

STANDING COMMITTEE REPORT NO. 17-142

RE: C.R. NO. 17-101/R&D

SUBJECT: AGRICULTURE POLICY FOR THE FSM

SEPTEMBER 22, 2012

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Fifth Regular Session, 2012

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.R. No. 17-101, entitled:

"A RESOLUTION APPROVING AND ADOPTING THE FEDERATED STATES OF MICRONESIA AGRICULTURE POLICY.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

The President has transmitted Congressional Resolution No. 17-101 to Congress through Presidential Communication No. 17-166 on January 4, 2012. Enclosed with C. R. No. 17-101 is the draft Agriculture Policy for the Federated States of Micronesia.

The draft FSM Agriculture Policy, herein after referred to as the "policy", is a result of a participatory consultative process among wide range of Agriculture Sector stakeholders, which provides the basis for action by both public and private sectors to strengthen agriculture growth in the FSM.

The FSM agriculture sector has been identified as one of the priority areas for economic development, however, the sector has not been productive and growth has been sluggish and stagnant over the last 20 years. Lack of a coherent policy, legal and regulatory framework has inhibited strategic action and dissipated the already limited human and financial resources. The FSM Strategic Development Plan of 2004-

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2023 calls for an agreed vision and adherence to a national agriculture policy framework.

Public Hearings

Your Committee on Resources and Development of the FSM Congress to which the matter was referred to conducted State hearings on Congressional Resolution. No. 17-101 in the State of Pohnpei on February 24, 2012, in the State of Chuuk on April 04, 2012, in the State of Yap on April 9, 2012, and in the State of Kosrae on April 24 and 25, 2012. Participants at all of these hearings, included representatives of the Pohnpei State Legislature, Micronesia Conservation Trust, Pohnpei Office of Economic Affairs, Chuuk Department of Agriculture, Chuuk House of Representatives, Chuuk State Senate and cabinet members of Chuuk State, cabinet members of Yap State, COM-FSM Yap branch, members of the Yap legislature and members from the private sectors.

Participants from Pohnpei and Chuuk States were very supportive of the agriculture policy and voiced general support for the resolution. In Yap State, the concern was that why should we have a National Agriculture Policy when implementation of activities in the agriculture sector are done at the State level. During the hearing in Yap, it was clarified to the Yap leadership that the agriculture policy recognizes the different needs of each State and that implementation takes place at the State levels and program implementation will be as prioritized by the States.

Your Committee explained that the agriculture policy calls for strategic action planning to be developed at the State level and to be implemented at the State level. The priorities outlined in the agriculture policy are based on all States' priorities as defined during a series of consultation with each State during the formulation process of the agriculture policy. In fact, all stakeholders in all states participated in the formulation of the agriculture policy and their interests and priorities were incorporated into the agriculture policy.

After the clarification was made, the Yap leadership and the general public indicated that it is about time we put an agriculture policy in place. In Kosrae, two separate hearings were conducted and in both hearings, the leadership requested if Congress could allow them time

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to review the policy and provide comments and input. A deadline was agreed upon, which was in June 2012. Kosrae leadership has not submitted its position. On September 21, 2012 oversight hearing with the Department of Resources and Development on the policy, Mr. Gibson Susumu stated that the Division of Agriculture under the Kosrae Department of Economic Affairs fully support the policy.

The policy assesses the current situation of the FSM agriculture sector, identifies the key sector stakeholders and their roles, highlights the key issues and constraints inhibiting agriculture development, analyses the solutions and strategic actions to enhance agricultural growth, proposes an institutional framework to implement, monitor and finance the policy implementation and recommends a monitoring and evaluation system for the implementation of the policy.

The Agriculture sector in its context

The traditional agriculture in the FSM contributes significantly to the livelihood and food security of a large proportion of the FSM's population. In fact, traditional agriculture in the form of food production on family farms and subsistent artisanal fishing continue to be a vital part of food security in the FSM. Therefore, traditional agriculture serves as a central role in ensuring healthy lifestyle, preserving traditional knowledge, practices and skills.

Commercial agriculture is still underdeveloped. Home gardening in the FSM is only for local consumption and to an extend supports small export sales in Guam, the Republic of the Marshall Islands and Saipan. Farmstead livestock throughout the FSM is only for subsistence and cultural use.

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Stakeholders and Their Roles in the Agriculture Sector

The stakeholders in the sector include representatives from the Agriculture Unit under the FSM Department of Resources and Development; the Chuuk State Agriculture Department, the Division of Agriculture and Land under the Kosrae State Department of Resources and Economic Affairs, the Agriculture Office under the Pohnpei State Office of Economic Affairs; the Division of Agriculture under the Yap State Department of Resources and Development, the Land Grant Cooperative Research and Extension programs based at the COM-FSM State Campuses, Community Groups, and Non-Governmental Organizations.

The various stakeholders are grouped according to their roles as sector output generators, service providers, policy brokers, equity brokers, consumers, and investors as indicated in the table below.

FSM Agriculture Sector Stakeholders					
SECTOR OUTPUT GENERATORS Private Sector	SERVICE PROVIDERS Public, Private, NGO	POLICY BROKERS	EQUITY BROKERS	CONSUMERS	INVESTORS Public, Private
Farmers (small & big women & men)	Researchers COM-FSM	Congress, Senate	Women's representatives	Rural Household Urban Consumers	Government
Traders local food vendors	Extension Agents COM-FSM	State Legislature	Traditional Chiefs	Tourists	US Compact, USDA, Other Development partners
Processors	Financiers, business service & credit providers	Municipal Government	Chamber of Commerce	Overseas Consumers	National and Foreign Business Investors
Exporters	Educators/trainers	Traditional Chiefs	Other NGO's Environmental NGO		
Farmers Association Farmers Cooperatives	Input Suppliers Farmers Associations	JEMCO	Farmers Association		
Department Agriculture CDA	Transporters (trucks, boats, ships, planes, stevedores)	Finance (SBOC)	Church representatives		
NGO's	Utility Providers (power, water)	Trade	Municipal Govt State Legislature		
	Infrastructure providers	Custom & Revenue			

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	Agriculture Dept.				
	Environment NGO's				
	Regulatory (quarantine, food standards)				

The sector output generators include the private sector (farmers, traders, food vendors, processors and exporters) are encouraged to increase their service roles. The private sector organizations (Chamber of Commerce, Farmers Associations) also need to strengthen their role as equity brokers and voice any concerns and impediments in their role, where appropriate, on behalf of their members.

The public sector main roles will be to invest in core public goods such as data and information, quarantine services, agriculture research, basic extension, infrastructure and enforcement of property rights, rules and contracts. The public sector will attempt to do it in the least distorting manner, with the aim of fostering equitable growth through a consultative dialogue with the private sector. The public sector will continue to strengthen its key roles in facilitation, coordination and regulation to create an enabling environment in the agriculture sector for the private sector to operate.

Key Issues and Constraints Inhibiting Agriculture Development

Weak Leadership and Coordination in the Sector

In FSM complex political and institutional structures, bureaucratic channels for communication and limited human resource capacity have combined to inhibit leadership and coordination in the agriculture sector. In addition, a lack of coherent policy, legal and regulatory framework also has inhibited strategic action plans in the agriculture sector.

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Evidence Based Decision Making

The stakeholders need reliable data in the agriculture sector in order to monitor the agriculture sector performance in the FSM. Lack of data constraints efficient planning and budgeting for the sector. Currently, there is no available data on subsistence activity and the production and economic value of agriculture produce in the FSM. So the stakeholders cannot measure the existing agricultural systems. A need to conduct an agriculture census on the basic structural information on the sector is therefore recommended.

Budget allocation

Insufficient budgetary allocation to the agriculture sector is a challenge. The FSM Strategic Development Goal envisioned that budget share allocated to agriculture would increase to three percent in total in 2009, but allocation at the National and State levels have been stagnant or in some cases declining. The agriculture sector is identified as one of the three pillars for economic development in the FSM, however, the level of funding allocated for agriculture are unnoticeable. In order to strengthen the agriculture sector performance, available funding in the agriculture sector should be well-coordinated and targeted to prioritized actions and service delivery.

Vulnerability to Food Prices/Large Trade Deficit

The increase of imported food undermines the agriculture sector's opportunities to increase export of local food and processed produce to substitute for imported foods. This is still an ongoing problem.

Increasing Incidence of Diet and Lifestyle Related Non Communicable Diseases

The entire populace prefers the easy-way-to-have-a-meal by eating imported food resulting in a nutritionally related disease. Consequently, the agriculture sector performance is weakened. Studies showed that vitamin A deficiency and anaemia among children, diabetes, heart disease, and certain cancers have been diagnosed among children in the FSM. Hence, non-communicable diseases impacted negatively on families, the health system, and the economy.

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Threat of Invasive Species and Trans-Boundary Pests and Diseases

The increase of entry points to FSM and the influx of passenger and cargo traffics resulted in the threat of invasive species and trans-boundary pests and diseases. If this continues to escalate, the prevalence of agriculture pests and diseases will affect the potential export of local produce. This will pose a significant threat to local ecosystems, agriculture production, human and animal health and food security.

Limited In-Country Capacity For Agro-Processing and Value Adding of Agriculture Products

Limited technical know how on food processing, branding, quality certification and accreditation, as well as farm level quality improvements continues to be a problem in the FSM. In addition, limited entrepreneurial and business skills also constraint agribusiness development.

Weak Market Linkages and Low Competitive Advantage of Local Agriculture Products

Lack of accessible and sustained markets for agricultural products is currently the biggest constraint to the growth of commercial agriculture. Looking out, the farmers and farmers associations in the FSM need to be assured of a continuous market linkage to the outside world for them to sell their local agricultural products. This will encourage them to diversify their marketable products and at the same time enhance commercial agriculture in the FSM. Looking in, they need good municipal market houses for them to sell their nutritious local produce to encourage local food production and improve incomes, but the States have not invested sufficiently in market infrastructure.

Public officials should be invited and funded to attend training on food legislation and regulations, inspection, laboratory analysis and quality assurance for them to monitor and meet prescribed standards on accreditation, certification system, appropriate storage, labelling and packaging for certified products.

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The farmers (small and medium sized enterprises) still do not know the fundamental knowledge about food safety and quality assurance therefore they missed market opportunities or cannot to take advantage of potential market opportunities.

Limited Capital and Access to Affordable Credit

The banks are reluctant to issue out loans to farmers because farming is considered to be a highly risky business endeavour. Without credit farmers are hard pressed. Few microfinance institutions are operating, but they tend to reach a small proportion of smallholder farmers, and provide only short-term credit. The banks need to develop credit facilities particularly suited to small-scale farming.

Vulnerability To The Adverse of Natural Disasters and Climate Change

The vulnerability of food and farming systems to the adverse of natural disasters and climate change is not well considered. Good stewardship of the available land is necessary to maintain agriculture productivity and meet the increasing food demands of a growing population. Thus, effective land-use policies and practices are required along with appropriate regulations and enforcement.

Burgeoning Youth Population Lacking Adequate Livelihood Skills and Opportunities

Young people with limited education in the FSM have very limited employment opportunities. If this continues, most likely these young people may decide to emigrate. The land and agriculture continue to provide subsistence livelihood to them. But for those youth with improved technical training and entrepreneurial skills the agriculture/agri-business sector could offer good income earning and employment opportunities.

Inadequate Domestic and International Transport Linkages

Efficiency in the air and sea transportation is important for trade in agriculture products. Better coordination between farmers, exporters, sea carriers, air carriers and freight operators is needed to realize potential opportunities for sea freight and airfreight of agriculture export commodities.

Weak Capacity of Both Public and Private Agriculture Sector Stakeholders

The extension services in the States have declined over the last two

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decades due to use of inappropriate methods, inadequate operational budgets and limited human resources. The specialists currently working in the sector are approaching retirement, but there is no clear plan for succession. Currently, agriculture is not an appealing field for many people. The need to have skilled agents working at the municipality level to assist farmers to sustain food production will improve the farmers' opportunities to increase their cash earning from agriculture.

Opportunity For Stronger Linkages and Synergies Between The Agriculture and Tourism Sectors

One of the goals for the tourism sector is to promote inter-sectoral linkages and maximize use of local produce and services. It is expected that the growth in tourism numbers could provide a substantial market demand for quality local produce and local produce used in restaurant menus could support tourism. Strengthen linkages and synergies between the two sectors could bring increased opportunities and mutual benefits for both.

Vision for the Sector

During the participatory consultations, all stakeholders agreed on a vision for the sector, which states:

"By 2023, FSM will have a vibrant, robust and productive agriculture sector that sustainably supports food security, healthy lifestyles, strong social safety nets, and promotes a greener economy. The sector will provide good employment and income generating opportunities, economic growth and reduction in trade deficit. This will help ensure a happy, healthy, prosperous and peaceful nation."

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To fulfil the vision statement and to have an efficient agriculture policy, the following goals, development outcomes and strategies should be achieved or accomplished before the targeted year (2023):

- Achieve national food security, safety and nutritional health
- Improve farm incomes and livelihoods with particular focus on gender and vulnerable groups
- Strengthen socio-cultural safety nets
- Preserve and protect culture, traditional knowledge and practices
- Support sustainable economic growth and improve the balance of trade
- Improve natural resource management

Development Outcome (Results) Areas:

1. A well resourced and properly focused agriculture sector operating within a stable and consistent policy framework
2. Enhanced capacity of sector stakeholders
3. Increased sustainable production (and productivity) of traditional farming systems to provide for household nutrition, traditional needs and cash incomes
4. Increased volumes of saleable agricultural products to be marketed by the private sector into domestic and export markets
5. More product value adding through efficient value chains
6. Strengthened domestic and international transport linkages
7. Enhanced synergies between the agriculture and tourism sectors
8. Enhanced environmental services and sector resilience to natural disasters and climate change.

Institutional Framework For The Policy Implementation

While the Agriculture Policy provides an overarching framework for sector development, some elements are purposely generalized to allow for variation according to specific needs and priorities of each state. Stakeholders, during formulation of the policy, had indicated broad agreement on the vision statement, guiding principles, policy goals and development outcomes. However, it is anticipated that the National and State governments will refine strategic actions and investments as they deemed necessary in the context of specific needs. Some state governments had recently endorsed agriculture strategic

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action plans, which have helped guide the formulation of this policy.

The institutional structure is being proposed is to provide support services to fulfil the objectives identified in the policy. The policy proposes an establishment of Agriculture Policy Working Team (APWT) consisting of representatives from the sector to work closely with the Agriculture Sub-Committee of the National Trade Facilitation Committee (NTFC) and to facilitate coordination across sectors. The coordination should focus around shared vision for the sectors. The priority actions include:

- Liaise closely with the NTFC Agriculture Sub-Committee;
- Identify reviews and studies required and draft Terms of Reference;
- Identify potential projects and funding sources; and
- Use information gained through monitoring, evaluation and impact assessments for policy development, review and refinement.

The government agencies under the APWT will review and prepare clear mission statements and long-term corporate plans that indicate how they will contribute to achieving the development outcomes identified in the policy. The government agencies should analysis, examine and review the core function that must be performed by the relevant agency to meet its mandate and mission to effectively contribute to the implementation of the policy. They should consider the organization structure and the human and financial resource needed to effectively perform agreed functions. This will ensure that no unnecessary duplication of efforts, no conflicts of interest, and that transactions cost in delivering the policy are reduced.

The current practice is that government agencies often speak on behalf of the farmers and do not inform the farmers. This lack of farmer's voice is often unnoticed. Therefore, the government agencies will seek to strengthen partnerships with farmer's organizations, NGOs and community organizations and encourage support services provision to them. The community groups and NGOs will ensure that people at the rural communities and grassroots level are involved in the decision making process in the development of agriculture and their needs are assessed. An effective "farmers' voice" should be the real basis for agriculture development. And government should interact with farmer's

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organizations so as to represent them and voice their concerns.

To improve the performance of the agriculture sector, the current regulatory framework needs to be strengthened to encourage business investment and to promote sustainable resource management practices. The legal and regulatory framework across the four States should be harmonized to cater for food control, bio-security, and access to biological specimens and trading.

Each of the four States has strong cultural identities and dynamic traditions in which agricultural production and agricultural products play an integral role. Therefore, culture and tradition needs to be at the center of agriculture development policy. The policy promotes consensus building approaches to achieve common goals rather than over stressing the role of formal institutions. The policy also promotes documentation and preservation of traditional knowledge and practices in agriculture.

Monitoring and Evaluation Matrix

A monitoring and evaluation (M&E) system is important to ensure that the development outcomes identified in the policy are achieved. To ensure the effectiveness of a M&E, sufficient baseline data need to be in place, and subsequently, systematic data collection on relevant indicators is required. Good monitoring will allow appropriate adjustments to the policy framework when the implementation commences.

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The policy recommends an establishment of a minimum set of core indicators that need to be measured. It is important to ensure that relevant data is collected in any future agriculture surveys, HIES, Demographic Health Surveys, nutritional surveys, and Population Census. As an annex to the policy, a M&E Matrix is developed as a tracking tool for the development outcome areas identified in the policy.

The APWT under the leadership of the FSM Department of Resources and Development and in close cooperation with SBOC will be responsible for establishing the M&E framework and preparing regular policy implementation reports. Annual reports should be prepared to feed into the budget preparation process. The policy will be subjected to a mid-term evaluation no later than three years after the FSM Congress adopts it.

Your Committee wishes to offer the following amendment to read as follows:

1. Page 1, line 14, delete "and".
2. Page 1, lines 15 and 16, delete them in their entirety.
3. Page 1, line 19, delete "Third" and insert "Fifth" in lieu thereof.

Recommendations of your committee

Your Committee on Resources and Development is in accord with the intent and purpose of C.R. No. 17-101 and recommends its adoption in the form attached hereto as C.R. No. 17-101,C.D.1.

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Respectfully submitted,

/s/ Roger S. Mori
Roger S. Mori, chairman

/s/ Yosiwo P. George
Yosiwo P. George, vice chairman

/s/ Peter M. Christian
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Florencio S. Harper, member

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/s/ David W. Panuelo
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