



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 24-Feb-2022 | Report No: PIDA32791

**BASIC INFORMATION****A. Basic Project Data**

Country Micronesia, Federated States of	Project ID P176965	Project Name FSM Skills and Employability Enhancement Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 18-Feb-2022	Estimated Board Date 16-May-2022	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Federated States of Micronesia	Implementing Agency FSM National Department of Education	

**Proposed Development Objective(s)**

To improve the quality of and equitable access to vocational education and skills trainings, to improve access to employment, and in case of an eligible crisis or emergency, respond promptly and effectively to it.

**Components**

Component 1: Improving equitable access to vocational education and training  
Component 2: Improving the relevance and quality of TVET  
Component 3: Improving labor market information and employment services  
Component 4: Project Management  
Component 5: Contingent Emergency Response Component

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	17.70
<b>Total Financing</b>	17.70
<b>of which IBRD/IDA</b>	17.70
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**



International Development Association (IDA)	17.70
IDA Grant	17.70

#### Environmental and Social Risk Classification

Moderate

#### Decision

The review did authorize the team to appraise and negotiate

## B. Introduction and Context

### Country Context

- 1. The largest nation in the Micronesian subregion, the Federated States of Micronesia (FSM), is made up of four semiautonomous states (Chuuk, Pohnpei, Kosrae, and Yap).** The country is located between Palau and the Philippines to the west and the Republic of the Marshall Islands (RMI) to the east. Although its land area covers just 700 km<sup>2</sup>, FSM consists of more than 600 islands scattered over an Exclusive Economic Zone of about 2.6 million km<sup>2</sup>.<sup>1</sup> The overall population of FSM is estimated to be 113,815 (2019), of which approximately 45 percent live in Chuuk, 37 percent in Pohnpei, 11 percent in Yap, and 7 percent in Kosrae. FSM has also experienced considerable internal migration across states, mostly from the outer islands to the main islands' urban areas, and especially to Pohnpei, which hosts the country's capital Palikir, as individuals are particularly drawn to employment with the National Government. Access to basic services is also generally higher in Pohnpei. Each state is diverse in terms of language, cultural norms, and environmental and land tenure laws.
- 2. Poverty in FSM is reported to be high.** FSM is reported to have the highest estimated rates of poverty among the nine small remote islands (PIC9)<sup>2</sup> covered in the Regional Partnership Framework (RPF) for FY17 to FY21 (extended by the Board of Executive Directors on February 6, 2020, to FY23).<sup>3</sup> These findings are based on a household income and expenditure survey conducted in 2013/14, which found that about 41 percent of FSM's population are struggling to meet basic needs and 10 percent are living below the food poverty line. The survey also documented stark variations across FSM, with the basic needs poverty rate most severe in Chuuk (46 percent), followed by Pohnpei and Yap (39 percent) and Kosrae (21 percent).
- 3. FSM's economy and market are largely reliant on the US.** Following its independence in 1986, FSM entered into a Compact of Free Association (Compact) with the United States of America, whereby the US provides yearly financial transfers to FSM, access to a range of Federal Government services and programs, and open migration to the US for FSM citizens, among other arrangements. In 2003, certain provisions of the Compact

<sup>1</sup> An Exclusive Economic Zone is a sea zone prescribed by the United Nations Convention on the Law of the Sea over which a state has special rights regarding the exploration and use of marine resources, including energy production from water and wind.

<sup>2</sup> PIC = Pacific Island Country.

<sup>3</sup> Household income and expenditure survey, 2013/14; World Bank Group. 2016. *Regional Partnership Framework for Nine Pacific Island Countries, FY17–21*. Report No. 120479. Washington, DC: World Bank.



were amended, most notably the economic provisions.<sup>4</sup> The most recent agreement not only supports Compact Sector Grants designed to help sustain the delivery of public services but also establishes a Compact Trust Fund intended to replace the Sector Grants when they terminate in 2023. Through the Trust Fund, the Compact seeks to prepare FSM for self-sufficiency and economic sustainability post 2023. However, recent projections indicate that the expected value of the Trust Fund corpus in 2023 will not be sufficient to both preserve its real value and provide annual disbursements equivalent to the current level of sector grants—meaning a fiscal adjustment may be required. It will be a major challenge for FSM to carry out such a fiscal adjustment without reducing access to and quality of public services, especially those delivered to the poor.<sup>5</sup>

4. **FSM's economy is largely driven by the public sector, agriculture, and fisheries.** In 2019, FSM's gross domestic product (GDP) is estimated to have grown by 1.2 percent, equivalent to US\$3,585 per capita.<sup>6</sup> The public sector is a major part of the FSM economy, accounting for around 32 percent of GDP and 48 percent of formal sector employment. Outside of the public sector, agriculture and fisheries are the main economic activities, contributing around 23 percent of GDP. Small-scale service industries, such as inbound tourism and wholesale and retail trade, make up the remainder of the economy. Most goods are imported and there are few exports. Fiscal policy is highly dependent on foreign aid and fiscal transfers, primarily from the U.S. via the Compact, typically for public investments, and service provision in education and health. Foreign grants have averaged 35 percent of GDP over the past decade.
5. **FSM's economy is highly vulnerable to natural hazards and climate change—and has seen significant adverse impacts by the COVID-19 pandemic.** Following five years of consecutive economic growth before COVID-19, closed borders and domestic containment policies have caused a contraction. As a result, real GDP contracted by 1.8 percent in FY20. Ongoing border closures are expected to further contract output by around 3.2 percent in FY21 while higher import prices for commodities are expected to increase inflation. To stabilize the economy, the Government has enacted countercyclical stimulus measures, amounting to 12 percent of GDP in FY20 and FY21. The projected increases to extreme weather events, climate-related disasters (that is, flood and drought), and sea level rise will (a) pose risks to damage of school buildings and loss of teaching materials, ultimately disrupting education continuity; (b) drive potential migration, including forced displacement and planned relocation; and (c) affect health including mental health through increased vector-borne illness and threat to food and freshwater quality.

#### Sectoral and Institutional Context

6. **The FSM labor market is characterized by relatively low formal employment, high unemployment, and a high share of outward migration.**<sup>7</sup> While there are no recent labor market data available, the 2010 census suggested that around half of the FSM's labor force was in formal employment while a quarter was engaged in subsistence, with the remainder unemployed. Of those engaged in the formal sector, around half were engaged by the private sector. The Organisation for Economic Co-operation and Development migration

<sup>4</sup> The FSM Congress approved the amendments on May 26, 2004, following earlier ratification by the four FSM states. On June 25, 2004, the FSM and US Governments signed documents to officially implement the Compact, as amended.  
<http://www.uscompact.org/about/cofa.php>.

<sup>5</sup> World Bank Group. 2016. *Regional Partnership Framework for Nine Pacific Island Countries, FY17–21*. Report No. 120479. Washington, DC: World Bank.

<sup>6</sup> World Bank, World Development Indicators database, updated August 15, 2020.

<sup>7</sup> World Bank. 2016. *Federated States of Micronesia Public Expenditure Analysis: Getting Ready for 2024*. Washington DC: World Bank.



database reports that as of 2017 (latest available data), over 31,000 Micronesians are living in the United States. More than 60 percent of the migrants to the US mainland were most likely to be in paid employment, and the ratio of private-to-public sector jobs is high. Wages for paid migrant workers suggest that the majority are in labor-intensive industries

7. **The FSM labor market is further struggling with the challenges of high formal sector unemployment (especially among youth), largely driven by persistent skills gaps.** The public sector is the main employer in FSM, with about 39 percent of formal employment in public administration (**Error! Reference source not found.**).<sup>8</sup> The largest private sector employment types are wholesale and retail trade and repairs; transport; storage; communications; and construction. Stakeholder discussions suggest that there is a mismatch between domestic training opportunities and the minimum requirement for many advertised roles; while the College of Micronesia (COM-FSM) offers two-year certificate programs, many roles require a four-year bachelor's degree. Consequently, employers—particularly those in the private sector—recruit skilled labor from overseas.
8. **Within the private sector, skills gaps appear the most acute among professionals.** Although recent data on labor immigration to FSM are not available, as of 2010, migrant workers were more likely to be male than female, and most foreign workers are employed as professionals; craft and related trades workers; and skilled agriculture, forestry, and fishery workers (**Error! Reference source not found.**). Foreign workers generally had higher educational attainment than FSM citizens with a median of 14.9 years and 10.8 years, respectively. There are clear patterns in terms of the location of residence of migrants to FSM. Of 3,210 foreign born people who were working in FSM in 2010, about 53 percent resided in Pohnpei, 20 percent resided in Yap, and the remainder were almost equally split between Chuuk and Kosrae.<sup>9</sup> Most migrants came from neighboring Pacific islands (27 percent) and the Philippines (26 percent) with others coming predominantly from the US mainland, Hawai'i, and Asia. In 2018, the Philippines introduced labor bans on FSM; as a result, a significant source of skilled migrant labor has disappeared. Stakeholder discussions indicate that the private sector is keen to employ FSM citizens in place of migrant workers; however, skills gaps often mean this is unfeasible.
9. **In stark contrast with the labor market's labor demand—which has been driving the need for foreign workers in certain sectors—engagement of FSM nationals in formal sector employment remains limited.** FSM census data suggest that only 57 percent of the population ages 15 years or older were in the labor force in 2010 (**Error! Reference source not found.**). More recent data are not available, but it seems unlikely that trends would have changed significantly. Given the skills gaps in the FSM labor market, there are potential opportunities to improve outcomes for citizens of FSM by addressing existing skills gaps. This could involve both improving the quality of skills training and strengthening links between technical and vocational education and training (TVET) and labor market demand. Stakeholder discussions with the private sector indicate a strong willingness from employers to strengthen the link between TVET and labor market needs. Given the age of current labor market data, a key first step would be to collect up-to-date data on labor market needs across the four states.

<sup>8</sup> <https://www.fsmstatistics.fm/economics/labor-market-and-participation/>

<sup>9</sup> IOM 2016.



10. **The challenges in FSM's labor market are mirrored by a fractured governance structure of the education sector.** The country effectively has five Departments of Education: one at the national level and one for each of the four states, which can pose problems for coordination and planning.<sup>10</sup> The National Department of Education (NDOE) oversees the State Departments of Education (SDOEs) and is responsible for setting national standards around teacher certification and school accreditation, setting school curriculum standards and benchmarks, conducting student assessments, conducting special education, coordinating foreign assistance, providing training and other assistance to the states, and providing support to post-secondary education programs and projects. The SDOEs retain authority to set their own curricula, tests, and standards and are responsible for instruction while catering to linguistic and cultural diversity. There is currently no dedicated TVET board nor any specific TVET policy.
11. **TVET options are both limited and fragmented in FSM.** At the secondary level, TVET is referred to as Career and Technical Education (CTE) and is primarily provided via the public school system. CTE programs begin with introductory courses in grades 7 and 8, and from grades 9–12, CTE focuses on occupational preparation via theory and practical skills training. CTE programs were once available in 29 high schools but were discontinued in most of these facilities due to lack of teaching staff and outdated equipment. In most cases, current CTE programs are limited to two 45-minute lessons per week.<sup>11</sup> At the post-secondary level, TVET is available through COM-FSM and the affiliated FSM Fisheries and Maritime Institute, which offers certificate-level courses of two years duration in marine engineering, navigation, and fishing technology. The COM-FSM Career and Technical Education Centre (CTEC) offers continuing education classes on topics including English, business management, building technology, customer service, computer skills, and cultural courses such as dance and local languages.<sup>12</sup> It is also possible for employers or others to request short skills training classes on particular topics with a minimum class size of 10. Non-formal TVET is largely provided and managed by a multitude of nongovernmental organization (NGOs), civil society organizations, and faith-based organizations on an ad hoc basis; such courses are generally short term (up to a week or two in length) and focus on upskilling and capacity building of employees. There is little strategic direction or coordination across the sector, and there is often no link between the CTE courses taught at the secondary level and CTEC courses available at state COM-FSM campuses. Communication between the private sector and government and educational providers is virtually nonexistent, and data on labor market needs, outcomes, and skills gaps are unavailable or outdated.<sup>13</sup>
12. **TVET education in FSM has not always been so fragmented, and from 1965 until its closure in 2005, the Pohnpei Agricultural and Trade School (PATS) provided high-quality TVET education to secondary students.** Administered by the Jesuit Church, PATS offered programs in agriculture, building construction, and mechanics to students from across FSM and other Pacific countries. With a capacity of roughly 150 students, entry to PATS was highly competitive. In its early days, PATS operated as an all-boys school but became co-educational for a period before returning to focus on single-sex education toward the end of its life. PATS graduates were highly regarded, and many found vocational employment in destinations within and beyond FSM including Palau, Northern Marianas, RMI, Kiribati, and Nauru. A handful of PATS graduates proceeded to

<sup>10</sup> Department of Health, Education and Social Affairs. 2015. "Education for All 2015: National Plan." Palikir: FSM National Government.

<sup>11</sup> NDOE. 2020. "Education Sector Strategic Development Plan 2020-2024". Palikir: FSM National Government.

<sup>12</sup> <http://www.comfsm.fm/?q=pohnpei>

<sup>13</sup> Feedback provided during stakeholder discussions.



institutes of higher education or the US Armed Forces on Guam, Hawai'i, and the US mainland. Many PATS alumni are today employed in respected positions in the private and public sectors in FSM.

13. **Despite its early success, over time, PATS enrolments dwindled as TVET education fell out of favor, and the school eventually closed in 2005.** During the 1970s and 1980s, as the FSM economy was expanding, PATS graduates were able to secure employment with relative ease. By the 1990s, however, the economy was contracting, resulting in far fewer jobs for vocational graduates. At the same time, migration streams to the US were expanding, and students began to focus more on academic education which was believed to be more useful abroad. Neighboring US schools began to attract students, as they were perceived as providing both a higher standard of education and stronger links to a more lucrative overseas employment market. Families from Chuuk and Yap began sending their children to Guam, while children from Pohnpei and Kosrae were increasingly sent to schools in Hawai'i. By the late 1990s, fewer students were taking the PATS entrance exam, and by the early 2000s, enrolment had dropped to a little under 100 students. Similarly, the freshman class, which had about 50 students each academic year between 1970 and 1995, had dropped to about 30 students in the school's final years. PATS attempted to generate renewed interest in TVET by adjusting its course offerings, by, for example, dropping agriculture and replacing it with computer science, to little effect. Eventually the decision was made to close PATS in December 2005. In the intervening years, as the lack of quality domestic TVET options have been felt, there has been continuing strong interest among both policy makers and the general public in building on the existing extensive grounds and basic infrastructure of the erstwhile PATS to establish a revitalized, high-quality school that will serve as the flagship TVET institution in FSM.
14. **The compulsory nature of elementary education means net enrolments at the elementary school level are 77 percent; however, enrolment rates for ECE and secondary school are significantly lower.** The net enrolment rate (NER) is 77 percent for elementary school but only 47 percent for ECEs and 48 percent at the secondary level. NERs vary by state; according to the 2020 figures, Pohnpei (NER 86 percent) and Kosrae (NER 85 percent) have higher elementary school NERs than the other states. This may be due to lower participation in education in Yap and Chuuk or may be simply due to poor data reporting.<sup>14</sup> School attendance rates are high at approximately 93 percent or above in all states. However, survival rates—that is, the likelihood that a given cohort of students will complete their education—are poor. The survival rate from grade 1 to grade 8 is 69 percent for males and 77 percent for females while the survival rate from grade 1 to grade 12 is 51 percent and 60 percent for males and females, respectively. However, once students make it to grade 9, they are extremely likely to complete grade 12; survival rates for this cohort are approximately 77 percent for males and 90 percent for females. It is not clear why survival rates are so low for the earlier years of schooling.
15. **Social protection offers potential tools for improving access to education and employment; yet, while FSM spending is above the regional average, the breadth of social protection programs is limited.** According to the latest available comparative data (2015),<sup>15</sup> FSM spends about 7 percent of GDP on social protection, compared to a regional average in the Pacific of 6 percent. However, the number of social protection programs is limited. The Social Security Program is a contributory social insurance for formal sector employees and the country's only public pension program. It provides benefits for retired workers (starting at the age of

<sup>14</sup> NDOE 2020.

<sup>15</sup> ADB (Asian Development Bank). 2016. "The Social Protection Indicator. Assessing Results for the Pacific." Manila.





60) who have contributed for at least 12.5 years with a minimum pension of US\$100 per month.<sup>16</sup> The program also features a disability and a survivor pension. FSM does not currently provide any active labor market programs.<sup>17</sup>

16. **In response to the pandemic-induced economic shock, FSM has significantly expanded social protection through the Economic Recovery and Relief Program.** The program, originally devised in 2020 and expanded in 2021, features four main pillars:<sup>18</sup> (a) the Pandemic Unemployment Assistance, which provides temporary unemployment benefits to individuals whose employment has been affected by the economic consequences of the pandemic; (b) the Low-Income Assistance Program,<sup>19</sup> which provides temporary cash benefits to households in the informal sector; (c) a food security program, which distributes seeds, planting, and fishing materials to agricultural households; and (d) the Financial Assistance to Vulnerable Groups Program, which waives medical expenses for persons with disabilities and survivors of gender-based violence (GBV). Overall, the country is expected to spend around US\$10 million, equivalent to 2.5 percent of 2018 GDP, on these temporary social protection benefits.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

17. To improve the quality of and equitable access to vocational education and skills trainings, to improve access to employment, and in case of an eligible crisis or emergency, respond promptly and effectively to it.

#### Key Results

**Table 1: Project development objective and indicators**

Objectives	Indicators
<b>To improve the quality of and equitable access to vocational education and skills trainings</b>	<p>(a) Number of participants of TVET programs who completed at least one year or market relevant TVET programs, disaggregated by gender and disability status</p> <p>(b) Number of TVET institutions successfully implementing performance grants for at least one year, awarded on the basis of equity criteria (socio-economic and / or disability status of students)</p> <p>(c) Targeted proportion of participants of TVET programs who passed the skills assessment and received certification</p>
<b>To improve access to employment</b>	<p>(a) Number of beneficiaries of job search assistance, disaggregated by gender</p> <p>(b) Percentage of beneficiaries who completed TVET courses and / or received employment services that found their first job or enrolled in tertiary education within six months of graduation, disaggregated by gender</p>

<sup>16</sup> <http://www.fsmssa.fm/benefits/>.

<sup>17</sup> <https://development.asia/insight/expanding-social-protection-pacific>.

<sup>18</sup> <https://dofa.gov.fm/social-protection-program/>.

<sup>19</sup> <https://dofa.gov.fm/president-panuelo-launches-low-income-assistance-social-protection-programming-7000000-to-be-distributed-to-eligible-households/>.





#### D. Project Description

18. **The proposed project follows a three-tier approach that is closely aligned with the key sectoral and institutional priorities in FSM.** Against the background presented in the previous section, the proposed project will finance three components incorporating activities that directly address key sectoral and institutional constraints and challenges related to equitable access to TVET institutions (Component 1), the quality and relevance of trainings provided in the TVET sector (Component 2) and unlocking opportunities to improve employability of jobseekers (Component 3). Project implementation will be led by a lean Project Implementation Unit (PIU) housed by the NDOE (Component 4), which will have a strong focus on strengthening institutional capacity to ensure project sustainability. In line with FSM's vulnerability to natural disasters and shocks, the project will also include a Contingent Emergency Response Component (CERC, Component 5).
19. **Component 1: Improving equitable access to vocational education and training (US\$3.33 million).** The objective of this component is to ensure TVET access to all eligible youth, especially the poor and vulnerable youth, women, persons with disabilities, and geographically disadvantaged groups such as students or trainees from outer islands. The component aims to achieve this by expanding the availability of quality skills training while providing information, incentives, and support to increase participation of under-represented and disadvantaged groups in TVET. To this end, the component will include the following subcomponents.
20. **Subcomponent 1.1: Provision of financial support for disadvantaged students (US\$0.38 million).** This activity will finance (a) the cost of various modalities of financial support to cover students' living expenses, as well as travel subsidies and health insurance premia to selected beneficiaries; (b) technical assistance to support the NDOE in the design and implementation of these financial support instruments;<sup>20</sup> and (c) technical assistance for establishing an information system to support the implementation of the financial assistance modalities. The project will finance the following modalities of financial support through this subcomponent for students attending the FSM Skills Academy (FSA, to be established<sup>21</sup> under Component 2)<sup>22</sup>, with all payments managed by NDOE: (a) stipends (living allowances); (b) travel subsidies to finance the full relocation costs of all students; and (b) health insurance premia payments for students.
21. Subcomponent 1.1 will also finance the following technical assistance activities: (a) the design and implementation framework for financial support instruments, including the development of a Student Financial Support Operational Manual (SFSOM) for the design and implementation of the financial support modalities, along with related training modules for project staff; and (b) development and rollout of a management information system (MIS) to support the business processes elaborated in the SFSOM.
22. **Subcomponent 1.2: Provision of grants to TVET institutions (US\$2.85 million).** This activity will finance (a) the cost of performance grants<sup>23</sup> provided to TVET institutions to enhance access, equity, and quality of

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<sup>20</sup> The NDOE has a legislative mandate to provide financial assistance to students in FSM.

<sup>21</sup> FSA will be considered as "established" once it is (i) formally registered as a TVET institution with NDOE; and (ii) core staff – principal, administrator, operations manager, administrative assistant – have been hired and onboarded. FSA is expected to be established expected to be established within the first 3 months of project effectiveness and is expected to start enrolling students by the beginning of the third year.

<sup>22</sup> Students of all state-level TVET institutions in FSM are eligible for financial assistance provided under Federal Pell Grants, managed by the US Department of Education.

<sup>23</sup> The NDOE has a mandate to provide public funds to the proposed institutions.



trainings and to enhance resilience to climate change and (b) technical assistance for developing the implementation framework (Operational Manual and information system support) for these performance grants. A crucial design feature of this instrument is the use of results-based contracting, with a view to ensuring that the training suppliers focus on enhancing employment outcomes of graduates rather than on simply supplying training. This feature would support direct links to the project objectives of improved access and equity, quality, and relevance of trainings. A grant recipient can use these funds to finance activities that are part of the institution's TVET development plan, which has to be developed and agreed with the PIU before any amount can be disbursed.

23. The project will provide annual performance grants not exceeding US\$125,000 each to FSA, four state-level public vocational schools,<sup>24</sup> and the Yap Catholic High School (to be established by the end of 2025). The grants will be managed by the NDOE. The maximum annual grant amount for each institution will be established on the basis of a formula that will incorporate both the number of contact hours for TVET courses as well as the number of students enrolled in the institution. The actual amount of performance grants received by an institution in any year will be determined according to another formula linked to its performance on a set of indicators specified by the project. While the formula will be described in detail in the Performance Grant Operational Manual (PGOM), the performance indicators will reflect access, equity, quality, and relevance. In addition to the payments for TVET grants, the project will further finance technical assistance for developing the implementation framework for these performance grants. The technical assistance will support the NDOE in developing the PGOM for the design and implementation of grants, along with related training modules for project staff. The PGOM will cover administrative procedures related to financial management (FM) and disbursement of grants, as well as procedures for monitoring and verifying school compliance in terms of achievement of performance indicators.
24. **Subcomponent 1.3: Targeted outreach and information campaigns to vulnerable groups on TVET opportunities (US\$0.10 million).** This subcomponent will finance consultancies for the development of an outreach and communications strategy, as well as communication campaigns. The target groups of communication and outreach activities will be vulnerable groups—low-income families, families residing in outer islands of FSM and in climate-vulnerable communities, and families of students with Individual Education Plans (IEPs)—regarding (a) the availability and benefits of attending TVET in targeted trades at FSA as well as state schools and (b) the provision of financial support for TVET students included in Subcomponent 1.1, as well as conditions of eligibility and associated administrative procedures. To ensure that students are well informed on how best to budget (that is, preparedness for climate-related disasters) and spend their stipends, this subcomponent will also include dedicated resources on information campaigns related to financial literacy, climate change, good nutrition practices, and healthy and active lifestyle overall.
25. **Component 2: Improving the relevance and quality of TVET (approximately US\$11.57 million).** The objective of this component is to enhance the relevance and quality of training offered by TVET institutions by upgrading the training curricula and its standards; improving the quality of trainers; and making provisions for independent testing and certification of skills. The enhanced training will be delivered primarily through a new, high-quality, flagship TVET institution—to be named the FSM Skills Academy (FSA)—that will be

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<sup>24</sup> These are Chuuk High School, Kosrae High School, Yap High School, Pohnpei Island Central High School, and the Yap Catholic High School. As these are the only schools in their respective states where students can focus on TVET in grades 11 and 12 (and Kosrae High School is the only high school in the State of Kosrae), they were included as performance grant beneficiaries under this project.



established in the premises of the now closed PATS, building upon the infrastructure of the erstwhile school. The institution will occupy approximately two acres of land owned by the Pohnpei Roman Catholic Church (PRCC) and leased to the Government of FSM for 99 years for a nominal lease fee. The project will also help improve the relevance and quality of TVET in other high schools across the country that offer TVET courses, including the four schools targeted to receive performance grants under Subcomponent 1.2, by giving them access to the enhanced training curricula, providing training opportunities to TVET teachers, and supporting the skills testing and certification of graduates. In parallel, it will also support the NDOE in preparing a 10-year national TVET development strategic framework and plan for prioritizing and guiding the activities in this subsector (including an expenditure review and planning of sector financing to prepare for the post-2023 period).

26. **Subcomponent 2.1: Establishment of the FSM Skills Academy (US\$10.02 million).** The objective of this subcomponent is to build upon the foundational activities under this project and support the Government in establishing FSA, which will serve as the national flagship TVET institution that offers high-quality TVET instruction to students who have completed grade 11 and are interested in obtaining a TVET high school diploma. FSA will be a fully residential, nondenominational, not-for-profit public school for grade 12 students, with a planned enrollment of 80 students. During the project period, it will train one full cohort of students (80) from across the country in the last year of implementation. To support the establishment of FSA, the project will finance three sets of activities: rehabilitating the physical infrastructure of the erstwhile PATS, strengthening trainer capacity to deliver high-quality TVET, and improving planning and management. These training programs will include modules on how to respond to extreme climate events. Furthermore, it will also finance the cost of room and board for all students living on-campus. To ensure the long-term sustainability of FSA, the Government will also prepare and approve, by the end of the fourth year of the project period, a costed, multiyear institutional development plan for Government takeover of all aspects of the academy following project closing. FSA will be overseen by a board chaired by the Secretary of the NDOE, and its day-to-day operations will be managed by PRCC.<sup>25</sup>
27. To support infrastructure rehabilitation, the project will finance the costs of relevant civil works and necessary laboratory equipment and supplies for delivering high-quality training in a small set of targeted trades and skills areas. The rehabilitation works, which are expected to be completed by the end of the fourth year of project implementation, will be based on a feasibility and needs assessment of physical infrastructure rehabilitation.<sup>26</sup> As the FSM Government is interested in eventually expanding FSA to cater to grades 9–11 in addition to grade 12, the infrastructure rehabilitation/development will be guided by a multiphase design that will also include structures and equipment to be added in the years following project closing.<sup>27</sup> The rehabilitation works will be overseen by the Department of Transportation, Communications & Infrastructure (DTC&I) of the Government of FSM,<sup>28</sup> which will be responsible for leading the procurement of necessary

<sup>25</sup> PRCC has been authorized by public authorities in FSM to provide secular education following Government-approved public education curricula and standards. Moreover, the Government's laws allow providing public funds for these purposes, the allocation of funds is based on transparent and objective criteria, and these funds are allocated for nonreligious and nonpolitical education and activities.

<sup>26</sup> It is expected that these civil works will cover the rehabilitation of, among others, administrative buildings, classrooms and academic buildings, laboratories (or shops), residential and dining facilities, warehouses, and roads/pavements within or around the campus compound. The rehabilitation works will be designed to maximize climate resilience, minimize energy wastage, and ensure that the facilities are accessible to differently abled students.

<sup>27</sup> The FSM Government plans to explore different sources of funding to undertake this expansion.

<sup>28</sup> DTC&I has considerable experience implementing World Bank-financed projects in FSM.



services and equipment, monitoring work progress, ensuring quality control, and regularly reporting to the PIU and the board on implementation progress. The Central Implementation Unit (CIU) will be working closely with DTC&I and the PIU in the course of implementing this subcomponent to effectively manage environmental and social risks.

28. The interventions proposed in this project, including those specific to FSA, have been informed by the key lessons learned from the closure of PATS. In particular, to address the potential challenges of dwindling enrollment and funding constraints faced by PATS, the project will (a) ensure that the value of TVET education is widely understood by students and their families; (b) support the delivery of high-quality, market-relevant courses at FSA and the other project-supported schools to ensure strong links between training and labor market needs; (c) expand the pool of potential applicants and ensure equitable access to FSA by enrolling both boys and girls and by providing free education to students, including economically and geographically disadvantaged students, from across the country; and (d) provide adequate funding for FSA during the project period and lay the groundwork for FSA's sustainability after project closing as a Government-owned institution. By providing high-quality, market-relevant courses, FSA will prepare students who are also well placed to pass internationally recognized skills certification tests which will lead to improved employment options both within and beyond FSM. Furthermore, by linking TVET courses to labor market needs, TVET graduates will have a greater chance of securing employment. The successful employment of these graduates will contribute to demonstrating the value of TVET education to the broader population. Communication campaigns planned under the project will ensure that the strong link between TVET education and employment is understood by local communities. Jobs fairs held across the four states will similarly illustrate the kinds of employment opportunities TVET graduates can access.
29. **Subcomponent 2.2: Developing TVET training curricula (US\$0.55 million).**<sup>29</sup> Under this subcomponent, the project will finance technical assistance, workshops, and consultations for developing occupational standards<sup>30</sup> in targeted sectors, updating curriculum standards,<sup>31</sup> and developing new curricula to improve the relevance and quality of TVET. The procured technical expertise will also support the NDOE in preparing a 10-year national TVET development plan. The new curricula<sup>32</sup> will be aligned with occupational standards and market needs and will incorporate (a) socioemotional skills, digital skills, and work readiness training; (b) practical training elements by inviting employers as guest lecturers; (c) digital learning modules to complement face-to-face learning where relevant; and (d) short-term remedial training modules to address learning gaps in basic (English) literacy and numeracy as part of the course offerings. The development of occupational standards and curriculum revision will be led by Formal and Non-formal Education Department (FNFED) in the NDOE working in close collaboration with counterparts from the SDOEs to ensure ownership of the upgraded curricula and occupational standards by all the states. The private sector will also be closely involved in the preparation and validation of the occupational and curriculum standards.

<sup>29</sup> A training curriculum includes learning objectives, content, and materials, as well as approaches to assessing the learning of trainees.

<sup>30</sup> Occupational standards describe the competencies required for an occupation.

<sup>31</sup> Curriculum standards typically present learning requirements in each subject area at each grade level (or a range of grade levels) that students are expected to acquire and teachers are expected to teach. Curriculum standards usually make explicit the benchmarks as well as corresponding performance indicators.

<sup>32</sup> As there are no national curricula available currently (curricula in FSM are generally decentralized and vary from school to school), new curricula for the target occupations need to be developed.



30. The NDOE will first identify one target occupation within each of the seven sectors of high priority: agriculture, business, carpentry, electrical, hospitality, mechanical (auto and air conditioning), and IT. It will work with a group of national and international TVET experts and curriculum specialists from the SDOEs and COM-FSM to prepare occupational standards for these occupations in consultation with the Chamber of Commerce, building on relevant standards from the region and elsewhere. It will then update the national CTE Curriculum Standards (2009), with a strong emphasis on its relevance for the chosen occupations. The revised CTE Curriculum Standards and the newly prepared occupational standards will be the foundation for preparing one-year TVET programs to be delivered in grades 11 and 12 in general secondary schools and FSA, following their adaptation by the four states to better address local contexts and needs. When preparing standards, special attention will be given to ensuring that (a) the most relevant skills (including vocational, digital, and soft skills) are well defined and characterized in the standards, (b) the benchmarks for successful skills acquisition are clearly stated, and (c) the pedagogical processes to foster these skills are well elaborated.
31. The updated curriculum standards and the new occupational standards will form the basis for the new curricula. Given the time and resource constraints, the initial curriculum development work will focus on four selected occupations within the seven priority sectors with a view to progressively cover all the occupations in the eight sectors (that is, one occupation per sector). For the general secondary schools and FSA, one-year curricula will be prepared for students in grades 11 and 12. The curriculum will be designed to ensure consistency and coherence between secondary- and tertiary-level programs to facilitate the transition of interested high school TVET graduates to TVET programs in COM-FSM or tertiary institutions outside the country.
32. **Subcomponent 2.3: Designing and implementing high-quality training of TVET master trainers and trainers (US\$0.45 million).** Under this subcomponent, the project will finance (a) the development of training packages for the training of TVET master trainers (MTot) and the training of TVET teachers or trainers (ToT), (b) the cost of delivering the MToT, and (c) the cost of delivering the ToT.<sup>33</sup> Both the MToT and ToT programs will be organized and managed jointly by the NDOE, FNFED, and the PIU. The objective of the MToT program is to create a pool of around 16 local master trainers<sup>34</sup> equipped with the necessary knowledge, skills, and techniques to effectively plan and deliver high-quality ToTs, assess and evaluate the competencies of TVET teachers, and contribute to periodic revision and upgrading of ToT modules. The objective of the ToTs is to enhance the pedagogical skills of TVET teachers across the country. They will focus on equipping TVET teachers with the basic skills, knowledge, tools, and techniques to deliver high-quality TVET instruction to high school students. The ToTs will be offered each year as two-week-long residential courses in the main islands of the four states during the summer holiday months,<sup>35</sup> starting the second year of project implementation.

<sup>33</sup> The training delivery cost also includes transportation and living costs for trainees and trainers.

<sup>34</sup> Including at least four master trainers from each state.

<sup>35</sup> Schools are closed during the months of June, July, and August. Note that since transportation from the outer islands to the main islands is available only two times during this period (at the beginning and at the end of summer), the training participants cannot travel back to their homes until the end of the summer. Hence, the project will cover the living costs of the participants for the entire summer.



33. **Subcomponent 2.4: Making provisions for independent assessment and certification of skills (US\$0.55 million).** FSM currently has no processes or system in place for independent assessment of skills. This limitation not only makes it difficult to ensure the quality of outputs of formal TVET programs but also prevents workers with experience but without formal qualifications from getting their skills recognized. The certification of skills will give workers portable certificates that signal their market values both in FSM and abroad and will also make it easier for them to upgrade their skills by participating in formal higher-level skills training programs. To enhance the credibility of certification and ensure that skills certificates are valued by both national and international employers, including foreign companies operating or potentially investing in FSM, the national certification must also be recognized through international certification bodies.<sup>36</sup> The project will support the establishment of a national skills certification unit under the FSM Department of Resources and Development (DRD) with the authority to assess and certify the skills of both formally trained students and workers as well as youth and adults who do not necessarily have formal training. The project will also assist the Government in obtaining authorization and/or licensing for the proposed certification unit from an internationally recognized certification body so that the agency's certificates are also accepted in countries and regions where Micronesian citizens seek employment, including California, Guam, and Hawai'i.
34. It is expected that, during the project period, the proposed unit will assess the skills of 650 individuals, including 240 FSA graduates (FSA students will sit for the certification exam as part of their graduation requirement), 60 public school teachers, 200 public school graduates, 100 CTEC graduates, and 50 members of the general public in a maximum of four trades. A total of 25 assessors from across the four states will be trained under the project - the training will be provided by an internationally recognized certification organization. Practical assessments of skills will be done at the high-schools, FSA, and/or COM-FSM as these institutions house the equipment necessary for conducting the assessments.
35. It is expected that, during the project period, the proposed unit will assess the skills of around 475 individuals, including 80 FSA graduates (FSA students will sit for the certification exam as part of their graduation requirement), 60 public school teachers, 200 public school graduates, 100 CTEC graduates, and 50 members of the general public in a maximum of four trades. The skills assessors or examiners will be drawn from a pool of professors and instructors working in COM-FSM, FSA, and the four high schools supported through performance grants, along with staff from the NDOE. These assessors will be deployed for skills testing only after they have received training on skills assessment. A total of 25 assessors from across the four states will be trained under the project. The training will be provided by an internationally recognized certification organization. Practical assessments of skills will be done at the high schools, FSA, and/or COM-FSM as these institutions house the equipment necessary for conducting the assessments. Certification testing will be offered at fixed times two times a year and will be available to all individuals who want to get tested, including workers interested in getting their informally acquired skills recognized. However, when there are large groups of applicants that seek to be tested together, for example, a graduating FSA cohort, special arrangements outside the scheduled testing times can be made.
36. **Component 3: Improving labor market information and employment services (US\$0.52 million).** This component aims to establish capacity within the Government to provide labor market information and employment support services with a view to improve labor market outcomes among potential workers—

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<sup>36</sup> For example, through authorization by recognized trade bodies such as the International Institute of Welding or a global certification organization such as PGM Turkey, among others, all of which carry a cost. Both organizations noted as examples provide certifications recognized in the USA.





including TVET graduates—in FSM. To this end, the activity will support FSA, other TVET institutions, and relevant Government units, including federal and state personnel offices and the SDOEs, in their efforts to match jobseekers with appropriate vacancies through comprehensive job search assistance. This component will further finance a comprehensive labor market assessment. It is expected that the NDOE will implement this component in close partnership with DRD.

37. **Subcomponent 3.1: Implementation of a comprehensive labor market assessment (US\$0.23 million).** This subcomponent will finance a series of labor market surveys and accompanying technical analyses; these will substantially contribute to the evidence base and data/information on labor markets and technical-vocational trainings that are currently largely missing or outdated in FSM. The NDOE and DRD will partner with relevant agencies—DOFA, FSM Statistics, SDOEs—and private sector stakeholders in designing the survey. The implementation of surveys and analyses will be carried out in partnership with FSM Statistics and will be supported by consultants to be procured by the project. It is expected that the NDOE will regularly update this analysis to meet the changing needs of the labor market, with findings to be regularly published through periodic labor market bulletins to be developed as part of project activities.
38. **Subcomponent 3.2: Supporting job search assistance (US\$0.29 million).** The project will finance technical assistance to the NDOE and DRD to develop support tools for jobseekers as well as staff trainings to enable relevant Government units and career counselors working in TVET institutions to provide effective job search assistance for current or prospective jobseekers. Activities will involve (a) designing operational procedures for a career counseling function to be established in FSA and other schools receiving performance grants under the project; (b) developing training modules promoting employability and incorporating them in relevant TVET curricula (developed as part of Component 2) to be delivered in FSA and state schools; (c) developing and delivering trainings to Government and TVET institution staff regularly engaging with jobseekers on effective strategies and practices in career counseling and mentoring of vulnerable jobseekers, with a focus on women; (d) organizing regular job fairs between employers, training institutions, and jobseekers; (e) facilitating partnerships between FSM stakeholders (TVET institutions, the NDOE, and DRD) and operators of key online platforms that are currently widely used for job search by FSM jobseekers, to ensure accessibility and transparency of labor market information; and (f) promoting job matching and supporting job search assistance services through demand-side initiatives for employers to advertise job vacancies through online platforms. Activities will be developed with a priority focus on women and with a view to further enhance employment opportunities among students with disabilities.
39. **Component 4: Project Management (US\$2.29 million).** The objective of this component is to support project management, including monitoring and evaluation (M&E) of project activities. It will finance the establishment costs and incremental operating expenses of the PIU. Headed by a Project Manager, the PIU will be an integral part of the NDOE and will be staffed by dedicated consultants, including a Senior Project Officer, an education specialist with experience in TVET and time-bound consultancies for safeguards-related and M&E work (to be working in partnership with the CIU) on the basis of well-defined terms of reference (TOR). To strengthen the Government's capacity for effective project preparation and swift implementation kickoff after effectiveness, the Project Manager will be hired through the PPA facility available to World Bank-financed projects in FSM.





## Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

## Summary of Assessment of Environmental and Social Risks and Impacts

40. The FSM SEE Project will provide social benefits from increasing access to and the quality of TVET, with an emphasis on increasing the participation of disadvantaged, such as young people living in remote communities, women and low-income families. The project will also enhance employment opportunities and jobseeker services. The project will have overwhelming social benefits. Risks such as the marginalization of vulnerable or disadvantaged and gendered inequities are addressed in Project design. Stakeholder engagement will ensure that the beneficiaries are engaged in the identification of issues and associated project benefits.
41. The social risks relating labor relate to the rehabilitation activities associated with the PATS / FSA under Component 2 relate to workers health and safety. Labor risks, including SEA/SH can be managed through effective codes of practice, training of workers and good supervision and oversight of mitigation measures. Furthermore, the Project will support internships for students who will be placed in local businesses to gain training and experience. The labor, H&S and SEA/SH risks associated with this activity will be managed through clear communication of roles and responsibilities (for NDOE, employer and intern), transparent contract conditions, presence of a labor grievance mechanism and active monitoring by NDOE. Initial screening of land use during the project preparation suggests that approximately seven families are occupying the PATS structures, with verbal permission from the Catholic Church. During feasibility design the NDOE will assess whether resettlement or economic displacement may be possible, whether it could be avoided and what mitigation and compensation may be required under ESS5.
42. The environmental risks are low to moderate and primarily relate to the design, construction and operation of the rehabilitation of the PATS / FSA campus. The former PATS campus is located in a rural area of Pohnpei State, adjacent a marine area of biological significance. The campus includes classrooms, dormitories, workshops, laboratories, chapel, and other ancillary buildings, all of which are derelict or in major disrepair. Environmental risks are building waste (hazardous and non-hazardous), pollutants such as stormwater and sediment discharges and health and safety risks from construction, and the management of water use, energy use and waste during building operations. Risks also may occur from the use of raw materials and creation of waste from vocational training facilities. The renovations are an opportunity to design in water and energy efficiency, climate resilience, fire and life design and universal access. The environmental risks relating to non-physical works, including downstream or future risks, are low.
43. A preliminary Environmental and Social Management Plan has been prepared for the PATS/FSA renovation, which will contain good practice approaches to managing design and construction-related environmental and social risks. The social risks relate to labor management, worker and stakeholder feedback and grievances and the risks of sexual exploitation, abuse and sexual harassment. All other social risks will be managed through the Stakeholder Engagement Plan, Labor Management Procedure and actions in the Environmental



and Social Commitment Plan. A moderate risk rating is proposed because the Project is not complex and / or large, does not involve activities that have a high potential to harm people or the environment. Construction related impacts are readily identified and mitigated and are temporary in nature.

## E. Implementation

### Institutional and Implementation Arrangements

44. **The lead implementing agency for the project will be the NDOE, while DTC&I will be an implementing agency exclusively for managing infrastructure investments under Subcomponent 2.1.** A high-level Project Steering Committee (PSC), chaired by the Secretary of Education, will be established to guide and oversee overall project implementation and ensure that the project activities are consistent with Government policies. The PSC will also be responsible for approving the annual project budget and activity plan, reviewing project implementation progress, and advising the PIU on any course or scope adjustments needed during implementation. It is expected that the members of the PSC will include the Secretary of DOFA, State Directors of Education, , representatives of DRD and DTC&I, and representatives of the FSM Association of Chambers of Commerce and COM-FSM. The PIU will provide administrative support to the PSC. The project governance structure will also include a TVET Working Group to address technical and operational questions not currently covered by existing activities or operational procedures within the NDOE. The TVET Working Group will comprise representatives from Workforce Development and Trade Skills programs under the SDOEs; National and State Personnel Offices; technical experts from the NDOE, DRD and DTC&I; employer representatives for selected trades; representatives of TVET institutions; and representatives from FSM Statistics. In line with the FSM World Bank portfolio, and in the case that the CERC component is activated, DOFA will execute the CERC. The CERC Annex of the POM may provide for other contingent implementation arrangements, depending on the nature of the possible crisis or emergency, and responses.
45. **The day-to-day implementation of the project will be coordinated and managed by the PIU to be housed in the NDOE.** Apart from the activities described under Component 4, the PIU will also be responsible for preparing the annual budget and activity plan and submitting it to the PSC for approval and reporting to the PSC on project progress, implementation challenges, and proposed courses of action during quarterly meetings called by the PSC. It will work in collaboration with the Post-Secondary Scholarship Office, FNFED, SDOEs, and TVET institutions to implement project activities, monitor implementation progress, and provide capacity-building activities for all Government agencies involved in project delivery (with a view to ensure project sustainability). The PIU will be closely supported by the CIU housed by DOFA in carrying out its FM, procurement, environmental safeguards, and social safeguards functions: however, the NDOE remains fully responsible and accountable for the funds disbursed under the project. The CIU will provide continuous implementation support to the project. The already established CIU is a functional unit that supports the implementation of the World Bank portfolio.
46. **The NDOE will work in partnership with DTC&I and DRD to implement activities related to infrastructure development, as well as skills certification and labor market interventions, respectively.** While the NDOE will be responsible for the overall project, the rehabilitation of the PATS infrastructure to establish FSA will be supported by DTC&I. In this role, DTC&I will provide technical inputs to the PIU in support of the procurement of firms and consultants—including the development of TOR and oversight of contracts —to



undertake the necessary civil works and will also support the selection of design and supervision consultants, procurement of equipment and supplies, monitoring of work progress, and ensuring of quality control. DTC&I will further certify works completed in line with the specifications defined. These activities are expected to be supported by the program management unit in DTC&I that also leads the implementation of other World Bank-financed infrastructure projects, with this project dedicating supplementary resources, as needed. DRD will house the independent skills certification unit for FSM. The unit will be responsible for organizing training for skills assessors, contracting assessors to conduct skills assessments, conducting skills assessments and issuing skills certificates, and obtaining and maintaining recognition from an international skills certification agency. It will work closely with the NDOE and the FSM SEE PIU to support the skills assessment of the project's targeted beneficiaries and will report to the PIU on the progress made in implementing Subcomponent 2.4. DRD will also be closely involved in the implementation of job search assistance activities (Component 3); specific roles and responsibilities of the NDOE, DRD, DTC&I, and FSM Statistics will be established through Memoranda of Understanding between the NDOE and the three agencies.

47. **The FSA will be governed by a board chaired by the NDOE Secretary.** The FSA board will include representatives from DOFA, DTC&I, COM-FSM, and FSM Association of Chambers of Commerce as well as the civil society representatives. It will provide strategic guidance to FSA, help mobilize additional resources for the institution, periodically review the progress made by FSA, and advise on course corrections as needed. The FSA board's administrative support will be provided by the PIU. It will also be responsible for signing the contract with PRCC to authorize the latter to manage the day-to-day operation of the institution. With the approval of the board, PRCC will hire a principal to lead the institution and an administrator to support them. While PRCC will not need the board's approval to hire other teaching and non-teaching staff for FSA, it will keep the board informed of all hires and staff turnovers. The academy's principal will report to the board and will also work closely with the PIU, NDOE, and DTC&I, especially during the institution's establishment phase.

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