2, 2016, the FSM Government through the FSM Congress adopted Congressional Resolution No. 19-237, agreeing to join a Treaty that brings all nations together to combat climate change and adapt to its effects.

Nationally Determined Contributions (NDCs) are at the heart of the Paris Agreement and the achievement of its long-term goals to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement (Article 4, Paragraph 2) requires each party to communicate and maintain successive NDCs that it intends to achieve. Parties shall pursue domestic mitigation measures with the aim of achieving the objectives of such contributions. Thus, the Paris Agreement requested each country member to outline and communicate their post-2020 climate actions, known as their NDCs.

Nationally determined contributions are submitted every five years to the UNFCCC Secretariat. Parties were requested to submit the next round of NDCs by 2020 and every five years thereafter (e.g., by 2020, 2025, and 2030, etc.), regardless of their implementation time frames

1.2.B. History of Climate Change Adaptation Policy Governance in FSM

FSM has been setting climate change adaptation policy and governance arrangements for more than 20 years, and both have been changed a number of times.

The following table lists the history of legislation, policies and action plans developed as the governing frameworks to guide and protect the coordination, implementation, monitoring and reporting of climate change adaptation actions (CCAA) in the FSM and at the same time aligning and meeting international, national, state and local provisions and requirements.

Table 1: Laws, Policies and Plans relating to Climate Change in FSM

Timeline	Laws, Policies, or Plans
2004-2023	FSM Strategic Development Plan, Goals 1 & 6
2009	FSM Nation-wide Climate Change Policy
2011	FSM Climate Change and Health Action Plan
2012	Energy Policy, Department of Resources & Development (R&D)-FSM
2012-2016	Agriculture Policy, Department of R&D-FSM
2013	FSM Nation-wide Integrated DRM&CC Policy
2013	FSM Climate Change Act
2014	Climate Adaptation Manual for the Division of Infrastructure, Department of Transportation Communication & Infrastructure (TC&I)-FSM
2015	Joint State Action Plan, Kosrae
2015	Joint State Action Plan, Yap
2016	Joint State Action Plan, Pohnpei
2016-2025	Infrastructure Development Plan, Department of TC&I-FSM
2017	Joint State Action Plan, Chuuk
2020	CC-PR-04-67-Proposal to amend the FSM Constitution under Article XIII-People's right to a healthy environment due to climate change global threat
2023	CC-PR-04-67 was adopted into an Act under Public Law No. 22-172
2023	GCF NAP Readiness Plan/Project
2025	FSM SDP 2024 – 2043

Refer to Appendix A (page 28) for the details of how climate change policy evolved over the last 20 years.

1.2.C. Financing of Climate Change Projects in the FSM

There is no established and centralized financing structural system yet for donor-funded climate change projects in the FSM. Climate change projects are funded by

different donors such as the European Union (EU), United Nations Office for Project Services (UNOPS), Asian Development Bank (ADB), World Bank, Global Environment Fund (GEF) and Green Climate Fund (GCF) and implemented by Council of Regional Organizations of the Pacific (CROP) members, such as the Forum Fisheries Agency (FFA), Pacific Aviation Safety Office (PASO), Pacific Power Association (PPA), Pacific Islands Development Program (PIDP), the Pacific Community (SPC), and the Secretariat of the Pacific Regional Environment Programme (SPREP) to name a few.

Each of the donors has their own funding requirements. The CROP members provide technical assistance to improve cooperation, coordination and collaboration between Pacific regional organizations in the areas of climate change and disasters, political leadership and regionalism, people-centered development, peace and security, resources and economic development, ocean and environment, and technology and connectivity.

The Overseas Development Office (ODA) within the Office of the President has made efforts in the past years to develop the database for donor funds for the FSM including for the State Governments. ODA refers to any developmental aid provided to the FSM from external sources. (Source: https://cmoda.fm/secretariat/). During the audit, a list was obtained from ODA that shows approximate funding of over $200 million received for climate change from external sources up to the year 2023. The summary of this is provided on Table 3 (Page 25). ODA was still updating its database at the time this report was issued.

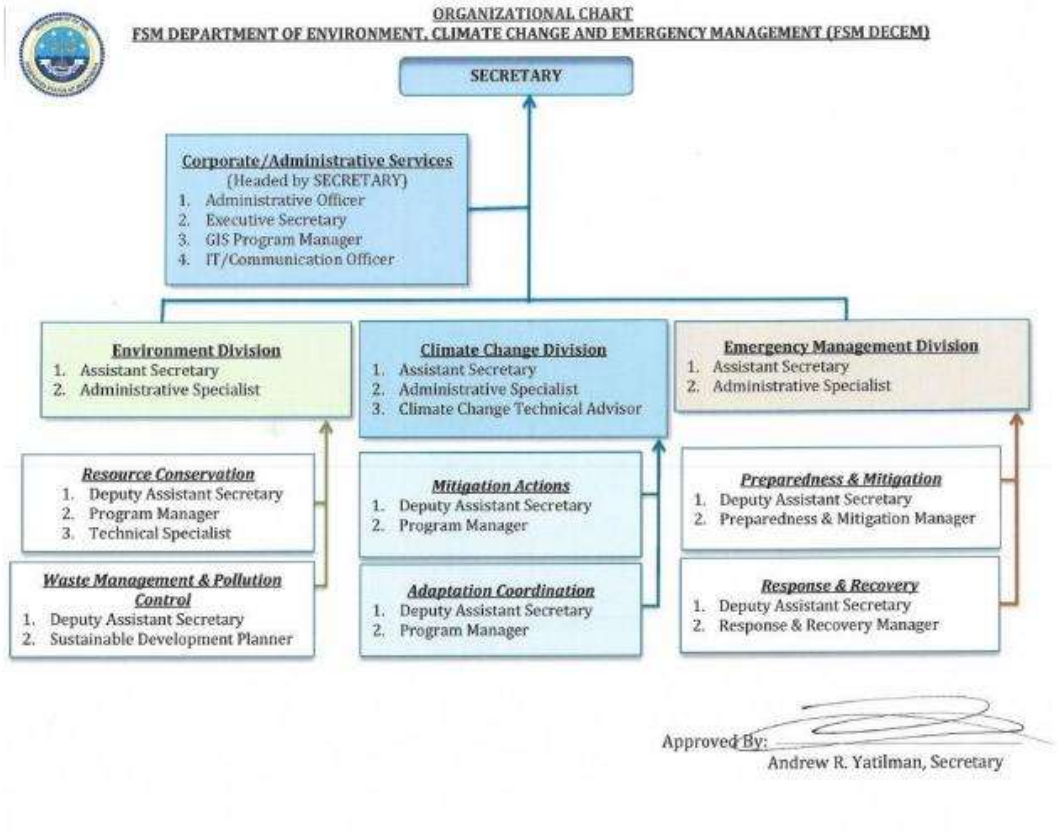
1.2. D. DECEM as the National Coordinator for Climate Change

On September 12, 2007, FSM Public Law No. 15-09 was enacted to reorganize the FSM National Government. PL No. 15-09 was supplemented by Presidential Order No 1 which set out the specific roles of each Department and Office. Section X of Presidential Order No. 1 established the Office of Environment and Emergency Management (OEEM) as one of the executive offices, which is now the primary location for environmental matters in the National Government. "The office shall coordinate efforts at the national government to ensure that environmental considerations are integrated into the strategic policy formulation process. It is also responsible for assisting the States to prevent, prepare for, and recover from natural and human-induced disasters".

In September 2017, Public Law No. 20-47 was enacted to further amend Title 2 of the FSM Code to dissolve OEEM and to empower the President of the FSM to transition the functions of the dissolved office and for other purposes. The OEEM is now referred to as the Department of Environment, Climate Change and Emergency Management (DECEM). For the first time, Climate Change was emphasized and set up as a division of this Department.

1.2. E. DECEM's Organizational Structure

Figure 1



Source: FSM DECEM, Transition Report FY2023

There are 3 divisions within the Department of Environment, Climate Change, and Emergency Management (DECEM); Environment, Climate Change and Emergency Management. The Climate Change division includes 2 units, the Mitigation Actions unit and the Adaptation Coordination unit.

The goals and responsibilities of the Climate Change Division as captured in DECEM's transition report FY2023, are to continually improve and facilitate integration and effective implementation of climate change activities based on sound science into sector policies, plans, and legislation at national and state levels, with sustainable adaptation and mitigation activities and measures to build our resilience to live on our islands permanently.

1.2.F. Presidential Council for Climate Change and Sustainable Development (CCCSD)

Besides DECEM, the FSM's Presidential Council for Climate Change and Sustainable Development (CCCSD), referred to as "the Council" exists to oversee, advise and make recommendations to the President regarding matters that relate to the FSM's environment, including climate change and sustainable development.

The membership, powers, authorities and duties of the Council have changed over time primarily following the changes in administration of the Executive Branch of the FSM National Government. Appendix C (page 32) contains the details of the changes in the membership and roles of the Council.

1.2.G. The FSM Congress Special Committee for Climate Change and the Environment

The 19th FSM Congress of the FSM established a Special Committee on Climate Change and Environment issues, and Congress re-established it through Congressional Resolution No. 23-03. This special committee is chaired by one of the members of the FSM Congress.

1.2.H. Reporting of Climate Change Planning and Actions in the FSM

The United Nations Framework Convention on Climate Change (UNFCCC) requires that all parties must report in National Communications (NCs) information on circumstances related to the achievements of the objectives of the Convention and must detail their greenhouse gas (GHG) emissions and efforts to address climate change, and report on their vulnerability and adaptation options.



Source: ONPA

The Government of the FSM thus far has provided three (3) UNFCCC updates through NCs, the first, the Initial National Communication (INC) submitted on October 30,1999; the Second National Communication (SNC) in November of 2015; and the Third National Communication (TNC), 2023.

The Government of the FSM submitted its INC in 2016 and launched the country's Updated NDC in 2022 during the 27th Conference of Parties (COP) of the UNFCCC. The FSM's NDC included targets and actions to:

a) Reduce greenhouse gas emissions, including short-lived climate pollutants like methane, black carbon, and hydrofluorocarbons.
b) Increase renewable energy capacity to 70% by 2030 and 85% by 2040.

c) Reduce CO2 emissions from electric power generation by 65% below 2000 levels.
d) Manage 50% of marine resources and 30% of terrestrial resources by 2030.
e) Provide universal access to clean drinking water by 2030.
f) Climate-proof the nation's roads, seaports, and airports.
g) Protect ecosystems, including managing marine and terrestrial resources.
h) Improve food security, water security and public health.

Like all departments of the FSM National Government, DECEM submits to the President's Office an annual progress report referred to as a "Transitional Report" regarding the department's activities and outcomes.

2. OBJECTIVES, SCOPE, METHODOLOGY

2.1. Objectives

After a careful study of relevant key operations of the DECEM, and reviews of documents obtained from research of climate change planning and actions in the FSM, the team decided on one (1) main objective and five (5) sub-objectives.

The main objective of this performance audit was to *assess the extent of adaptation planning or efforts by the FSM National Government to effectively address climate change issues*.

The sub-objectives below represent the audit questions that we wanted to answer through this audit:

a) Has the FSM National Government developed a NAP to coordinate its efforts to manage climate change risks?
b) Are there laws and regulations, and policies that address climate change adaptation and are these being complied with?
c) Were the National and State Plans that were established for climate change adaptation planning or actions implemented?
d) Is the National Government effectively monitoring and reporting climate change adaptation activities?
e) Has the National Government set climate finance strategies to ensure sustainable funding of climate change adaptation plans and activities?

2.2. Scope

This performance audit covered the FSM Climate Change Act 2013, the Nation-wide Integrated DRM and CC Policy 2013, Joint State Action Plans (JSAPs), International treaties and FSM Government Department policies and plans relating to climate. It also assessed the status of the coordination, monitoring, and reporting of climate change

adaptation activities, and progress made towards the development of FSM's NAP. The FSM SDP 2004-2023 was also reviewed with other international guides on climate change.

We did not set a limited timeline or cutoff date for this audit due to the fact that the subject matter covers climate change actions from the inception of relevant policies and laws up to current date. The team performed assessments on all information relevant to the audit objectives.

2.3. Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Planning involved an education phase organized by IDI where the team joined their counterparts from around the globe to learn about ways and areas to look into for this climate change audit.

The audit fieldwork was conducted at DECEM in Palikir, Pohnpei. In addition, the audit team verified the development of climate change policies and plans by FSM National departments as required by the Climate Change Act and Policy for FSM. Meetings and interviews were also conducted.



Source: Office of the President, FSM Facebook page Dec 2021 based on public posts by citizens

3. LEGAL MANDATES/STANDARDS

Audit Mandate

We conducted this Performance Audit pursuant to the authority vested in the National Public Auditor as codified under Chapter 5, Title 55 of the FSM Code which states in part as the following:

> "The Public Auditor shall inspect and audit transactions, accounts, books and other financial records of every branch, department, office agency, board, commission, bureau, and statutory authority of the National Government and of other public legal entities, including, but not limited to, States, subdivisions thereof, and nonprofit organizations receiving public funds from the National Government."

4. PRIOR AUDIT COVERAGE

There was no prior audit coverage on climate change adaptation planning and actions. This is the first audit on the subject matter.

5. SUBSEQUENT EVENT

We find it important to acknowledge the finalization of the FSM SDP 2024-2043 (recently adopted by the 23rd FSM Congress on January 24, 2025). The circulation of the unsigned version was made during the review phase of this audit report. Even though this is a subsequent event to this audit, as it was not available and used for our planning of this audit, we acknowledge that the current SDP has made significant improvements from the last one in terms of addressing climate change adaptation as well as there is a plan to develop a monitoring and evaluation framework for implementation. We can only hope for the best in the implementation of the SDP in the next 20 years.

6. CONCLUSION

Based on our audit, we concluded there are a lot of efforts and actions being made by FSM nationwide and significant partnerships and funding involved in climate change adaptation planning and actions. However, there is a need to strengthen and improve the coordination, monitoring, and reporting by the FSM national government. The following supporting conclusions address the five (5) sub-objectives of this audit:

a) The FSM National Government is in the process of developing a NAP after the commencement of the GCF funded NAP Project in August 2023.

b) There are national laws and policies in place on climate change adaptation; however, the implementation of these laws and policies are not being centrally monitored and evaluated to ensure compliance.

c) There is no existing platform at the national government for reporting the implementation of the National and State plans that were established for climate change adaptation planning or actions.

d) The National Government is currently without a robust monitoring and reporting mechanism in place for climate change adaptation activities.

e) The National Government has yet to set climate finance strategies to ensure sustainable funding of climate change adaptation plans and activities.

7. FINDINGS AND RECOMMENDATIONS

7.1. Finding No.1: The National Adaptation Plan (NAP) is Yet to be Developed Under the Ongoing GCF-Funded Project

Criteria:



Source: ONPA

- The Paris Agreement states the following for Parties including the FSM that joined the Convention in 2016:
  - ***Article 7 Paragraph 9*** "*Each Party shall, as appropriate, engage in adaptation planning processes and the implementation of actions, including the development or enhancement of relevant plans, policies and/or contributions, which may include:*
    - *The implementation of adaptation actions, undertakings and/or efforts.*
    - *The process to formulate and implement national adaptation plans."*
  - ***Article 7 Paragraph 10****: Each Party should, as appropriate, submit and update periodically an adaptation communication, which may include its priorities, implementation and support needs, plans and actions, without creating any additional burden for developing country Parties.*

- According to the Logical Framework of the GCF-funded NAP Project,
  - **Output 3.1.4** requires "A climate change adaptation communication and knowledge management strategy is developed, endorsed and immediate priorities identified and implemented"."
  - **Activities 3.1.4 (b)**: Implement the Communication and Engagement Strategy (C&ES) and Action Plan guiding communication and awareness raising for the NAP processes as outlined in Stage 1.
  - **Deliverable 3.1.4 (b)**: (i) Products, tools and information produced and disseminated as per stakeholder events and the C&ES Action Plan (Activity 3.1.1). This will be documented in six monthly progress reports and through copies of products, tools etc. (ii) Reports on awareness events held with target stakeholders (documented in six monthly progress reports and through evaluation surveys)

Condition: At the time this audit report was published, there was no NAP yet for the FSM. The FSM became a party to the Paris Agreement in 2016 as a SIDS. Climate change is a grave concern to SIDS such as the FSM because we are small island nations and are among the most vulnerable to climate change impacts that can become critical if no appropriate action is taken. SIDS are also limited in resources (financial, technical, skills etc.) to manage the increasing impact of climate change. As part of the requirements of the Paris Agreement, parties agreed to engage in adaptation planning process which includes the development of a NAP.

Efforts have been made in the past 3-4 years to formulate a NAP for FSM which includes the initial efforts to obtain funding. This involved a long and stringent process to meet the requirements of the donor – the GCF; with the assistance of the SPREP (a GCF accredited organization). The GCF approved the application for the FSM in 2023. Appendix D (page 33) lists the chronological sequencing of how the FSM GCF-funded NAP Readiness Project was initiated to the current status.

In May 2023, the FSM secured over $2.9 million funding from the Green Climate Fund (GCF) through the support of the SPREP[1] that is a GCF accredited organization in the Pacific region. SPREP is supporting FSM on this project, as well as the National Designated Authority (NDA) located within the FSM Department of Finance, which is the focal point of communication between the GCF and FSM. The GCF funded project is intended to achieve deliverables including the development of the NAP for the FSM.

Per the table on Appendix D (page 33), project implementation began on October 11, 2023. Per the project's development milestones and timelines, outcomes 3.1 and 3.2 will be achieved during the 1st year of project implementation which has lapsed already:

a) Outcome 3.1: "*Strengthening adaptation planning governance and institutional coordination*.
b) Outcome 3.2: "*Evidence basis produced to design adaptation solutions for maximum impact".*

During our audit, we requested progress reports on the project and the reports on the inception workshops held by the Project Manager in all states but have not received any as of April 11, 2025. It has been approximately one (1) year and four (4) months and counting since the date of implementation.

Due to the absence of progress reports, it cannot be determined whether the project is progressing as planned with the ultimate goal of developing a NAP amongst other deliverables.

Effect(s):

a) Possible project delay given the absence of progress report provided to us on the implementation of the "National Adaptation Planning in the FSM" project. Project implementation delays will ultimately delay the development of a NAP for FSM.

b) Also, it is essential to note that **not** having a NAP has impacted FSM's ability to:
- Effectively coordinate the National and State governments' policies, plans, and processes to address climate change issues including climate change adaptation (focus of this audit). Given the governance structure that includes

[1] SPREP: Secretariat of the Pacific Regional Environment Programme

a national government and 4 state governments, it is essential to have an overarching NAP at the national government level to ensure effective coordination. A clear coordination structure can support the achievement of the ambitions of the FSM that have been communicated through National Communications to the UNFCCC;

- Identify medium and long-term adaptation needs; and
- Acquire, train, and sustain the skills and knowledge needed to assist in national adaptation planning and actions.



Source: Office of the President, FSM Facebook page Dec 2021 based on public posts by citizens

Cause (s):

1. The FSM Government does not have the financial capacity and ability to fund climate change projects in the FSM including a NAP. However, now that the GCF has funded the NAP project, we raise concerns on the lack of effective monitoring of the performance or progress of this project by DECEM. Due to the absence of reporting mechanisms within DECEM, there are no documented performance progress reports prepared by the Project Manager to indicate the status of the project at the end of a certain period (monthly, quarterly etc.).

2. Due to ongoing implementation in the different states, the Project Manager has not had time to prepare progress reports even though a 6-month progress report is required in the NAP project as one of its deliverables in the development of the Communication and Engagement Strategy and Action Plan 6 monthly progress reports under Deliverable 3.1.4(b). The Project Manager plans to prepare 1 report covering the inception workshops in all 4 states.

Recommendation(s): We recommend that the Management of DECEM should strengthen its department's efforts to effectively monitor departmental requirements and actions including the GCF funded NAP project by:

1. Setting up internal monitoring and reporting mechanisms within the Department to assist the Secretary effectively monitor the implementation of all ongoing projects including the GCF funded NAP Project. This information is important to the FSM government leadership, the Council and the public as it promotes transparency and accountability in the use of public funds that include donor funds to implement projects that could not be funded through local funds.

2. Setting performance indicators for the NAP Project Manager that are tied to activities in the workplan of the project. This includes the periodic preparation of progress reports that clearly document the deliverables and the project status against the approved workplan.

7.2. Finding No. 2: Non-Compliance with the Climate Change Act and the Integrated Disaster Risk Management & Climate Change Policy of 2013

Criteria:



Source: ONPA

The FSM has enacted laws and established policies in the last 20 years to mitigate, manage, and adapt to the effects of climate change in the nation. Specifically, the Climate Change Policy of 2009 was superseded by the Integrated Disaster Risk Management and Climate Change Policy of 2013. The Climate Change Act established the legal mandate for implementing the CC Policy.

The CC Act was specific to establishing the mainstreaming and reporting obligations by the following eight (8) departments of the FSM National Government:

- Department of Resources and Development;
- Office of Environment and Emergency Management (OEEM was restructured and named as DECEM);
- Department of Transportation, Communications and Infrastructure;
- Department of Health and Social Affairs;
- Department of Education;
- Department of Finance and Administration;
- Office of Statistics, Budget and Economic Management[2]; and
- Department of Foreign Affairs.

Condition:

Based on the team's assessments, we found that the following mandates of the Climate Change Act 2013 requirements were not complied with:

a) ***By October 1, 2014, eight (8) departments and agencies of the national government shall prepare plans and policies on climate change consistent with the provisions of the CC Policy***. Four (4) of the eight (8) FSM National Government departments, namely the Department of Education (DOE), the Department of Foreign Affairs (DFA), the Department of Finance and Administration (DoFA), and the Office of Statistics Budget and Economic Management (SBOC) did not prepare policies and plans on climate change consistent with the provisions of the CC Policy.

[2] Office of Statistics, Budget and Economic Management no longer exist as a stand-alone department. Statistics is now within the Dept of R&D; while Budget is within DoFA

The Office of Environment and Emergency Management, with 3 other FSM Departments developed the following policies and plans. However, some of these were found with issues such as not being signed to confirm their adoption and one was outdated:

Table 2: Issues with Plans and Policies by FSM Departments

Name of Policy/Plan	Responsible FSM Department (s)	Key Issues found
1. Joint State Action Plans *(4 plans developed between 2015 and 2017)*	OEEM, now DECEM, with other key players from the FSM States and the Pacific Community (SPC)	No revisions have been made since the development of the Plans in the last 8-10 years ago.
2. National Climate Change and Health Action Plan for the FSM 2012	Health and Social Affairs	The draft Plan document was not signed, and the Foreword page was left blank.
3. Energy policy 2012	Resources and Development	The Foreword page was not signed.
4. FSM Agriculture Policy 2012-2016		The Policy expired 9 years ago, and the Foreword page was left blank
5. Department of TC&I Climate Adaptation Guide for Infrastructure v1.0.	Transportation Communication & Infrastructure	None
6. FSM Infrastructure Development Plan		None

b) ***Office of Environment and Emergency Management shall coordinate the implementation of the CC Policy and gather, make publicly available, and keep the required plans and policies from the eight departments and agencies***.
DECEM (formally OEEM) did not effectively coordinate the implementation of the CC Policy by ensuring that the required plans and policies from the 8 departments and

agencies were kept and made publicly available. Policies and plans developed as illustrated in Table (under condition (a)) were obtained through online research, phone and email communications, site visits, and meetings with key staff from various departments.

It is worth noting that the latest National Communication of 2023 to the UNFCCC (Third National Communication) mentioned the above plans and policies; however, they were not made publicly available by DECEM as required by law being the national coordinator for the environment and climate.

c) ***The Office of Environment and Emergency Management shall advise the President and represent the Executive on any public hearing called by Congress on the progress of implementation of the CC Policy.***
From our inquiries, we found that DECEM (formally OEEM) has not submitted progress reports specifically on the implementation of the CC Policy. However, for their overall work, they prepare annual reports only when required by the President which includes implementation of the CC Policy. This is in the form of Transition Reports submitted to the Office of the President. From our verification of the 2023 Transition report (also containing the department's highlights for the years 2020-2022), there was no specific mention of the status of implementation of the CC Policy of 2013.

There were administrative and program issues presented in the Transition report, which included the "*Review and Update of The National Wide Integrated Disaster Risk Management and Climate Change Policy*. The report stated that reviews and updates were necessary as the Policy was already outdated from 2013.

d) ***Every year starting with Fiscal year 2015 the President of the Federated States of Micronesia shall submit a report to Congress on the progress of the implementation of the CC Policy and recommend additional legislation where applicable and necessary***. As discussed above, DECEM submits an annual Transition Report to the President, which is then submitted to Congress. The audit team was informed during the interview with the Vice President, that all annual reports submitted by DECEM to the President were submitted to FSM Congress. This includes the Transition Report discussed above. The audit team was provided with the latest Transition Report of 2023 which did not discuss any progress of the implementation of the CC Policy but identified ways forward including the need to review this CC Policy of 2013.

e) ***The President in the April 1 submission to Congress of the national budget request may as necessary request funding to include specific line items for the implementation of the CC Policy."*** This requirement was also not complied with. We reviewed the last four (4) fiscal year's budgets for DECEM's Division of Climate

Change, and did not find any line items budgeted for the implementation of the CC Policy.



Source: Office of the President, FSM Facebook page Dec 2021 based on public posts by citizens

Collectively for the past 4 years, the Executive Budget Review Committee (EBRC) approved 22% less than DECEM's proposed budget for the Division of Climate Change. In addition, the Congress cut 7% of the EBRC's recommended budget. This reveals a major challenge for DECEM when both the EBRC[3] and the Congress made budget cuts to the division's proposed operational budget, while the CC Act has a special provision that gives DECEM the flexibility to request funding for the implementation of the CC Policy.

The lack of budget support indicates that the FSM National Government has not been committed to providing support to fund climate change actions through local or domestic funds; even though the country has issued several documents to the UNFCCC emphasizing the significant impact of climate change on FSM. For example, the foreword page of the 2nd National Communication stated that "Climate change is, without question, the gravest threat to my people's welfare, livelihoods, and general security. It is the survival issue of our time." This was repeated in the 3rd National Communication.

The table on Appendix E (page 34) shows the details of our assessment revealing the reduced approved budget for DECEM's Division of Climate Change as compared to their proposed budgets in the last 4 years.

Effect(s): The strategic outcomes laid out in the Integrated DRM&CC Policy 2013 intended to protect and safeguard the livelihoods of the FSM people have not yet been realized.

These strategic outcomes will not be implemented and attained if laws are not complied with and polices and plans not implemented effectively:

- Economic resilience
- Food, water and energy security
- Infrastructure and settlements
- Waste management and sanitation
- Health and social protection

[3] EBRC: Executive Budget Review Committee is headed by the Office of the President and responsible for annual budget reviews

- Education

The commitments in the National Communications submitted to the UNFCCC may not be the true picture of what the government leadership actually understand and provide support on in terms of implementing the Climate Change Act as seen in the budget assessment above.
The FSM's Commitments in the National Communication (NC) to the UNFCCC include:

- The efforts the FSM is making to reduce its emissions and to identify and implement adaptation options that reduce climate risks.
- A policy that reflects FSM's commitments to the United Nations Convention on Biological Diversity and the Micronesia Challenge Initiative.
- Addressing FSM's commitments made towards the fulfillment of the Rio Conventions including the UNFCCC, and the United Nations Convention to Combat Desertification.
- The FSM to provide progress and strategies that the FSM has put in place since its SNC.
- Meeting its obligations to its people while also meeting its global commitments under the UNFCCC.

Cause(s):

1. The mandated national coordinator for CC, the Secretary of DECEM, faces challenges in organizing meetings with the FSM National Government departments mentioned in the CC Act to develop climate change plans and actions as required by the CC Act. According to the Secretary for DECEM, it was not easy to call a meeting for all departments and this is due to the fact that not all departments understand how climate change impacts their respective functions. Meetings were called by the Secretary of DECEM, but no one attended.

2. Additionally, there is a President's Council for Climate Change and Sustainable Development that should be driving inter-agency collaboration and providing oversight on the effectiveness of the CC Act and Policy; however, it has not been active over the past years. The last meeting conducted and implemented by this Council was dated February 21, 2021.

   Per the President's 2021 Executive Order for the Council, the Secretary of DECEM co-chaired with the Secretary of DoFA to implement the roles and duties of the Council and to oversee climate change plans and actions in FSM. Per Secretary of DECEM arranging a meeting with this Council continued to be a challenge. As evident from the information provided by the Council's Secretariat and the Overseas Development Assistance (ODA) through email communication, the Council was very inactive. As of the date of the ODA email communication, 11/07/24, the last meeting organized was dated back to FY2022.



Source: ONPA

We also verified the FSM's GCF Country Program and noted that "*The Presidential Council on Sustainable Development is the body responsible for implementing the Act. It has been established under an Executive Order to address and coordinate all climate change and sustainable development matters for the country*". With this statement in the FSM's GCF country program, it is already informing the international community of the key role of the Council in terms of climate change actions in the FSM; however, it is not as the Council has been inactive in recent years and is structured based on the government administration of the day. Its role is currently not reflected in the CC Act of 2013.

Recommendation(s):

We suggest the following to the President through the CCCSD:

1. Considering the cross-cutting nature of climate change and with the CC Act of 2013 requiring the involvement of all FSM departments, necessary actions should be taken to reactivate the President's CCCSD which should support the role of the Secretary of DECEM to effectively drive the implementation of the CC Act of 2013 through inter-agency collaboration.

2. Provide effective supervision on and support to DECEM (technically and financially) to enable the department to effectively perform its role in implementing the mandates of the CC Act of 2013.

7.3. Finding No. 3: Reporting on the Implementation of Established Climate Change Policies and Plans by the National and State Governments Can Be Improved and Reviews Needed for Outdated Policies

Criteria:

- The Climate Change Act 2013 requires DECEM to *coordinate the implementation of the CC Policy and to report submission by the President to the FSM Congress on the progress of the implementation of the CC Policy*.

- In addition, one of the strategic objectives of the FSM Nation Wide Integrated DRM & CC Policy of 2013 is No. 14 which says, "*To develop and implement national, state and community-level integrated Disaster Risk Management and Climate Change Action Plans*".

- Furthermore, the CC Policy also requires that the National Government *promote and coordinate the implementation of the CC policy at the National level. It should also promote and monitor implementation by the State Government and Civil Society* (Implementation Arrangements – page 4 of the CC Policy above).

Condition:

It's commendable that the National and State governments have developed or drafted policies and plans that include Climate Change actions, which meets one of the strategic objectives of the CC Policy. However, it is the implementation that we were unable to verify at the National Government level, specifically with DECEM.

Verification of DECEM's most recent Transition Report only includes plans to update the DRM & CC Policy 2013; however, it does not provide an update on its implementation so far.

Additionally, most of these policies and plans, as listed under Table 1 (Page 4) were developed over 10 years ago and there are no plans to revise them.

Effects:

Resources were wasted on the development of climate-related plans and policies at the national and state government levels, but these are not being implemented. Moreover, there will be no impact achieved for the Nation as a whole to better adapt to the impacts of climate change.

Causes:

1. DECEM is facing challenges in effectively performing its role in ensuring the implementation of the Climate Change Act and the DRM & CC Policy despite actions and interventions taking place between the national and state governments. As evident in their 2023 Transition Report, there is no specific section to report on the implementation of the CC Act and the DRM & CC Policy.

2. There was no effective Congress oversight on DECEM's role to ensure the implementation of the CC Act and the DRM & CC Policy. While a Special Committee on Climate Change and Environmental Issues was established by the 19th Congress of the FSM and has been re-established every Congress with the most recent establishment by the 23rd Congress of the FSM on May 15, 2023 (Congress Resolution / C.R. No. 23-03), it was only in September 2024 that the Congress introduced a resolution (C.R. No. 23-230) to establish a permanent Standing Committee on Climate



Source: ONPA

Change and Environment. This is in recognition of the importance and urgency of climate change. Amongst other duties, the Committee is to consider, investigate and recommend to Congress any needed revisions of existing laws or new legislation relating to any subject within its jurisdiction.

Recommendations:

Management of DECEM should, in line with the requirement of the Climate Change Act of 2013:

1. Strengthen its efforts to effectively coordinate, monitor and report on the implementation of the CC Act and the Policy as well as include specific sections in their annual/Transition Reports, the status of implementation of the CC Act and DRM &CC Policy; and

2. Recommend needed changes to the CC Act of 2013 to recognize the existing governance structure on climate change such as:

    - The established Congress special Standing Committee on Climate Change and Environment Issues; and
    - Presidential Council on Climate Change and Sustainable Development that has been in existence since 1995 but has been inactive in recent years.

7.4. Finding No. 4: No Centralized Monitoring Process in Place for Climate Actions in FSM

Criteria:

- Per requirements of the FSM Code Title 25 Chapter 2

    - Section 208 requires the *Director of the FSM Environments Protection office to transmit to the President and Congress, no later than September 30th of each year, an environmental quality report for the preceding calendar year, covering the status and conditions of the environment of the Federated States of Micronesia, and a review of the programs and activities of the National Government, state governments, municipal governments and nongovernmental entities, with particular reference to their effect on the environment of the Federated States of Micronesia.*

    - Section 210. Specific Powers and duties of the office to *collect information and establish record keeping, monitoring and reporting requirements as necessary and appropriate to carry out the purposes of this Act*

- Additionally, the FSM Nation-wide Integrated DRM & CC Policy of 2013 also requires that the National Government *promote and coordinate the implementation of the CC policy at the National level. It will also promote and monitor implementation by the State Government and Civil Society*.

Condition:

Based on interviews conducted, DECEM confirmed there is currently no centralized monitoring framework in place. They also confirmed that various donors for climate change related projects use their own unique Monitoring and Evaluation (M&E) frameworks and tracking tools to monitor and report the implementation and progress of climate change activities. For example, the Adaptation Fund[4] project which has been effectively monitored.



Low lying islands in FSM; Source: ONPA

From our review of the FSM Third National Communication (which is also the First Biennial Update Report 2022) to the United Nations Framework Convention on climate change (UNFCC), there is a summary of completed and active adaptation projects. According to the report, the list is not an exhaustive one, but rather a representation of the progress the nation has made since FSM's last National Communication in 2011. The report also acknowledged that while FSM has made progress in enhancing its adapting capacity, there remains an important gap in terms of adaptation due to constrained funding and capacity.

Additionally, the questionnaire issued confirmed that there were plans in the past for the Information Technology (IT) team to use the DECEM online portal for updates and digitalization of information; however, the Secretary confirmed there has not been any other follow up on this initiative.

Finally, as it relates to this finding, it is important to acknowledge the finalization of the Strategic Development Plan 2024-2043 (recently adopted by the 23rd FSM Congress on January 24, 2025). Even though this is a subsequent event to this audit, as it was not available and used for our planning of this audit, it is encouraging to note in the:

- Introduction that a monitoring and evaluation (M&E) framework will be developed once this SDP is approved; and

- Thematic area No. 5 "Environmental Sustainability and Climate Resilience", development priority #1 under Strategic Outcome 2 is "a functional climate change and environmental monitoring and reporting system coordinated

[4] "Enhancing the Climate Change Resilience of Vulnerable Island Communities in Federated States of Micronesia" Project funded by the Adaptation Fund. https://www.adaptation-fund.org/project/enhancing-climate-change-resilience-vulnerable-island-communities-federated-states-micronesia/

across all of the FSM providing information on climate change and resilience implementation"

Effect(s): As a result of absence of a central monitoring process,

a) Identification and understanding of the ultimate impacts of climate change adaptation, as well as mitigation in the FSM, will not be effectively recognized and understood.
b) Without a centralized monitoring and reporting system in place, climate change laws and policies will not be effectively developed and adopted to aid the actual adaptation and mitigation needs of the people of FSM.
c) FSM's climate change adaptation and mitigation goals and targets will not be effectively attained.
d) Duplication of donor funded climate change project concepts which is unsustainable and not good practice.
e) Communications regarding FSM's progress towards meeting climate change ambitions provided to UNFCCC will continue to be questioned on transparency and accountability.

Cause(s):

1. The CC Policy 2013 was outdated and did not identify nor specify any monitoring, evaluation, and reporting processes to guide the implementation of the CC Policy. This was confirmed in DECEM's response to our questionnaire where it was also acknowledged that the Department was still building its monitoring and evaluation capacity.

2. Limited in-country capacity to develop a centralized monitoring and reporting system. DECEM planned to use the DECEM online portal for updates and digitalization of information, but there has been no progress to date.

Recommendation(s):

We recommend DECEM as the mandated coordination entity for climate change in the FSM National Government to:

1. Ensure that the revision of the CC Policy of 2013 (as part of the ongoing GCF funded NAP project) should include performance indicators and a uniform process of monitoring, evaluating, and reporting the implementation of the CC Policy. This is in line with one of the development priorities in the SDP 2024-2043 of having a functional climate change and environmental monitoring and reporting system coordinated across all of the FSM.

2. Revisit the Department's prior plans for engaging the IT Team to set up a central monitoring process on the DECEM online portal. Customizing the existing frameworks may be considered such as the monitoring framework for the Adaptation Fund project. This will first require the Secretary to have a clear understanding of the capacity needs of the I.T. team to ensure they are equipped to develop such an online platform and maintain it to secure its sustainability.

7.5. Finding No.5: FSM National Government Is Yet to Develop a National Climate Change Finance Strategy

Criteria:

- As a party to the Paris Agreement, the FSM is classified as a developing country or a SIDS. Developing countries like FSM are recipients of the financial contributions of the developed countries. This arrangement is specified in Article 9 of the Paris Agreement which stipulates that *developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. Other Parties are encouraged to provide or continue to provide such support voluntarily.*

- In addition, Article 9 of the Paris Agreement states that *the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.*

- The DRM and CC Policy has a Strategic Objective No. 13 to "*Establish sustainable funding for DRM, Climate Change Adaptation … through participation in international financing programs, the establishment and use of national funding mechanisms, and the mainstreaming of DRM, Climate Change adaptation and greenhouse gas emissions reduction into national, sectoral, state and municipal-level budgetary process.*

Condition:

1) While there has been a CC Policy for the FSM since 2009 (last updated in 2013) and donor funds flowing into the country to support its climate change adaptation efforts, there is no National Climate Change Finance Strategy in place to ensure sustainability of funding in

the future. This is a concern as a developing country and party to the Paris Agreement. The FSM Government should be able to set strategies for accessing and sustaining the required financial resources in order to effectively implement climate change plans, policies and actions.

Below is a non-exhaustive list from the ODA & Compact Management Unit of donated funds towards climate change that have been received by the FSM Government up to FY2023.

Table 3: Donated Funds for Climate Change Up to FY2023

Recipient	Approximate Donations Received up to FY2023
Nationwide	$ 155, 517, 103
Chuuk State	$ 17, 883, 901
Pohnpei State	$ 13, 234, 350
Kosrae State	$ 5, 138, 758
Yap State	$ 6, 419, 155
National Government	$ 5, 008, 296
Total	**$203, 201, 563**

Based on the audit team's inquiry with DECEM, a Country Program strategy is in place (updated in 2023) which addresses FSM's priorities for Green Climate Fund, which is the biggest donor for climate change.

2) Currently, the FSM NAP project (funded by the GCF) is being implemented to produce an overarching NAP that includes the GCF and other climate finance and development partners. One of the main outcomes of the NAP will be the development of the climate finance strategy.

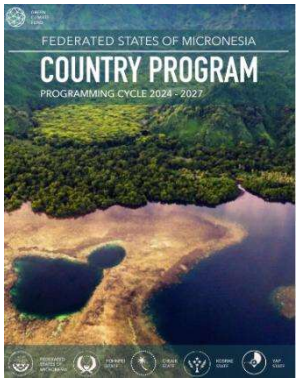
The Climate Change Finance Strategy is categorized as deliverable 3.4.1 (a) and (b) of the NAP project. The NAP process will assess the financial options and modalities for current and future sources of adaptation financing from international, regional, national, and state sources and identify suitable options for national, state and community level adaptation actions based on capacity and capability to access these funds and deliver activities. This delivery will be conducted in the second to third year of the implementation period of the NAP project as the proposal was approved on May 3, 2023, for USD 2.9m for NAP in the FSM.

3) Finally, in response to the audit inquiries, DECEM stated that it is part of its strategy to hire a grant writer to write grant proposals for identified climate change finance needs. This will be important to assist the National Government effectively access international funds for climate change; however, DECEM needs the support of other establishments within the National Government such as the CCCSD to promote this need.. Unfortunately, the CCCSD has been inactive for the past recent years.

Effect(s):

Not having a national finance strategy leads to significant negative effects on economic, environmental, social and governance challenges, making it crucial for vulnerable islands to develop and implement comprehensive plans to address and mitigate the impacts of climate change.

There is an uncoordinated approach to implementing climate change actions funded by various donors as currently is happening that poses the risk of missed opportunities to secure financing for climate actions.



Source: Updated CP Endorsed

Cause(s):

As indicated in the NAP project proposal, one of the barriers to adaptation in FSM is the lack of capacity (including expertise, skillsets, systems, policies, technology and processes) at National and State levels to undertake effective adaptation planning and actions. This is in line with the DECEM's need for expertise of a Grant Writer to write grant proposals for identified climate finance needs. This is a capacity gap in the FSM that is not funded through local revenues as can be seen in the budget for DECEM but can only be addressed through short term donor projects such as the GCF funded NAP Project that aims to develop the Finance Strategy as part of the NAP.

Additionally, while the capacity needs have been identified, DECEM is facing challenges in its oversight support of the CCCSD to elevate its needs to the Congress especially in terms of addressing capacity gaps that have been identified. This is due to the fact that CCCSD has been inactive in recent years because of communication issues between departments of the National Government that are members of the Council.

Recommendation(s):

We suggest that the President through the Council for Climate Change and Sustainable Development should ensure that:

1. DECEM successfully develops the National Climate Change Finance Strategy within a set timeline as an output of the ongoing GCF-funded NAP Project;

2. DECEM is provided the support needed to fund a grant writer to effectively and efficiently access environment and climate change funds as listed in the 2024 and 2025 proposed Budget Books. Previously, Congress appropriated $100,000 in the appropriation law 22-153 for COP27. Perhaps this funding and more can be appropriated to provide a sustainable funding for the implementation of the DRM & CC Policy.

8. APPENDICES

APPENDIX A: HISTORY OF CLIMATE CHANGE POLICY DEVELOPMENT.

Climate Change Adaptation Policy Development in the FSM Goals 1 and 6 under Chapter 7-Environment of the FSM2004-2023 Strategic Plan.

The Government of the Federated States of Micronesia (FSM) developed its 20-years strategic development plan and included goals for the environment, including climate change. Strategic Goal 1 aimed to mainstream environmental considerations, including climate change, in national policy and planning, as well as in all economic development activities; Strategic Goal 6 was to improve environmental awareness and education and increase involvement of citizenry of the FSM in conserving the country's natural resources.

Nation Wide Climate Change (NWCC), 2009

The Government of the Federated States of Micronesia (FSM) developed this policy to guide the nation to mitigate climate change at the international level, and adapt to climate change at the national, state and community levels. The policy seeks to reduce the FSM's vulnerability to climate change adverse impacts, and to address the adverse impacts of climate change on communities. This is to ensure sustainable livelihoods and preserve natural heritage, diverse customs, traditions and natural resources in all the islands.

Nation Wide Integrated Disaster Risk Management and Climate Change (DRM & CC) Policy, 2013

This policy was approved to replace the Nation Wide Climate Change (NWCC) Policy of 2009 to meet regional and international treaty obligations and objectives that the Government of FSM agreed worth pursuing, such as the Pacific Disaster Risk Reduction and Disaster Management Framework for Action 2005-2015 (RFA), the Pacific Islands Framework for Action on Climate Change 2006-2015 (PIFACC), the international Hyogo Framework for Action: Building the Resilience of Nations and Communities to Disasters 2005-2015, and the United Nations Framework Convention on Climate Change (UNFCCC). This internally developed policy's goal was to promote development that proactively integrates the management of disaster and climate related hazards by investing in disaster risk management, climate change adaptation and the greenhouse gas emissions reduction in pursuit of a safe, resilient, and sustainable future for the country. The policy's strategic outcomes included support to FSM's 2004-2023 Strategic Development Plan with the attainment of economic resilience; food, water, and energy security; infrastructure and settlements; waste management and sanitation; health and social protection and education.

The National government was tasked to promote and coordinate the implementation of this policy at the national level, and promote and monitor implementation by State Governments, Municipalities, Private Sector and Civil Society. Due to the constitutional structure and decentralized governance, State Governments were tasked to implement this policy at the State level.

Climate Change Act 2013

The FSM Congress adopted this Act to further amend Title 25 of the Code of the Federated States of Micronesia to create a new Chapter 8 under subsection II, to implement certain provisions of the FSM's Nationwide Integrated Disaster Risk Management and Climate Change (DRM&CC) Policy. This Act was adopted with anticipation that it will also be like the DRM&CC policy that provides the overarching framework for further detailed legislation on climate change.

Joint State Action Plans (JSAPs) and FSM Government Department Policies and Action Plans

State Governments were tasked with the implementation of the FSM Nation Wide Integrated Disaster Risk Management and Climate Change (DRM&CC) Policy; therefore, *Joint State Action Plans (JSAPs)* were developed for each State as the integrated and overarching tools for implementation of Disaster Risk Reduction, Climate Change Adaptation and Greenhouse Gas (GHG) Emissions Reduction.

The Climate Change Act required *FSM Government Departments*; namely the Department of Resources and Development (DR&D), Office of Environment and Emergency Management (OEEM), currently known as DECEM, Department of Transportation, Communications and Infrastructure (DTC&I), Department of Health and Social Affairs (DHSA), Department of Education (DOE), Department of Finance and Administration (DoFA), Office of Statistics, Budget and Economic Management (SBOC), and Department of Foreign Affairs and State (DFA) to prepare plans and policies on climate change consistent with the provisions of the CC Policy.

APPENDIX B: GREEN CLIMATE FUND – PROCESS

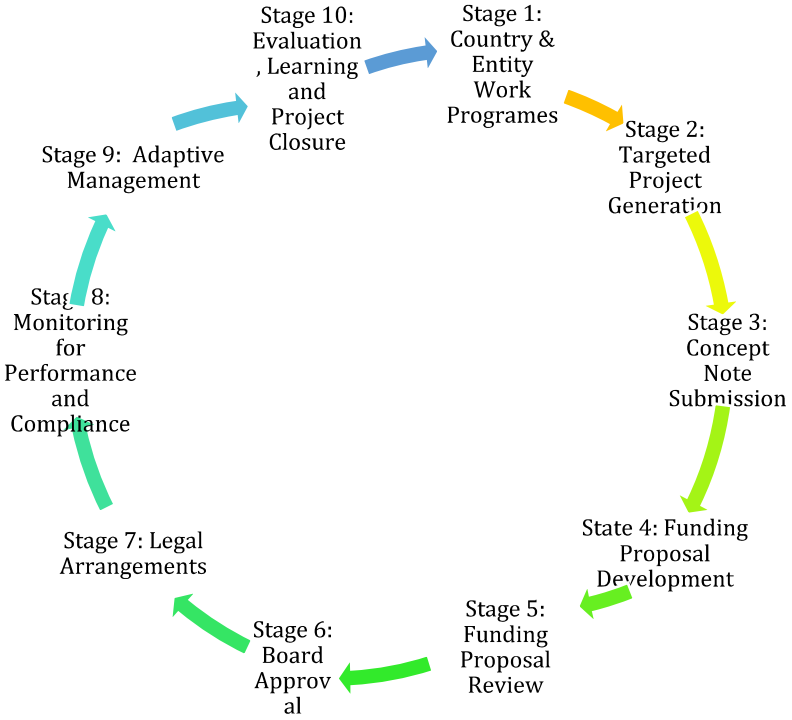
The GCF Funding Process Cycle

After concept notes (CN) are reviewed and approved to be aligned with country priorities, funding proposals (FPs) are prepared within Accredited Entity's' (AEs') accreditation work, considering the requirements of the investment framework and results management framework, and submitted by AEs to the GCF Secretariat for an approximately 190 days technical review, appraisal and approval of the full FP package conducted by the Office of Risk Management and Compliance (ORMC), the independent technical advisory panel (TAP) and the Board.

Upon approval of the full FP package by the GCF Board, legal arrangements are executed through the negotiations and signing of a Funded Activity Agreement (FAA) between the GCF Secretariat and AEs. After negotiations and signing of the FAA, the GCF Trustee and National Designated Authority (NDA)/focal point are informed by the Secretariat. Once all conditions on the AE FAA for effectiveness have been fulfilled, the GCF Secretariat sends the final FAA to the AE and the Notice of Effectiveness for the FAA. Lastly, after AE meets all conditions, GCF makes the first disbursement for the implementation of the project. (The GCF Project Activity Cycle, https://www.greenclimate.fund/project-cycle)

In the case of the "National Adaptation Planning in the Federated States of Micronesia (FSM)" project, SPREP is the AE, and SPREP went through the GCF funding process to obtain the currently on-going project that was intended to develop a NAP for the FSM. DECEM as the National Government's Department tasked by the Climate Change Act to be the coordinator for climate change planning and actions, accessed, applied and obtained Green Climate Fund (GCF) funding through SPREP. The flow-chart below shows the GCF Project Activity Cycle in which the process funding flow is included.

The GCF Project Activity Cycle



(GCF Project Activity Cycle, GCF Web, https:www.greenclimate.fund/project cycle)

APPENDIX C: BACKGROUND OF THE FSM COUNCIL FOR CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT (CCCSD)

The Council Chair, Name, Members and Dates of Amendment and Establishment

Council Establishment and Amended Years	Council Name	Council Chairman	Council Members
1995- Presidential Order NO. 14	Council on Environment and Sustainable Development (SD Council)	The Vice-President	Office of Planning & Statistics (OPS), Department of Health (DHS), Department of Education (DOE), Department of Resources & Development (DRD), Department of External Affairs (DEA), Office of the Attorney General (OAG), The Micronesia Maritime Authority (MMA), Office of Disaster Control (ODC)
2000- Presidential Order NO. 14, ***Amended***	President's Council on Environmental Management and Sustainable Development (SD Council)	The Vice-President	DEA, Department of Health, Education and Social Affairs (DHESA), Department of Finance and Administration (DF&A), Department of Foreign Affairs (DFA), Department of Justice (DOJ), Department of Transportation, Communication and Infrastructure (TCI), FSM Weather Service Office (WSO), MMA, ODC,
2017-Executive Order to establish the CCCSD	Council on Climate Change and Sustainable Development, (CCCSD) referred to as the "Council"	OEEM as the Interim Chair of the Council with a Steering Committee from NDA, OEEM, & ODA	Department of Health and Social Affairs (DHSA) Department of Transportation Communication & Infrastructure (DTC&I), FSM Association of Chambers of Commerce, DoFA, DRD, DFA, DOE, DOJ, OEEM, and ODA
2021-Executive Order to Establish the President Council on Sustainable Development	Council on Climate-Change and Sustainable Development referred to as the "Council"	The Secretary of DoFA as Interim Co-Chair, and Secretary of DECEM as Interim CO-Chair with a Technical Committee from NDA, GCF, DECEM, and ODA	Department of Environment, Climate Change, and Emergency Management (DECEM), Overseas Development Assistance (ODA), FSM Association of Chamber of Commerce, Representative from each State, DoFA, DRD, DTC&I, DFA, DHSA, DOE, and DOJ

APPENDIX D: CHRONOLOGY OF KEY EVENTS FOR THE GCF FUNDED FSM NAP READINESS PROJECT

Chronology of key Events for the GCF Funded FSM NAP Readiness Project

Timeline	Key Activities that led to the Attainment of GCF Funding and Starting the FSM NAP project
April 2019	FSM requested SPREP to be the Delivery Partner, also known as Regional Accredited Entity (RAE) for the development of the NAP Readiness Proposal through an official letter from Secretary, DECEM to SPREP Director General.
2019-2022	COVID 19 halted progress for almost 2 years, New GCF requirements regarding structuring of proposals also caused delay.
February 17, 2022	DoFA through GCF NDA Office transmitted the No Objection Letter to SPREP to confirm that the Government of FSM had no objection to the project and that it was in conformity with FSM's national priorities, strategies and plan.
April 2022-February 2023	1st submission, 2nd re-submission of NAP proposal to GCF Secretariat (Exchange between FSM and SPREP addressing GCF feedback on proposal.
May 3, 2023	Notification of Approval from GCF Secretariat for the FSM NAP Funding in the amount of $2.9m for a 36-month project called "National Adaptation Planning in the Federated States of Micronesia" which is intended to develop FSM's NAP.
July 21, 2023	Grant Service Agreement Signed between United Nations Office for Project Services (UNOPS) and South Pacific Regional Environment Programme (SPREP).
September 29, 2023	Letter of Agreement (LoA) signed (SPREP) to be sent to FSM DECEM.
October 10, 2023	FSM Department of Justice (DOJ) Legal Review of LoA.
October 11, 2023	Project effectiveness/implementation begins as SPREP received 1st disbursement from UNOPS
October 17, 2023	Letter of Agreement signed by DECEM (and awaited Congressional Session scheduled in December 2023-January 2024).
December 2023	DECEM submits NAP funding Resolution, which was drafted by DOJ to Office of the President for transmittal to Congress for Congressional Regular session Calendar 2024
January 18, 2024	Congressional Resolution for GCF NAP Funding adopted.
January 22, 2024	FSM DECEM request 1st Funding Disbursement from SPREP.
March 4, 2024	Telegraphic Transfer (TT) Advice from Bank of the South Pacific (BSP) bank for 1st disbursement funds allotted.
April 16, 2024	FSM Finance Budget received 1st disbursement funds allotted.
May, 2024	NAP Project Unit Recruitment process begins which took 1-2 months for recruitment process due to interested and qualified candidates.
July 17, 2024	Appointment of the position of Project Manager for the FSM National Adaptation Planning (NAP) project via Special Service Contract.

Source: FSM DECEM Division of Climate Change.

Refer to Appendix B (Pages 30-31) for the GCF Funding Cycle

APPENDIX E: DECEM'S DIVISION OF CLIMATE CHANGE 4 YEARS' BUDGET

DECEM's Division of Climate Change 4 Years Budgets – Proposed, Recommended, Approved

Year	Proposed (by DECEM)	Total Amount Decreased from DECEM's Proposed to EBRC's Recommended Budget	% Decreased from DECEM's Proposed to EBRC's Recommended Budget	Recommended (by EBRC)	Total Amount Decreased from EBRC's Recommended to Congress Approved Budget	% Decreased from EBRC's Recommended to Congress Approved Budget	Approved (by Congress)	Total Amount Decreased from DECEM's Proposed to Congress Approved Budget	% Decreased from DECEM's Proposed to Congress Approved Budget
A	B	C	D	E	F	G	H	I	J
A	B	C = E - B	D = C / B * 100	E	F = H - E	G = F / E * 100	H	I = H - B	J = I / B * 100
2021	$ 278,815	$ -	0.0%	$ 278,815	$ (68,055)	-24.4%	$ 210,760.00	$ (68,055)	-24.4%
2022	$ 298,716	$ (75,100.0)	-25.1%	$ 223,616	$ (1,778)	-0.8%	$ 221,838.00	$ (76,878)	-25.7%
2023	$ 303,620	$ (84,782.0)	-27.9%	$ 218,838	$ -	0.0%	$ 218,838.00	$ (84,782)	-27.9%
2024	$ 391,598	$ (126,075.0)	-32.2%	$ 265,523	$ (842)	-0.3%	$ 264,681.00	$ (126,917)	-32.4%
Total	**$ 1,272,749**	**$ (285,957.0)**	**-22.5%**	**$ 986,792**	**$ (70,675)**	**-7.2%**	**$ 916,117.00**	$ (356,632)	**-28.0%**

9. MANAGEMENT RESPONSE

DEPARTMENT OF ENVIRONMENT,
CLIMATE CHANGE AND EMERGENCY MANAGEMENT
PO BOX PS-69
Palikir, Pohnpei FM 96941 Phone: (691) 320-8814/15 Fax: (691) 320-8936

OFFICE OF PUBLIC AUDITORS Received 4/17/2025 BY: FSM NATIONAL GOVERNMENT

April 17, 2025

Mr. Haser Hainrick
Public Auditor
FSM National Government
Palikir, Pohnpei FSM 96941

Re: DECEM Response to Findings on the Global Audit on Climate Change Adaptation Actions

Kamorale Mr. Hainrick,

We appreciate the thorough review conducted by the Office of the Public Auditor on our climate change adaptation actions. The findings provide valuable insights that will strengthen our governance, operational efficiency, and overall impact. Below is our management response to the identified audit findings.

Finding 1: The National Adaptation Plan (NAP) is yet to be Developed under the Ongoing GCF-Funded Project

- **Response:** We acknowledge the finding and recognize the need for improvement. To put a little context to the finding, it took a while for the department to roll out the project due to some critical factors some of which were somewhat out of our control, including but not limited to the recruitment of a suitable and qualified Project Manager and the Finance and Administrative Assistant, and securing suitable dates with all relevant stakeholders for launching the National as well as the State Inception and Planning Workshops.

The GCF-funded NAP grant agreement was signed by DECEM on October 17, 2023. The grant was approved on January 22, 2024 during the January session of the FSM Congress. The recruitment of a qualified Project Manager took longer than anticipated until July 17, 2024. The Finance and Administrative Assistant was subsequently hired. The National Inception and Planning Workshop finally took place in August, 2024. And the Inception and Planning Workshops for each of the four States were carried out in February and March of 2025.

With the inception and planning workshops behind us, we anticipate a more progressive plan of work going forward in the implementation of the project.

- **Action Plan:**
    1. Conduct a detailed review of the processes highlighted in the finding to assist in narrowing the gap created as a result of the delayed implementation of the NAP project.
    2. Set up an internal monitoring and reporting mechanism within the department.
    3. Implement new procedures for periodic progress reporting from the NAP Project Manager.

- **Responsible Party:** Secretary, All DECEM Assistant Secretaries, Project Manager, Finance and Administrative Assistant, and Administrative Officer.

- **Timeline:** May 2025 for all action plans above.

Finding 2: Non-Compliance with the Climate Change Act and the DRM & CC Policy of 2013

- **Response:** We partially disagree with the finding. The term "non-compliance" connotes the absence of any efforts at implementing the provisions or requirements of the Climate Change Act and the DRM and CC Policy of 2013. The extent to which the FSM as a whole has invested in climate change adaptation planning and priority setting since the adoption of the Climate Change Act and the DRM & CC Policy has never been as pronounced. In the absence of approved or formalized climate-proofed sector plans which require funding to be developed, the mainstreaming of climate change adaption into the planning processes for programs and projects at both the National and State levels was ongoing.

  The adaptation planning at the municipal level across the FSM is actually ahead with several adopted community plans in place already. This is due in large part to funding and technical assistance provided by international organizations, both intergovernmental and non-governmental.

  We do acknowledge the finding and recognize the need for improvement going forward.

- **Action Plan:**
    1. Engage stakeholders to clarify and address the concerns raised.
    2. Reactivate the Sustainable Development Council
    3. Develop a corrective action plan that allows additional resources to DECEM to effectively perform its role in implementing the mandates of the CC Act.

- **Responsible Party:** President, VP, EBRC, SD Council, executive departments/agencies and heads.

- **Timeline:** 1. President to issue a memo by May 2025 to all Executive Departments regarding their involvement in mainstreaming climate change adaptation in their respective plans; 2. SD Council to be reactivated by end of May, 2025; 3. By the next budget cycle in January 2026.

Finding 3: Reporting of Implementation of Established CC Policies and Plans by the National and State Governments can be Improved; Reviews needed for Outdated Policies

- **Response:** We fully agree with the finding and will initiate corrective measures.
- **Action Plan:**
  1. Strengthen DECEM's efforts to effectively coordinate, monitor and report on the implementation and status of the CC Act and the DRM&CC Policy.
  2. Propose amendment to the Climate Change Act.
- **Responsible Party:** DECEM, State Counterparts, DECEM Secretary, Assistant Secretary for Climate Change, Assistant Secretary for Emergency Management, State EPA Directors, State Disaster Coordinators, President's Office, DOJ, and FSM Congress.
- **Timeline:** 1. October 2025; 2. January 2026.

Finding 4: No Centralized Monitoring Process in place for Climate Actions in FSM

- **Response:** We acknowledge the finding and will prioritize addressing it.
- **Action Plan:**
  1. Include performance indicators in the revised DRM & CC Policy.
  2. Appoint a working group to review and make recommendations on the creation of a centralized monitoring mechanism within DECEM.
- **Responsible Party:** DECEM, Secretary, Assistant Secretaries.
- **Timeline:** 1. Will be prioritized during the development of the NAP; 2. May 2025.

Finding 5: FSM National Government is yet to develop a National Climate Finance Strategy

- **Response**: We agree with the finding and will take follow up action.
- **Action Plan:**
  1. Development of a National Climate Finance Strategy.
  2. Capacity training for the staff.
- **Responsible Party:** President, Vice President, SD Council, Cabinet, Assistant Secretary for Climate Change, NAP Project Manager.
- **Timeline:** 1. To be developed with the NAP; 2. After the roll out of the new Climate Finance Strategy.

We are committed to addressing the audit findings promptly and effectively. These actions will enhance our capacity to adapt to climate change and ensure accountability in our operations. We will provide regular updates on our progress and remain open to further recommendations.

Sincerely,



Andrew R. Yatilman
Secretary

10. ONPA EVALUATION OF MANAGEMENT RESPONSE

As part of our audit process, we requested a formal management response from DECEM. The Secretary of DECEM responded and generally agreed with our findings and recommendations and partially disagreed with Finding No. 2.

Although the Secretary of DECEM partially disagreed with Finding No. 2 (Non-compliance to the Climate Change Act and Policy), he acknowledged it and recognized the need to continue to improve.

We would like to clarify that this Finding is specifically based on our verification of the implementation of the Climate Change Act of 2013; and it does not intend to misinform readers that no efforts have been taken to implement the Act and CC Policy. Management will note that we have documented the efforts made in the past and currently in both the Background and Appendix sections of the report.

We also note and commend DECEM for communicating its action plans, timelines and responsible people to implement the recommendations.

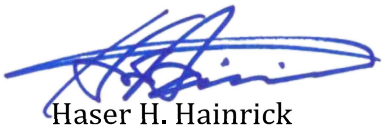
11. NATIONAL PUBLIC AUDITOR COMMENTS

We would like to express our sincere gratitude and appreciation to His Excellency the President and the Honorable Vice President of FSM for allowing the opportunity for the CCAA team to discuss climate change matters and share the audit results with them.

Most information were collected from FSM DECEM, online sources, Office of the President's Overseas Development Assistance (ODA) unit and from the FSM departments affected by the Climate Change Act such as Department of Finance and Administration, Department of Resource and Development, Department of Foreign Affairs, Department of Health and Department of Education. We would like to make special mention of the management and staff of the FSM DECEM for their continued assistance, support and cooperation throughout this audit engagement. It is our hope that this audit will add value to the nation's ongoing climate change adaptation efforts.

We have provided copies of this final CCAA audit report to His Excellency the President and Members of the 23rd FSM Congress. Furthermore, we will make copies available to other interested parties upon request.

If there are any questions or concerns regarding this report, please do not hesitate to contact our office. Contact information for the office can be found on the last page of this report along with the National Public Auditor and the staff that conducted the audit and prepared this report.



Haser H. Hainrick
National Public Auditor

April 24, 2025

12. ONPA CONTACT AND STAFF ACKNOWLEDGEMENTS

ONPA CONTACT

Haser H. Hainrick; National Public Auditor
Email: hhainrick@fsmopa.fm

ACKNOWLEDGEMENTS

In addition to the contract named above, the following staff made key contributions to this report during the period specified:

Miriama Naivalu, Audit Manager
Rosadelima Alfons, Auditor in Charge (until 08/19/2024, when promoted to Quality Assurance Officer)
Ethel J. Alik, Auditor in Charge (08/20/2024 – current date)
Neong U. Yoma, Staff Auditor

ONPA MISSION,

We conduct quality audits and investigations to improve good governance and to prevent and deter fraud, waste, and abuse for the stakeholders' benefit.

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