



The Federated States of Micronesia

Land of untapped investment opportunities

Investment Guide

A Step-by-step Handbook for Investors
2015 Edition

A publication of the Division of Trade and Investments Department of Resources and Development in cooperation with state Governments
With the technical assistance of the Eu, ACP, Commonwealth Secretariat and la Francophonie funded Hub & Spokes II Programme



Micronesia Registration Advisors, Inc.

Captive Insurance and Corporate Formation Specialists

CONGRATULATIONS TO THE FSM!

MRA congratulates the Federated States of Micronesia (FSM) on its continuing success in developing a world-class corporate registry and captive insurance domicile.

This enlightened business development approach has not only attracted scores of Japanese companies to the FSM, but also led to a host of collateral benefits including direct investments, hundreds of business and tourism visits, charitable donations, and some white-collar jobs.

MRA has offices and staff conveniently located in both Pohnpei and Chuuk. Contact us for insights into the business opportunities within the FSM.

MRA - Island Specialists - Since 2005

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Dear Readers,

On behalf of the FSM leadership and the people of the FSM, I wish to extend to you our very warm and special greetings: Kaselehlle, Ran Anim, Lem Wo, and Mogehtin from the FSM, land of untapped investment opportunities.

We value and appreciate each and every investor who chooses the FSM as an investment destination, because we understand the importance and vital role that local and foreign human and financial capital, management, and technology play in the economic development process of our young nation.

Despite our economic challenges, the FSM is one of the countries with the highest gross domestic product (GDP) in the Micronesia sub-region and the prospects and potentials remain intact for businesses. Based on the current situation, including ongoing projects and investment in coconut industry development, economic infrastructure, renewable energy development, connectivity of the States of Yap and Chuuk to the submarine fiber optic cable, and increasing available satellite bandwidth in the State of Kosrae, we forecast a robust GDP growth in the coming years.

In this context, I am very pleased to present you with the FSM Investment Guide 2015 edition, which is the result of one year of inclusive consultations with national and state stakeholders. To assist you in making an informed decision, this new edition of the FSM Investment Guide goes beyond the traditional sections on basic information about the FSM and the business enabling environment. You will find detailed information on the main investment opportunities in our country, including tuna processing; fishing vessels and fishing nets repair and maintenance; tourism development around historic and archaeologic sites and protected areas; water-based sport activities; production of import-substitutable products, artesian and mineral water; processing of agriculture products; international and inter-state transportation; and production of renewable energy, to name just a few. In addition, this practical handbook offers a snapshot of fiscal and non-fiscal incentives available to investors. Furthermore, we have compiled all the relevant information on starting a business in the FSM, including the requirements, steps, and the competent agencies. Finally, a list of useful addresses is available to make the entire process business-friendly than ever.

Our commitment is to guide and assist you throughout the life cycle of your investment. Contact our young and dynamic team today to find out how we can help your business at the following address: FSM Investment Unit, Division of Trade and Investment, FSM Department of Resources and Development; telephone (691) 320-2646/5133; fax: (691) 320-5854; and e-mail: fsmrd@fsmrd.fm. You can also visit our website <http://www.fsmrd.fm> for more information.



Hon. Marion Henry
Secretary
Department of Resources and Development
Federated States of Micronesia



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Despite its remoteness and small market size, the FSM presents a number of truly remarkable competitive and comparative advantages for potential investors; this explains why Americans, Australians, Brazilians, Chinese, Europeans, Indians, Japanese, Filipinos, South Koreans, and other nationalities have chosen, and continue to choose the FSM as their next investment destination.

1.1. Top ten FSM advantages

1. Warm, friendly and hospitable people with rich, diverse, and preserved cultures and traditions.

“Friendly and hospitable people are what you need when you think about setting up a business outside of your home country, and that is exactly what my husband and I found in Kosrae,” says Katrina Adams, Managing Partner, Kosrae Village Ecolodge & Dive Resort, and President of the FSM Association of Chambers of Commerce.

2. Stable constitutional government supportive of the business community.

“As a foreign investor operating thousands of miles away from my home country Germany, it is vital to know that the government fully appreciates and supports your efforts and your contribution to the country’s domestic economy. Such a support, in particular from the FSM Department of Resources and Development and Kosrae Department of Resources and Economic Affairs, leverages any type of challenges an investor can face,” says Martin Selch, Manager of Micronesian Management and Marketing Ent. (MMME), a company that specializes in farming, producing, and exporting giant clams and coral farming to several markets, including the US, Canada, European Union, and the United Kingdom.

3. Modern economic supportive infrastructure, including four seaports and international airports, as well as state-of-the-art telecommunications providing links to the rest of the world through fiber optic cable connections and satellites.

“With nearly US\$25 million allocated annually to infrastructure development under the Amended Compact of Free Association with the United States and US\$100 million unspent money available, the FSM Program Management Unit is currently working on a list of priority projects that are ready for implementation, while the National Government is in the process of updating its Infrastructure Development Plan,” says Mr. Bruce Howell, Contracting Officer, Program Management Unit.

4. Abundant fisheries and niche aquaculture and agriculture produce in a clean and sustainable environment for the manufacturing industry.

The FSM is a Member of the Parties to the Nauru Agreement (PNA), a group that possesses nearly 80% of tuna resources of the Western and Central Pacific Ocean. The FSM has the third largest exclusive economic zone (EEZ) of the region (approximately 1.5 million square miles), which is home to one of the richest tuna stocks in the region, with an estimated annual catch of 170,000 metric tons in 2012, worth about US\$300 million.



1. Why invest in the FSM?

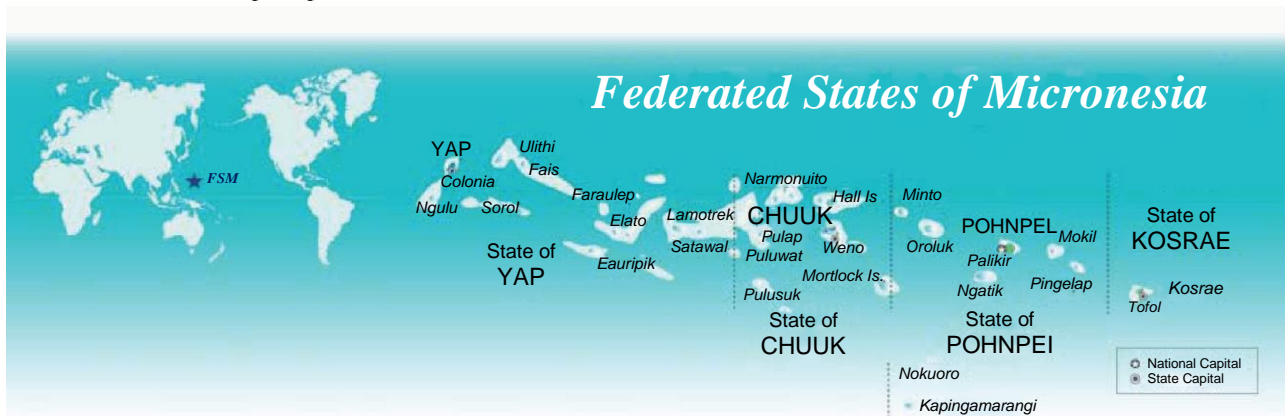
5. **Unique historic and archaeologic sites, including the 11th-century Nan Madol ruins in Pohnpei and Lelu ruins in Kosrae, major tourist attractions to encourage tourism development.**
6. **World-class diving, fishing, surfing, and snorkeling spots for water-based activities expansion.**
7. **Marine and forest protected areas, mountain climbing and hiking trails, bird watching, and exploration and adventure tours for ecotourism opportunities.**
8. **Relatively stable weather patterns and a tropical climate conducive to year-round business operations.**
9. **An enthusiastic and knowledgeable domestic private sector open to joint venture and business partnership opportunities.**
“Capital, technology and know-how are very important assets for business development, and sometimes domestic companies only get those through partnership with foreign investors,” says Mr. Peter Sitan, CEO of National Fisheries Corporation, a domestic company that entered into a partnership in 2012 with Taiyo A & F Co., Ltd (TAFCO), a large fishing and agriculture company from Japan.
10. **The US dollar is the local currency and English is the official language of government and business.**

1.2. Incentives

- Low and simplified tax system with no export taxes
- Flexible labor market conditions and young labor force
- The possibility of long-term lease contracts for land
- Duty-free access to the US market for almost all products originating from the FSM and preferential access to the European Union, Australia, and New Zealand, and neighboring Pacific Island countries markets, for FSM products
- A special relationship with the US allows FSM citizens access to a number of US Federal programs and institutions, such as US Small Business Administration and US Department of Agriculture Rural Development
- Research and development supported by a network of US-accredited institutions.

2.1. Geography

The FSM is a grouping of 607 small islands in the Western Pacific, located about 2,500 miles southwest of Hawaii, just above the equator. While the total land area of the FSM amounts to only 281.3 square miles, it occupies more than one million square miles of the Pacific Ocean and ranges 1,700 miles from west (Yap) to east (Kosrae). Owing to its position in the Western and Central Pacific Ocean, a region that possesses the world's largest tuna stock, the FSM is blessed with abundant fisheries resources. In addition, the FSM's reefs are home to nearly 1,000 species of fish and more than 350 species of hard coral. The FSM also has deep-seabed minerals and phosphate.



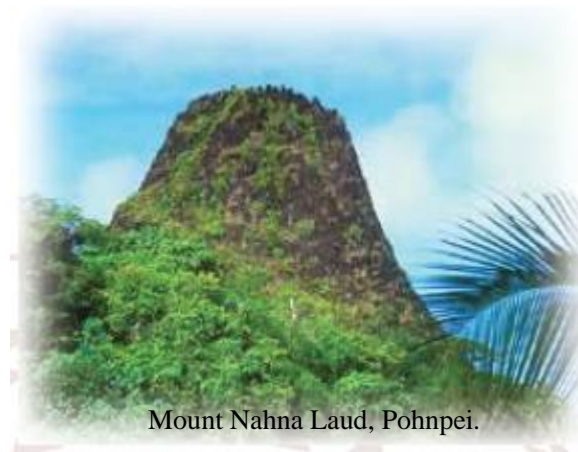
2.2. Tropical climate

The FSM enjoys a tropical climate, with an average temperature of 82°F (27°C) year round. Pohnpei, the State of the capital city, reputedly is one of the wettest places on earth, and some locations on the interior of the island receive up to 330 inches of rain each year. The trade wind season generally occurs from December to March. The FSM is rarely affected by typhoons, which enables businesses to operate year round.



2.3. Geology

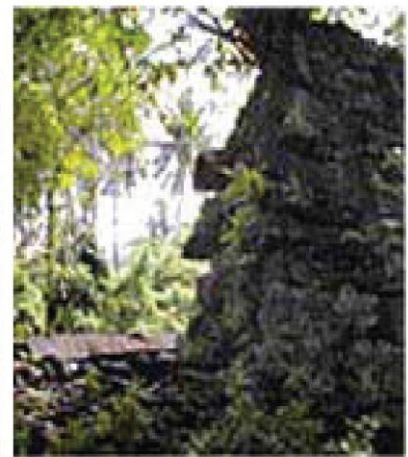
Geological land forms in the FSM are diverse, beautiful, and pristine. There is a wide range of natural features, including 2,000-foot mountain peaks, deeply gorged river valleys, rolling hills, open grassland, lush mangrove forests, protected lagoons, and secluded and pristine sandy beaches. Each of the four States centers on one or more “high islands”, and all but Kosrae include numerous atolls.



Mount Nahna Laud, Pohnpei.

2.4. History

The FSM has a rich history that dates back several thousand years. The islands were originally settled by ancient people sailing east from Asia and north from Polynesia. The oral histories of the Micronesian people indicate close affiliations and interactions in the past among the members of the island societies comprising the present-day FSM.



The Nan Model ruins in Pohnpei (1000 AD) also referred to as the Venice of the Pacific, and the Lelu ruins in Kosrae (1400 AD) are impressive reminders of the ingenuity and accomplishments of these early people.

The FSM has been known to the western world since the 16th century, when Spanish and Portuguese explorers first visited the area. The entire region was later influenced by explorers, traders, and whalers from Britain, Germany, Russia, Japan, and, finally, the US. After its discovery by European powers, the FSM was administered first by Spain and then by Germany until World War I. Japan's control over the FSM was recognized in 1920 under a League of Nations mandate, which ended at the end of World War II when the US took control.

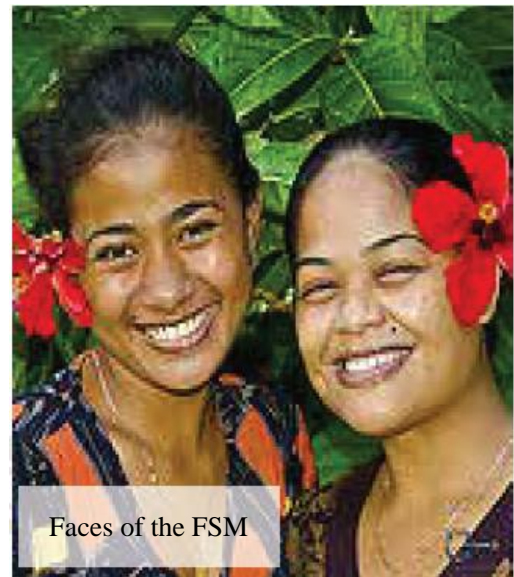
Following the United Nations Trusteeship under the US administration after world war II, the FSM became fully self-governing in the fall of 1986 and was admitted to the United Nations in September 1991. The FSM maintains a close relationship with the US through a long-term treaty agreement called the Compact of Free Association, which entered into force on November 3, 1986. In 2003, the FSM and the US reached an agreement on the Amended Compact, which came into effect on June 25, 2004.

2.5. Population

The FSM has a population of 102,843 inhabitants (2010 census). The smallest state in terms of population is Kosrae (6,616 inhabitants) and the largest is Chuuk (48,654). In 2010, the number of FSM citizens residing in the US and its territories (Guam and the Commonwealth of the Northern Mariana Islands) was estimated at 49,840 inhabitants. The growth rate of population is around -0.4% per annum and the population structure is heavily weighted in favor of the youth. It is expected that the 15-24 age group will account for 50% of the population this decade.

2.6. Culture

The people of the FSM are classified as Micronesians of Malayo-Mongoloid origin, although some inhabitants of Pohnpei are of Polynesian origin.



Faces of the FSM

While each of the four states exhibits its own distinct culture and tradition, there remains many common cultural and economic bonds that are centuries old.

Kosrae: The Congregational Church plays a significant role in everyday life.

Chuuk: Clan relationships remain an important factor.

Yap: Maintains a rich and diversified culture, including its traditional currency known as “Stone Money.”

Pohnpei: Also maintains a rich and unique culture, and the traditional society is organized around two leaders: the paramount chief, called the Nanmwarki, and the secondary chief, called the Naniken.



Youth group performing a Yapese dance.

2.7. Language

English is the official language of government and of commerce. In addition, there are 13 major local languages: Yapese, Ulithian, Woleaian, Chuukese, Satawalese, Pohnpeian, Kosraean, Nukuoran, Kapingamarangi, Mokilese, Pingelapese, Ngatikese, and Mortlockese. Furthermore, many elderly people are fluent in Japanese.

2.8. Religion

Religion is predominantly Christian. Roman Catholic and Protestant are the main groups. Other groups and churches include Latter-Day Saints, Seventh-Day Adventist, Assembly of God, Jehovah’s Witnesses, and the Baha’i Faith.

2.9. Government

The FSM Constitution, like that of the US, provides for three separate branches of government at the national level: executive, legislative and judicial. The Congress of the FSM is unicameral, with 14 Senators: one from each state elected for a four-year term, and ten who serve two-year terms. The ten seats are apportioned by population. Presently, Chuuk has six seats, and Pohnpei four, while Yap and Kosrae have two seats each. The President and Vice-president are elected to four-year terms by the Congress, from among the four-year senators. The vacant seats are then filled in special elections. The Judicial Branch of the National Government is headed by the FSM Supreme Court, currently made up of three Justices who sit in trial and appellate Divisions. State governments, under their constitutions, have a similar structure, even though their make-up may vary according to their own unique circumstances.

The three branches of the FSM Government. From left to right: FSM Congress, FSM Supreme Court, and Office of the President.



Basic Economic Indicators (2013)

Land area:	281.3 square miles (607 islands)
Exclusive economic zone:	Approximately 1.15 million square miles
Population:	102,843 (2010 census)
Political system:	Constitutional democracy
Territorial organization:	Federal government with four states (Yap, Chuuk, Pohnpei and Kosrae)
Capital:	Palikir
Official language:	English
Currency:	US\$
International telephone code:	00 691
Internet country code:	.fm
Climate:	tropical
GDP (at current market prices):	\$314.6 million
GDP per capita:	\$3,034
GDP composition:	
Agriculture:	14.5%
Fisheries:	11.8%
Industry:	2.3%
Services:	40.1%
Inflation rate (consumer prices):	2.2%

Sources: FSM, FY 2012, Economic Review, Preliminary Report August 2013, ADB, Key Indicators for Asia and the Pacific, Micronesia, Federated States, 2014.

2. Coming to the FSM



3.1. Entry requirements

Visitors

1. Non FSM citizens are required to have both a valid passport and a round-trip airline ticket when entering the FSM. The passport must be valid for a minimum of 120 days after the date of the proposed travel to the FSM. US citizens are not required to have round-trip airline tickets when entering the FSM.

2. Visas are issued upon arrival for a maximum of up to 30 days. Visitors who plan to stay longer than 30 days can apply for an extension for up to a maximum of 90 days, provided their passport and return ticket are still valid. Visitors who stay beyond 90 days are required to have an entry permit.

Foreign investors

Foreign investment and working permits are required before arrival. Applications can be downloaded online, completed and submitted to the relevant competent agencies. A foreign investor's entry permit is granted for the duration of the business permit.

3.2. Airlines

United Airlines

UNITED



- Four flights every week from Guam to Chuuk and Pohnpei (Sunday, Monday, Wednesday, and Friday) with a Boeing 737-800 series, which has a seat capacity of between 114 and 173 passengers.
- Mini-Hop on Sunday nights, from Guam to Chuuk and Pohnpei with a smaller aircraft (737-700 series) with a 112-seat capacity.
- Three flights every week from Honolulu, Hawaii, to Pohnpei and Chuuk, with stops in the Republic of the Marshall Islands (Tuesday, Thursday, and Saturday), with a Boeing 737-800 series.
- Two flights a week with a Boeing 737-800 series, servicing the states of Yap (from Guam and Koror, Republic of Palau) and Kosrae (from Guam and Honolulu, Hawaii.)
- Periodic charter flights from Japan.

For more information on United, please visit: <http://www.united.com/web/en-US/content/contact/reservations/micronesia.aspx>

Pacific Missionary Aviation (PMA)



- ####
- Periodic charter flights between Palau and Yap, operated by a twin-engine Britten Norman Islander capable of seating nine passengers and a pilot.
 - Two flights a week from Colonia, the capital of Yap State, to Falalop Island of Ulithi Atoll with a twin-engine Britten Norman Islander. PMA also provides periodic charter flights to Fais Island and Woleai Atoll.

For more information on PMA, please visit <http://www.pmapacific.org/contact/index.php>

4. Several untapped investment opportunities available



Magnificent beaches of the FSM.

4.1. Great potential for tourism development



Best business opportunities

- Certified scuba diving and surfing shops and recompression chambers
- Ecotourism and accommodation for mid and high-end customers
- Meetings industry facilities
- Shopping malls and duty-free shops.

The FSM has great tourism potential that national and state governments are determined to turn into the main driver of economic growth for the nation.



FSM advantage

- Unique historic and archaeologic sites, including the 11th-century Nan Madol ruins in Pohnpei and Lelu ruins in Kosrae, major tourist attractions to encourage tourism development
- World-class diving, surfing, and snorkeling spots for water-based activities expansion
- Protected areas, climbing and hiking trails, waterfalls exploration, and bird watching for eco-tourism development
- Great potential for the meetings industry, shopping malls and duty-free shops development
- Longer terms for land lease
- Flexible market with a young labor force
- Positive regional trend of an increasing number of visitors from China, Japan, and the South Pacific.

4. Several untapped investment opportunities available

Over the past few years, there has been a slight increase in arrivals (Japan (2,544), Pacific Islands, (1108), China (246) in 2013). The FSM tourism market is expected to grow further for several reasons: firstly, this sector will benefit from the military build-up in Guam in preparation for the relocation of about 4,700 US marines and 1,300 dependants from the Okinawa base to Guam, who will be eager to explore and discover the Micronesian subregion. Secondly, the completion in 2011 of the extension of Pohnpei Airport runway opens the possibility of accommodating larger aircrafts and direct flights from some of the largest cities in Asia, which will translate into additional visitors into the country. The number of visitors from Japan went up from 2,467 in 2011 to 2,544 in 2013, reflecting the change brought by the introduction of the periodic charter flight from Japan to the FSM, which brings every year approximately 100 additional visitors. This number is expected to grow further given the historical ties between the FSM and Japan, including family ties and commemorations of historical events such as the anniversary of “Operation Hailstone” of February 17-18, 1944. This anniversary commemorates the memory of Japanese and American soldiers fallen during World War II and each year, attracts an increasing number of visitors from Japan and the US, as well as dignitaries from the governments of the three countries.

It is also anticipated that direct charter flights linking the FSM to other major Asian hubs such as Hong Kong and Beijing will soon follow, given the increasing number of visitors from China.



World War II aircraft in the Truk Lagoon, one of the pieces of the famous “ghost fleet of the Truk Lagoon.”

4. Several untapped investment opportunities available

4.1.1. Certified diving and surfing centers and support services for water-based sports and recreational activities



World's largest underwater museum for the diving industry

Overview

Owing to FSM's strategic location in the Central Pacific Ocean and its warm climate, water-based sport activities have flourished in all four states over the past few years, drawing hundreds of visitors year after year. Starting with diving, Chuuk retains its reputation as the "world's greatest diving destination." The Truk Lagoon Underwater Fleet, also known as the world's largest underwater museum, with more than 60 submerged vessels, offers a once-in-a-lifetime diving experience.¹ The Truk Lagoon is famous not only for ship wrecks, but also for the nearly 300 Japanese planes which were downed in the area. Paul Allen, former Vice-president of Microsoft and a passionate scuba diver, who once experienced diving in the Truk Lagoon, has referred to Chuuk as "the graveyard of aeroplanes."²



Investment opportunities

Presently there are opportunities to expand this burgeoning sector through investment in certified diving and surfing centres and shops, as well as the support industry, which are in limited number in the FSM. In addition, the National Tourism Development Strategy identifies recompression chambers for divers as another business opportunity.



Epicenter of surfing in the sub-region

Overview

Over the past few years, the FSM has gradually built its reputation as a surfing destination, with Pohnpei as the epicenter. Worldsurfaris.com, a website dedicated to surfing around the world, ranks Pohnpei among the world-class surfing destinations and the number one spot in the Caroline Islands, which continue to attract top surfers in the world, including world number one Kelly Slater, pictured right at Palikir Pass. Pohnpei's reputation as a surfing destination is attributable to open-facing reefs catching all swell directions found in Pohnpei.

Investment opportunities

At the moment, there are few businesses specialist in surfing in Pohnpei and Kosrae, which leaves this market open for opportunities.

¹ Similarly, an article in United Airlines Hemisphere Magazine of September 2012, 33, by Daniel Wroclawski, described it as the "ghost fleet of Truk Lagoon." In addition, there are also numerous diving spots with manta ray in Yap, Kosrae, and Pohnpei.

² <http://divequest-diving-holidays.co.uk/Truk-Micronesia-scuba-diving-holidays-Liveboards>

4. Several untapped investment opportunities available



Kelly Slater enjoying what he does best, photographed at Palikir Pass, Pohnpei. Photo: Pohnpei Surf Club



Snorkeling, fishing tournaments, and canoe festivals on the rise

Overview

Other water-based sport activities for which support services are needed include snorkeling (the best spots are found in Kosrae, which is well renowned for the diversity of ornamental fish species) and fishing tournaments (which have picked up in Chuuk and Pohnpei). There are now several tournaments organized year round, drawing an increasing number of participants from the entire Micronesian sub-region. Finally, canoe festivals, such as the Yap Canoe Festival and the Yap Day Annual Celebration continue to draw hundreds of visitors every year. These festivals, which feature a range of cultural activities, offer a first-hand experience of the FSM culture, reputed for its diversity.



The joy of celebration following a fishing tournament in Pohnpei. Photo: Pohnpei Surf Club

4. Several untapped investment opportunities available

4.1.2. Ecotourism and accommodation for high-end customers

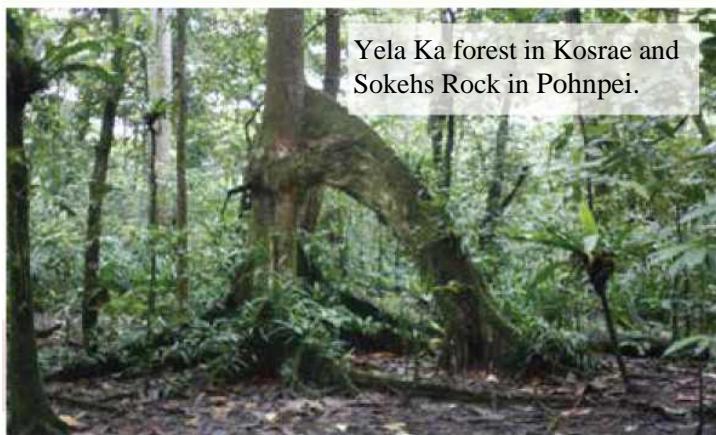
Overview

The FSM has a great potential for ecotourism development. To begin with, the country's ideal warm tropical climate creates a perfect environment for ecotourism activities year round. The one color that strikes almost all visitors to the FSM, other than the blue ocean, is the green and luxuriant vegetation. Ecotourism could be centered on protected areas such as the Yela Ka forest in Kosrae; hiking trails and climbing in Kosrae (Mt. Finkol, 629 meters high), Chuuk (Mt. Tonaachaw, 629 meters high), and Pohnpei (Mt. Nahna Laud, 798 meters high and the majestic Sokehs Rock, offering a unique experience to visitors); exploring waterfalls while hiking through the rainforest in Pohnpei and Kosrae; and exploring flora and fauna, including rare birdlife throughout the country. At the moment, the few players in this sector are mainly small family-operated hotels, with a limited number of rooms and activities for visitors.

Investment opportunities

There are opportunities to develop businesses and enhance the FSM's ecotourism potential. In addition, the FSM boasts historic and archaeological landmark sites, which offer great opportunities for tourism product development centered on history and archaeology. Investment projects in this sector could take place around the following historic and archaeological heritage sites: Menke and Lelu ruins in Kosrae; Kosrae State Museum; ancient stone city of Nan Madol in Pohnpei, a potential world heritage site; Stone Money in Yap; Yap Living History Museum; and World War II battlefields in Chuuk, Pohnpei, and Yap.

Yap Living History Museum and Light House in Chuuk (Photo: FSM Department of R&D-Investment Unit and Chuuk Visitors Bureau)



Yela Ka forest in Kosrae and
Sokehs Rock in Pohnpei.



4.1.3. Meetings industry

Overview

Several sub-regional, regional and international organizations, including the Secretariat of the Pacific Community (SPC) North Pacific Office, the Western and Central Pacific Fisheries Commission (WCPFC), commonly known as the Tuna Commission, the Micronesia Conservation Trust, and the North Pacific Office of the International Organization for Migration (IOM), have their headquarters in Pohnpei.



Investment opportunities

The presence of these organizations represents an immense opportunity for the development of a vibrant hospitality industry to cater for the various meetings, which frequently take place throughout the year. At the moment, some of the annual meetings, such as WCPFC meetings, are held outside the FSM, partly because of a lack of adequate infrastructure and the limited room capacity estimated at 517 for the entire nation in 2014 (Pohnpei 173, Chuuk 158, Yap 135 and Kosrae 51). In this regard, national and state governments encourage investment in hotels to provide high-quality support services that are needed to cater for international conferences taking place in the country.

4.1.4. Duty-free shops and shopping malls

At the moment, there are no duty-free shops in the FSM; as such, visitors and transit passengers are left with no other option than the duty-free stores at Guam or Honolulu International Airports. The flight duration between Honolulu and Guam, with stops in the FSM, offers a great opportunity for duty-free shops, in particular at Chuuk and Pohnpei International Airports. Similarly, although there is a high concentration of wholesale and retail shops and marts in each of the urban centers, these stores offer limited selections and none of them is specialized in luxurious goods for high-end tourists or business visitors. National and state governments encourage investment in these untapped markets, which carry a great potential given the increasing number of visitors.

For further information on investment in tourism development, please contact

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4. Several untapped investment opportunities available



Unbelievable abundance of fisheries resources.

4.2. Abundant resources for fisheries development

Best business opportunities

- ✓ Opportunities for growth in investments in onshore processing
- ✓ Longline processing for exporting to Japan's sashimi market
- ✓ Support services for tuna transshipment

Overview of incentives available

- ✓ Access to rich tuna fishing grounds, with an annual catch in the FSM EEZ between 50,000 and 250,000 annually
- ✓ Concessionary access to the FSM EEZ as well as sub-regional fisheries
- ✓ No taxes on fisheries export products
- ✓ Import duty drawback scheme, which allows refund of taxes paid on materials and goods used in producing processed fish for export.
- ✓ Flexible labor market with a young labor force
- ✓ Longer terms for land lease
- ✓ Processed tuna originating from the FSM is granted duty-free access in the US market, and tariff reduction in the EU market

4.2.1. Tuna processing (fresh and frozen tuna fillet, tuna loins, and canned tuna)

Overview

This business has the most promising future in the FSM, because of existing favorable conditions and the country's comparative and competitive advantage in this area. Firstly, the FSM is a Member of the Parties to the Nauru Agreement (PNA), a group that possesses nearly 80% of tuna resources of the Western and Central Pacific Ocean. The FSM has the third largest EEZ of the region (approximately 900,000 square miles across the Western and Central Pacific Ocean.) The main oceanic target species are skipjack, yellow fin, and bigeye tuna, with the vast majority of fishing efforts coming from the established distant water fishing nations: the US, Japan, People's Republic of China, South Korea, and Taiwan. It has one of the richest tuna stocks in the region, with an estimated annual catch of 170,000 metric tons in 2012, worth about US\$300 million.³

Secondly, FSM's fisheries stock is one of the healthiest in the world, owing to sustainable conservation and management measures developed and implemented by the government, which are based on internationally recognized regional and sub-regional schemes such as the Vessels Day Scheme of the PNA and the measures adopted by the Western and Central Pacific Fisheries Commission. As one of the active Members of the PNA, the FSM proudly shares with other Member States, the Marine Stewardship Council Certification, awarded in December 2011 to the PNA and its Member States, in recognition of their fisheries management policies and practices.⁴

³ Source: Forum Fisheries Agency (FFA) 2013 Annual Report

⁴ http://www.msc.org/track-a-fishery/fisheries-in-the-program/certified/pacific/pna_western_central_pacific_skipjack_tuna/assessment-downloads-1/20111221_PCR_Announcement.pdf

4. Several untapped investment opportunities available



Thirdly, the FSM has a competitive advantage over other fishing grounds. The first is the preferential market access to two of the main fish product markets in the world. Fisheries products originating from the FSM are eligible to duty-free access to the US market and significant tariff reduction in the EU market, which gives a potential investor an advantage over Asian processors and competitors.

Access to the EU market is expected to improve further when the Economic Partnership Agreement (EPA) with the European Union is: FSM's fisheries products will be granted duty-free access in the EU market under that Agreement. The second element of competitive advantage is the attractive cost of accessing the raw material. Under the current policy, island-based canneries are granted preferential fees for the Vessel Days to fish in the FSM EEZ, which gives them an advantage over distant processors, who will also have to bear the cost of delivering the raw material (estimated at approximately US\$100-120 per ton.) The flexibility of the labor market constitutes another element of competitive advantage. At the moment, there is no national minimum wage, which gives the employer and employees the flexibility to determine the minimum terms and conditions of employment.

Investment opportunities

The existence of an abundant and healthy fish stock, coupled with the availability of preferential markets, gives the assurance to investors that, in the coming years, there will be a stock of raw material available at a preferential rate to feed a potential tuna-processing facility for export to the main tuna markets in the world.

Intertek



PNA West and Central Pacific Skipjack Tuna Fishery

Marine Stewardship Council Certification

Certification Body: Intertek Moody Marine

ISSUANCE OF PUBLIC CERTIFICATION REPORT

Following a final period of comment on the Final Report, certification of the above fishery may now be completed.

The fishery is now certified and a Public Certification Report has been produced. Subject to the results of ongoing surveillance audits, the fishery will be certified for five years.

Our thanks to all stakeholders who have participated in the assessment of this fishery.

Andrew Hough

For Intertek Moody Marine

Date: 19-12-2011

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4. Several untapped investment opportunities available

4.2.2. Support services for tuna transshipment: vessel provisioning and maintenance, and gear repair services



Fishing vessels at Pohnpei seaport, which has become one of the busiest in the region in terms of transshipment.

Overview

Over the past few years, Pohnpei seaport has gradually become one of the busiest ports for transshipment within the Pacific region, owing to its strategic location and modern infrastructure, as well as the best facilities for supplies, service, provisions, and crew rest/recreation. A survey of tuna transshipment conducted in 2012 by the Forum Fisheries Agency (FFA) indicated that of the 1,276 purse seine transshipments registered in the region in 2010, 385 (about 30%) took place in Pohnpei.

Investment opportunities

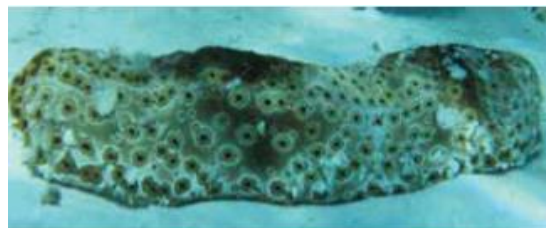
The recent extension of Pohnpei's airport runway will strengthen Pohnpei's position as a transshipment hub, because shipment of sashimi grade tuna can now be consolidated here for transshipment onto aircraft bound for Japan through direct flights. As a logical consequence of intense transshipment activities in Pohnpei, there is a growing demand for fishing support services, including vessel provisioning, fishing vessel repair and maintenance, and gear repair services, which represent great investment opportunities.

Like Pohnpei, Chuuk also offers a similar strategic location and advantages for tuna transshipment, given that it has the best anchorage and a large lagoon. In this context, state governments have identified port infrastructure development as one of their main priorities for the coming years, with a view to consolidating FSM's position as a transshipment hub in the region.

4.3. Production of niche aquaculture products

Overview

Aquaculture products have gradually become a key driver of export and a source of livelihood for an increasing number of people in Pohnpei and Kosrae. Presently there are three main commercial aquaculture operations in the FSM. The first is the pearl oyster and sea cucumber hatchery at Nett Point (Pohnpei), operated by the College of Micronesia (COM) Land Grant Program. The second is black pearl farming on Nukuoro Atoll, which has been the main driving engine of black pearl production and transformation in the FSM since 1994. However, production has been inconsistent since 2006, and the local municipal government is looking for potential investors to revitalize the production. The third is farming, producing, and exporting giant clams and coral farming by Micronesia Management and Marketing Ent. (MMME), a private company that took over the operations and management of the National Aquaculture Center in Kosrae in 2005. In addition to those commercial aquaculture operations, there are also small black pearl farm operators in Pohnpei, who are supported by the COM Land Grant Program. Some of the main issues facing the producers include limited know-how, consistency in meeting of demand, and a lack of adequate financial capital to expand their operations and increase their production.



There are great investment opportunities in the production of black pearl, mangrove crab, pearl oyster and sea cucumber, sponges, and ornamental fish

Investment opportunities

The best opportunities for growth in this sector involve: expanding the current commercial operations (sea cucumber, sponge, giant clams, and black pearls). In addition to those species, the FSM Aquaculture Strategy identifies the following species as priority products with a high potential for growth: coral, trochus, ornamental fish, and marine food fish seaweed.

FSM advantage

Some of the advantages of investing in this sector are: the existence of a pristine environment and large sheltered lagoons (with the exception of Kosrae) with high biodiversity; access to research and development, with the COM Land Grant Program already playing an important role; and the preferential market access of products originating from the FSM to the EU and US, which are the main markets.

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4. Several untapped investment opportunities available



4.4. Production of import-substitutable and niche agricultural produce and agro-processing

Tremendous opportunities available:

- ▶ A domestic market worth approximately US \$42 million to potential investors interested in the production of poultry products, fruits, vegetables, and other import- substitutable products
- ▶ Expand and enhance the production of niche and exotic agriculture produce (black pepper, unique banana varieties (karat and akadahn) and tangerine, sakau (kava), betel nuts, and coffee
- ▶ Processing of taro, breadfruit, yam, mango, coconut, and papaya into intermediate goods (flour, juice and oil)
- ▶ Processing of intermediate agriculture products into further sophisticated products (biscuits, chips, cookies, soap, and jam...).

Overview of incentives available for investment in agriculture production and agro-processing:

- ▶ Public land available in Pohnpei and Kosrae for commercial farming
- ▶ Longer terms for private land lease
- ▶ Import duty drawback schemes, which allow refunds of taxes paid of inputs used in producing goods for export
- ▶ No taxes on processed agriculture products for export
- ▶ Flexible market with a young labor force
- ▶ Products originating in the FSM are granted duty-free and quota-free in the US and Australia and New Zealand markets and a tariff reduction in the EU market.

4.4.1. Production of import-substitutable products for the domestic and sub-regional markets

Overview

Agriculture represents one of the key sectors of the FSM's economy and accounts for more than 15% of the country's GDP (source: FY 2012 FSM Economic Report). However, the actual contribution is higher, considering that subsistence agriculture employs approximately 11,500 people and plays an important role in the overall economy of the FSM. The most common agricultural produce of the FSM includes kava, betel nuts, root crops (taro, yam, and cassava), breadfruit, mango, papaya, pandanus, banana, cucumber, pumpkin, eggplant, and citrus.

It is estimated that, over the past few years, approximately US\$42 million is spent annually on importing agriculture and related products, which represents more than 30% of total imports. For example, presently, nearly 75% of poultry products, fruits, and vegetables consumed in the FSM are imported. Based on the current situation, the FSM trade policy projects imports of readily replaceable products to increase by 5% annually.

Investment opportunities

There are opportunities for the production of import-substitutable products, in particular fruits, vegetables, and livestock products. The first reason to invest in this sector is the current government policy promoting the production and consumption of local staples in all government-sponsored functions, hospitals, and schools, as well as the existence of several community outreach programs on the health benefits of domestic grown foods, which are likely to lead to an increased demand for local produce, given that the current high prevalence of non-communicable diseases in the FSM is attributable to a large extent to the poor quality of imported food. Furthermore, considering the increasing demand for similar products in neighboring Micronesian countries and territories (Republic of the Marshall Islands (RMI), Republic of Palau (Palau), Kiribati, Nauru, Guam, and Commonwealth of Northern Mariana Islands (CNMI)), potential investors in this sector will achieve economies of scale given that they will be producing for a sub-regional market of approximately 600,000 consumers. In the case of the Palau market, for example, importations of vegetables have increased from US\$ 3.7 million in 2007 to 5.4 million in 2012, fueled by the demand of the tourism industry (sources: Graduate School USA, Economic Monitoring and Analysis Program, March 2013, and Republic of Palau, FY 2012 Economic Statistics).

4.4.2. Production of niche and exotic agricultural produce

Increasing black pepper production

The high annual rainfall (an average of 170 inches of rain per year) on the island of Pohnpei provides favorable conditions for black pepper production. In the 1990s, black pepper was one of the main exports of Pohnpei, generating income for hundreds of families and contributing enormously to the domestic economy. It was also during that time that “Pohnpei black pepper” gained its notoriety as the best in the region and one of the best in the world. However, the industry collapsed because of inappropriate policies. Presently, there are dozens of producers who perpetuate the tradition of black pepper farming in Pohnpei. The issue is that of limited production, which does not meet the demand of neither the domestic nor the regional or international markets, considering the reputation of Pohnpei black pepper associated with its taste and flavor. The government has learned from its past mistakes and is determined to provide all the support needed to increase production of black pepper. In addition to research and development, the government, under its 2012 National Export Strategy has put in place targeted support measures to assist producers. These measures include promotion and marketing, market research, as well as packaging and labeling of products.



Unique banana varieties (Karat and Akadah) and tangerine

Other agricultural produce unique to the FSM include the notorious banana (Karat), labeled in 2004 by the British newspaper The Guardian as “pure gold” which is a “blessed recipe” for babies, and Akadah grown on Pohnpei, as well as tangerine, produced in Kosrae. These produce offer unique investment opportunities for the development of a small agro-processing industry, which will employ hundreds of youth in the FSM and generate income and revenue for the government.



Coffee development

Coffee is an emerging niche product in the FSM. Although the crop was first introduced to the FSM during the Japanese administration in around 1920, its production stopped after the Japanese occupation. Recently, in 2009, a group of enthusiastic Pohnpei-based farmers assembled under the banner of Pohnpei Coffee Farmers Association, led by Mr. Wilbur Walter and Mr. Angelo Arnold, reintroduced coffee farming. It is estimated that there are presently about 10,000 coffee plants cultivated in Pohnpei, which are expected to be harvested this year. Inspired by the recent developments in Pohnpei, farmers in Kosrae have plans to restart coffee farming. The renewed interest in coffee farming in Pohnpei and Kosrae also opens up an opportunity to develop a small coffee industry in the FSM.



Coffee farm in Pohnpei

4. Several untapped investment opportunities available

4.4.3 The untapped agro-processing business

Best investment opportunities

- ▶ Processing of taro, breadfruit, yam, mango, coconut, and papaya into intermediate goods (flour, juice and oil)
- ▶ Processing of intermediate agriculture products into further sophisticated products (biscuits, chips, cookies, soap, and jam).



Overview

One of the main challenges facing the producers in the FSM is the preservation of the surplus of agricultural produce that grows in abundance in the country, such as breadfruit, yam, taro, papaya, mango, and banana. As a result, an important amount of this produce ends up wasted in farms, spoiled on the shelves of local markets and stores, or simply thrown to landfill.

Investment opportunities

The best investment opportunities include, increasing the production of those high-value and niche agricultural products, undertaking initial processing of those commodities (flour milling, juice and oil pressing), and further manufacturing of intermediate goods into more sophisticated products (biscuits, chips, cookies, and soap) for domestic consumption and for the tourism market. Some good reasons to invest in agro-processing in the FSM are, firstly, that the FSM does not have an agro-industry at the moment. Secondly, there are abundant raw materials available, and thirdly, there is the existence of a sub-regional market. For potential investors, there are opportunities for partnership with existing small producers who lack the necessary financial capital and technology.

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4.5. Burgeoning manufacturing and metal recycling industry

Investment opportunities

National and state governments actively encourage manufacturing targeted goods such as handicrafts, local clothing, and bottled water.

Overview of incentives available

- ✓ Abundant raw materials
- ✓ Longer terms for private land lease
- ✓ Import duty drawback schemes, which allow refund of taxes paid on inputs used in producing goods for export
- ✓ No taxes on products for export
- ✓ A flexible labor market with a young labor force
- ✓ Products originating from the FSM are granted duty-free and quota-free access in the US and Australia and New Zealand markets and a tariff reduction in the EU market.



Sample of processed foods exhibited at Pohnpei's 2013 Trade and Cultural Fair.

4. Several untapped investment opportunities available

4.5.1. Manufacturing of handicrafts, jewelry, and local clothing

Overview

Presently, handicrafts and local clothing produced in the FSM are among the finest in the region. In recent years, there has been an increasing demand for local skirts and handicrafts in the US mainland, Hawaii, Guam and Saipan, for a number of reasons, including the unique design and traditional knowledge behind these products, the growing number of tourists visiting the country, and the increasing number of FSM citizens residing in the US, estimated at around 50,000 in 2012, which represents an important market. As a result, exports of handicrafts jumped from US\$ 4,000 in 2003 to 74,000 in 2013 (source: Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC), Press Release No. Trade 001, September 18, 2014). The demand for handicrafts in the FSM diaspora is expected to continue to increase, because of the attachment of FSM migrants to their culture. A 2012 Survey commissioned by the Office of SBOC indicated, among other things, that handicrafts produced in the FSM are favored by FSM migrants, who display them in their houses as souvenirs and remembrances of their motherland.

Investment opportunities

Despite the great potential of this sector, the lack of financial capital and technology limits the capacity of domestic producers to improve packaging and labeling, and increase the contribution of this sector to the FSM's economy.

Aside from handicrafts, local clothing represents another great business opportunity. Presently, there are active women groups in Chuuk and Pohnpei involved in the production of handmade skirts and dresses with unique designs that are attributable to each state. Similarly, there are weavers in Yap, who, using traditional techniques, produce some of the finest garments in the sub-region. However, owing to the lack of technology and knowledge to improve the standards, packaging, and marketing of those products, those products do not always attract the premium price that they so deserve and the overall contribution of this sector to the domestic economy remains below expectations. The experience of a garment factory operated in Yap between 2000 and 2004,⁵ which contributed significantly to the country's economy and GDP, suggests that a viable garment industry can be developed in the FSM, given that FSM's textile products still enjoy preferential access to a number of key markets, such as the EU and Australian and New Zealand markets.



Handicrafts and Yapese lava-lava exhibited at Pohnpei's 2013 Trade and Cultural Fair.

⁵ During that period, garment exports from the FSM amounted to US\$3 million on average per year, representing alone nearly 10% of total exports (source: 2007 FSM Statistical Yearbook). The company was forced to close down mainly because of the termination of the trade preferences enjoyed by textile products originating from the FSM in the US.

4.5.2. Bottled water industry



Spectacular waterfalls in Pohnpei.

Overview

Located just above the equator, the FSM receives an average of 170 inches of rainfall per year and Pohnpei is reputedly one of the wettest places on earth. In addition, there are several waterfalls in Pohnpei and Kosrae, in a clean and pristine environment. This natural and unspoiled potential offers a great investment opportunity for producing some of the freshest mineral and artesian water in the world for both the domestic market and sub-regional markets as well as the international market. Presently, there are four small companies producing drinking water in the FSM: Drops of life, Island Spring, Lei Side Water Services, and Pohnpei Water Co. A bottled water company started in Kosrae in 2005 and quickly conquered part of the sub-regional market, with an increasing volume of sales in Guam. However, the company was forced to cease operations in 2012, mainly because of limited marketing and promotion expertise, as well as management difficulties.

Investment opportunities

The best investment opportunities lie in the expansion of mineral and artesian water production and the support industry. At the moment, the current volume of production is far below the demand of the domestic market, which results in FSM spending on average half a million dollars annually on imported water. In 2013 for example, it was estimated that US\$400,000 was spent on importing water (source: 2014 FSM Customs and Tax Administration). It is anticipated that the demand for drinking water will continue to grow in the FSM for both human consumption and economic development, reflecting the trend observed over the past few years. In addition, the existence of a subregional market of approximately 600,000 available consumers available represents another good reason to venture into this business. In effect, other neighboring Micronesian countries and territories (RMI, Palau, Kiribati, Nauru, Guam, and CNMI), also rely heavily on imported water for their population and to support their tourism industry.

Interested investors could choose to operate as sole proprietor or partner with local investors to enhance the competitiveness of the existing burgeoning water industry. There are also opportunities in the area of plastic bottle manufacturing to support the water industry.

4.5.3. Untapped woodworking industry

Overview

The forestry sector presents a great potential for the FSM. Other than its value for ecotourism, it could also fuel a local woodworking industry. The FSM has quality mahogany trees, which can be used to make high-quality furniture. In addition, old coconut palm could provide coconut lumber for use in manufacturing of a wide range of furniture, including household furniture such as window and door frames, chairs and tables, and ceilings. However, this potential is not being fully exploited because of the lack of adequate equipment and technology in the country.

Investment opportunities

The best investment opportunities are in the production of timber for construction and household furniture. For potential investors, the prospects are bright. In effect, it is anticipated that the development of a wood industry has a great potential for growth, considering the increase in construction activities throughout the nation, which remains one of the fastest growing sectors of the FSM economy over the past five years. The contribution of the construction sector to the country's GDP jumped from 2.8% in 2008 to 6.4% in 2012 (source: FY 2012 FSM Economic Report). Based on the current situation, including ongoing infrastructure project and home improvement programs, it is expected that this sector will continue to grow.



Mahogany trees in Pohnpei.

4.5.4. Metal recycling industry

Waste management, in particular solid waste, constitutes a key challenge for the FSM from both a health and environmental perspective. With the country relying heavily on imported products, solid waste management could seriously damage FSM's pristine environment and threaten the life of its people. At the same time, solid waste represents a great opportunity for investment in the metal recycling industry, a sector that is under-exploited in the FSM. In 2007 for example, only 3,960 tons of scrap metal were exported from the FSM for a value of US\$ 135,000 (2008 FSM Statistical Yearbook). Although there are small operators presently handling can recycling, scrap metal recycling of vehicles, tractors, boats, and ships is yet to be developed. As a result, there is still a high concentration of scrap cars, tractors, boats and ships around the main islands. Potential investors will be able to take advantage of empty containers that bring imported products into the FSM to ship their metal overseas at a very competitive cost.

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4.6. Production and sale of renewable energy

Overview

Like many Pacific Island countries and territories, the FSM is highly dependent on imported fossil fuel to sustain its economy. On average, the nation spends approximately US\$45 million annually on imported fuel. It is anticipated that the current demand for power will continue to grow for household consumption and economic development. The National Energy Policy, adopted in April 2012, calls for the development and expansion of renewable energy to aid in the provision and delivery of affordable, reliable, and environmentally friendly energy sources. The target is to increase energy from renewable sources to 30% of total electricity generation and to reach 50% in energy efficiency by 2020 (source: 2012 FSM Energy Policy).

Investment opportunities

Renewable energy represents a great potential for investment, with the best investment opportunities in the production and sale of electricity. Until recently, state utilities detained a monopoly in this area. However, mindful of the need for energy for social and economic development, state governments have undertaken a gradual liberalization of the energy sector, thus opening up a range of new opportunities for investment.

Great opportunities available

Development and expansion of renewable energy to meet the target of 30% of total electricity generation and to reach 50% in energy efficiency by 2020

In this regard, it is worth noting that Pohnpei and Yap State Governments recently enacted laws allowing small-scale micro-renewable energy integration through independent power producers. In addition, some states now have laws that allow state utilities to procure electricity from independent power producers for sale to consumers through power purchase agreements. An agreement of this nature was signed in 2013 between Ocean Energy Kosrae, a US firm, and Kosrae Utilities Company for the production of wind power through a power partnership agreement.



4. Several untapped investment opportunities available

4.7. Insurance

4.7.1 Captive insurance

Overview

In 2005, the Government of the FSM signed a contract with the Micronesia Registration Advisors, Inc. (MRA) to promote the FSM Captive Insurance domicile, corporate registry (captive insurance companies, overseas portfolio investors, fund managers, and ship owners). Owing to the attractiveness of this scheme, there has been an increase in the number of captive insurance registered in the FSM. As of February 2015, there were 15 captive insurance company licensees and nine captive insurance management firm licensees in the FSM. This enlightened business development approach has not only attracted scores of Japanese companies to the FSM, but also led to a host of collateral benefits including direct investments, hundreds of business and tourism visits, charitable donations, and some white-collar jobs.

Investment opportunities

The FSM Government encourages other companies to join the FSM corporate registry. MRA has offices and staff conveniently located in both Pohnpei and Chuuk.



For more information contact us at:
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4.7.2 Other insurance services

The FSM realizes that insurance is critical to the overall development of the country by making economic activities possible in terms of promoting financial stability and reducing anxiety, facilitating trade and commerce, mobilizing savings, managing risks more efficiently, encouraging loss mitigation, fostering efficient capital allocation, contributing to employment, managing assets efficiently, and so on. The insurance sector welcomes sound, safe and healthy foreign investors. Currently, the life and non-life classes and captive insurance are opened to foreign insurers or investors.

4.8. Telecommunications, ICT, and related sectors

Overview

In April 2014, the FSM Congress passed the Bill liberalizing the telecommunications sector in the FSM, thus opening up investment opportunities in this strategic sector. The overall objective of the 2014 Telecommunications Act is to enhance access to and affordability of telecommunications services throughout the nation, using the principles of liberalization, free and open competition, and a customer-oriented approach. The 2014 Telecommunications Act represents a major development for the telecommunications sector because it removes the legal monopoly previously enjoyed by the FSM Telecommunications Corporations and opens investment opportunities for phone companies that are interested in the FSM market, one of the largest markets in the Micronesia sub-region (third behind Guam and Kiribati).

Investment opportunities

Potential investors will take advantage of the FSM being connected to the submarine fiber optic cable.

Untapped opportunities available

Development of new ICT, including web-based communication to support social media, e-learning, online financial services, offshore call centers, and telemedicine.

At the moment, only Pohnpei State is connected; and the Government is in the process of finalizing a World Bank grant of approximately US\$-50 million to connect the States of Yap and Chuuk by the end of 2015. This project will include increasing available satellite bandwidth in the State of Kosrae.

4. Several untapped investment opportunities available

The liberalization of telecommunication services and connectivity to the submarine fiber optic cable in the FSM also offers great potential for investments in the development of new ICT, including web-based communication to support social media, e-learning, online financial services, offshore call centers, and telemedicine. This last sector is critical for the healthcare system in the FSM, considering that the high number of patient referred abroad for medical care are primarily to carry out basic diagnostic.

For further information on investing in the telecommunications sector, please contact
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Telephone number: (691) 320-2865, Website: <http://www.ict.fm>

4.9. Air and sea transportation



Caroline Voyager on Elato Island, Yap.

Untapped opportunities available

- ✓ Opened routes for international air services from Central and South East Asia to the FSM as well as from the South Pacific to FSM
- ✓ Strategic location and infrastructure for transit point for airlines flying from Central Asia to Australia and New Zealand, and from Central Asia to the west coast of the Americas
- ✓ Expansion of the domestic airline for inter and intra-state air services
- ✓ Cruise and ferry services with cabins.

FSM advantage and incentives

- ✓ Increasing number of visitors from South East Asia and the South Pacific
- ✓ Existence of several tourist attractions and presence of several sub-regional and regional organizations in the FSM
- ✓ Well-maintained aviation infrastructure, including four international airports which can accommodate Boeing 737 aircrafts Pohnpei International Airport is capable of accommodating larger wide-bodied passenger aircraft (Boeing 747 and 777 as well as Airbus 340 and 380)
- ✓ Low and competitive servicing cost (no parking fees at Kosrae International Airport and fee waiver at Yap International Airport when parking for less than six hours)
- ✓ Well-trained civil aviation personnel.

4.9.1. Air services to and from the FSM and between the four states

Overview

With only one airline currently servicing the FSM, air services to and from the FSM represents a great investment opportunity. In effect, presently, United Airlines is the only international air carrier providing air transport to and from the FSM, and all the flights are routed through the US State of Hawaii and US Territory of Guam. This leaves the other routes, notably the South Pacific and South East Asia, wide open. With respect to interstate air transport, other than United Airlines, the service is presently provided mainly by Caroline Island Air, which offers charter flights from Kolonia, the capital of Pohnpei State, and the outer islands of Chuuk, Yap, and Kosrae. The company has two small aircrafts with a seat capacity of four passengers each. Pacific Missionary Aviation (PMA), a sub-regional company based in Palau, also provides two flights a week from Colonia, the capital of Yap State, to Falalop Island of Ulithi Atoll with a twin-engine Britten Norman Islander. PMA also provides periodic charter flights to Fais Island and Woleai Atoll. The major problems at the moment are the limited number of available seats, the infrequency of flights, and the fact that a number of outer islands are not serviced.

Investment opportunities

Mindful of the critical importance of transportation for economic development, the FSM Government is actively seeking interested airlines to provide air services, in particular direct flights to and from Australia, China, Japan, Hong Kong, and the Philippines.

The FSM Government is seeking potential partners to increase the fleet of Caroline Island Air, with a view to expanding its activities to all four states, as well as other neighboring countries such as the RMI and Palau.

FSM advantage

Some of the good reasons to invest in this sector are, firstly, the increasing number of visitors from South East Asia and the South Pacific facilitated by the existence of several tourist attractions, the presence of several sub-regional and regional organizations in the FSM, and the establishment of new businesses in the FSM. The second competitive advantage that the FSM has in this sector is the existence of an important and well-maintained aviation infrastructure, including four international airports (one in each state), which can accommodate Boeing 737 aircrafts. Pohnpei International Airport is now capable of accommodating larger wide-bodied passenger aircraft (Boeing 747 and 777 as well as Airbus 340 and 380). Furthermore, the cost of the service provided is one of the most competitive in the entire Pacific region; for example, there are no parking fees at Kosrae International Airport and Yap State Government has a waiver fee policy if the duration of parking is less than six hours. Moreover, the FSM has been a member of the International Civil Aviation Organization (IACO) since 1995, and is eligible for technical assistance provided by the US Federal Aviation Administration. Finally, the FSM has an agreement with the Civil Aviation Authority (CAA) of Singapore since 2011, to train and enhance the capacity of its civil aviation personnel.

4.9.2. Transit point for airlines flying from Central and South East Asia to New Zealand and Australia and from Central Asia to the west coast of the Americas

The FSM is strategically located at the crossroads between the flourishing Asian markets and the economic power of the Americas, it therefore appears to be a natural corridor between the two vital continents. In this regard, the FSM could serve as a transit country, because it would be the shortest route from India, Singapore and Central Asia to the west coast of the Americas and from Asia to New Zealand and Australia. Hence, airlines flying those routes are actively encouraged to choose the FSM as a point of transit to their final destination.

For further information on investing in air transport in the FSM, please contact

**Division of Civil Aviation, Department of Transportation, Communication, and Infrastructure at
FSM Department of Transportation, Communication and Infrastructure
Tel: (691) 320-2865, Website: <http://www.ict.fm>**

4.9.3. Cruise and ferry services with cabins

Overview

With 607 islands scattered over a million square miles in the Pacific Ocean, sea transport for passengers represents a great investment opportunity for potential investors. Presently, this sector is underdeveloped and the only company providing sea transport services for passengers and cargo throughout the FSM is Caroline Voyager, a state-owned company with a limited number of trips to the outer islands of Pohnpei, Chuuk, and Yap. There are also small boat operators active in this sector, but the conditions of transport remain precarious for the passengers as well as the boat drivers. Consequently, the ferry services business remains wide open, considering the frequency of trips and the fact that the majority of outer islands are not serviced at the moment.

With regard to the cruise industry, it remains underdeveloped in the FSM. At the moment, there are few cruise ships visiting the FSM. In 2013, for example, only seven cruise ships visited the FSM (Pohnpei and Yap). One Japanese ship visits Chuuk every two years.

Investment opportunities

There are business opportunities for ferry services with cabins and cruises for tourists wishing to explore the outer islands and FSM citizens who resides on those islands.

4. Several untapped investment opportunities available



Yap Seagull ship docking at Yap seaport.

4.9.4. Shipping connection to the South Pacific

At the moment, there are several Vessel Operating Common Carriers (VOCCs) and Non Vessel Operating Common Carriers (NVOCCs) holding Entry Assurance Certificates issued by the Micronesian Shipping Commission (MSC) to service the Micronesia sub-region, including the FSM.

Shipping services from Asla and the Orient to Micronesia

Shipping services from Australia, New Zealand, Fiji, and the rest of the South Pacific to Micronesia

Shipping services from Hawaii, North America, South America and Europe via the USA to Micronesia

Vessel Operating Common Carriers

- 1- MELL
- 2-MELL-Eurasla
- 3-Kyowa-Wespac
- 4-Kyowa- FSM Lines. Ltd.

Vessel Operating Common Carriers

- 1- Pacific Direct Lines (PDL)
- 2- Matson South Pacific, Ltd.
- 3- Swire Shipping
- 4- The China Navigation Pte. Ltd
- 5- The Greater Ball Hal Service (Kyowa and NYK Shipping Lines)

Vessel Operating Common Carriers

- 1- Matson
- 2- MELL

Non Vessel Operating Common Carriers (freight forwarder)

- 1-PSATA (Palau Sea & Air Transportation Agency)
- 2-Palau Shipping Company

Non Vessel Operating Common Carriers (freight forwarder)

- 1-Greater Pacific Services (GPS)

Non Vessel Operating Common Carriers (freight forwarder)

- 1- Palau Shipping
- 2- Triple B (PML)
- 3- Ambyth

However, even though the FSM is fairly well serviced from the US and South East Asia, there are still business opportunities to enhance connectivity between the FSM and the South Pacific, in particular through direct shipping lines to Australia, New Zealand, and Fiji, which represents investment opportunities.

In addition to MSC VOCC and NVOCC-registered/licensed, there are many other service carriers that are currently providing complementary services to the Micronesia sub-region.

Additional information can be obtained by contacting Micronesian Shipping Commission at telephone number (691) 320-7132 or e-mail: msc@mail.fm

Preliminary considerations

- ✓ Prepare a business plan
There is no prescribed form for a business plan. However, it is expected that the document submitted by the investor would highlight, among other things, the type and scope of the business, the stages of development, the initial financial capital, and the potential number of workers. Should an investor require any assistance at this stage, there are Small Business Development Centers throughout the FSM. The FSM Development Bank also provides trainings in this area.
- ✓ Determine whether the proposed business falls under an economic sector regulated by the FSM National Government or a State Government. This determination will be useful during the subsequent steps, in particular with respect to lodging an application for a foreign investment permit.

Economic sectors regulated by the FSM National Government

1. Banking
2. Insurance
3. Telecommunications
4. International and interstate transport
5. Fishing in the Exclusive Economic Zone (EEZ)
6. Exploitation of any resources (other than fishing) within the EEZ and in or beneath the seabed or the continental shelf beyond the territorial sea
7. Supply of goods and services pursuant to a contract with the National Government or under an international aid project approved by the National Government.

All the other economic sectors are regulated by State Governments

Green list (activities for which no special conditions are required)

1. Throughout the nation

- Banking;
- Telecommunications;
- Fishing in the FSM's EEZ;
- International and inter-state air transport;
- International shipping;
- Exploitation of any resources other than fishing within the EEZ and in or beneath the seabed and the continental shelf beyond the territorial sea; and
- Supply of goods and services pursuant to a contract with the National Government or under an international aid project approved by the National Government.

2. Within the jurisdiction of Chuuk State

- Ecotourism;
- Intrastate airline services;
- Professional services;
- Exportation of local products; and
- Intra-state boat services and dry docking services.

5. Ten practical steps to starting business in the FSM

Green list (activities for which no special conditions are required)

3. Within the jurisdiction of Pohnpei State

- Joint Venture in which at least 60% of the total equity is held by an FSM citizen;
- Business in which a foreign investor invests an initial capitalization sector of US\$250,000 or more or US\$50,000 in the case of professional services;
- Services industry (except for the provision of tourism industry), retail, exploration, development and extraction of land-based mineral resources and of marine-based mineral resources in which a foreign investor holds no more than 49% of the total equity; and
- US citizens who have resided in the FSM for at least five consecutive years may be exempted from the foreign investment permit requirement to the extent that FSM citizens doing business in the USA are accorded the same privileges.

4. Within the jurisdiction of Kosrae and Yap States

- None

Amber List (activities for which certain conditions must be met by foreign investors)

1. Throughout the nation

- Banking, other than as defined in title 29 of the FSM Code; and
- Insurance.

2. Within the jurisdiction of Chuuk State

- Casinos;
- Lotteries;
- Real property;
- Brokering; and
- Business activities that are involved with high environment pollution, destroying ecological balance, local culture or traditions, depleting any natural resources.

3. Within the jurisdiction of Kosrae State

- Real property brokering;
- Tourism other than ecotourism; and
- Live reef fish trade or coral harvesting.

4. Within the jurisdiction of Pohnpei State

- Joint venture in which a foreign investor holds more than 40% of the total equity;
- Business in which the initial capitalization invested by a foreign investor is less than US\$250,000 or less than US\$50,000 in the case of professional services; and
- Services industry (except for the provision of tourism industry), retail, exploration, development and extraction of land-based mineral resources and of marine-based mineral resources in which a foreign investor holds more than 49% of the total equity.

5. Within the jurisdiction of Yap State

- Commercial fishing, including but not limited to, the catching, processing and commercial exportation of fish caught within the internal water of the state;
- Exploration and exploitation of ocean seabed minerals and other non-living resources within the state fishery zone;
- Wholesale and retail;
- Handicraft making;
- Barbershop and hairdresser;
- Garment manufacturing;
- Auto repair shop, appliance and small engine repair, electronic repair shop;
- Print shop and shirt printing;
- Video, movie theaters, film developing;
- Construction;
- Vehicle rental, equipment rental;
- Restaurant, bar, billiards / pool hall;
- Farming, poultry and livestock;
- Lawyer;
- Laundromat;
- Tailoring and alterations;
- Taxi; and
- Consulting.

List of activities prohibited in the FSM

1. Throughout the nation

- Arms manufacture;
- Minting of coins or printing of notes for use as currency;
- Business activities relating to nuclear power or radioactivity; and
- Business activities relating to manufacture and distribution of biological and chemical warfare component.

2. Within the jurisdiction of Kosrae State

- Manufacturing of toxic and bio-hazardous material;
- Gambling and casino establishments; and
- Fishing activities using sodium/cyanide or compressed air.

3. Within the jurisdiction of Yap State

- Harvesting or sale of non-living resources in the internal waters of the State

4. Within the jurisdiction of Chuuk and Pohnpei States

- None, other than the one prohibited throughout the nation.

5. Ten practical steps to starting business in the FSM

Step 1

Action: Determine the legal form of the business

Main responsibilities: investor

Businesses may operate in the FSM regardless of their legal form (sole proprietorships, partnerships, corporations, etc). However, national and state governments encourage partnerships and joint ventures with local partners.

Step 2

Action: Establish the company name

Main responsibilities: Registrar of Corporations/Investor

This step is only relevant if the potential investor plans to start a company in the FSM under a new name. In this case, investors are advised to consult with the Registrar of Corporations to ensure that the name chosen is not already registered and therefore protected.

Step 3

Action: Register or incorporate your company

Main responsibilities: Registrar of Corporations/Investor

Once the investor has determined the legal structure and the name of the company, the next step is to either register or incorporate the company:

Incorporation: this option is for the investor who chooses to do business in the FSM under a company constituted or organized under the laws and regulations of the FSM. To this end, the investor will be required to incorporate the new company by filling an application along with the articles of incorporation and bylaws of the company to be established. Through this process, the investor will obtain a Certificate of Incorporation.

Registration: this option is for the investor who chooses to do business in the FSM under a company already incorporated elsewhere, (as is the case for most foreign investments.) In this case, the investor will be required to register the existing company with the Registrar of Corporations, by filling an application along with the articles of incorporation, bylaws, and a certificate of good standing issued by authorities of the country where the company was incorporated. In the case of captive insurance companies, the investor will be issued a Certificate of Redomestication.

Additional information on establishing a company name and registering or incorporating a company in the FSM can be obtained by contacting the FSM Registrar of Corporations by telephone (691) 320-8089, e-mail: fsmroc@mail.fm, or by visiting the following website: <http://www.fsmroc.fm>

5. Ten practical steps to starting business in the FSM

Step 4

Action: Obtain a foreign investment permit

Main responsibilities: FSM Department of Resources and Development/State competent

Who is interested?

Any company wholly owned by a non-FSM citizen or a company in which a foreign investor owns more than 30% of substantial ownership of interest. Thus, this step does not apply if a foreign investor owns less than 30% of substantial ownership of interest or if the business is wholly owned by an FSM citizen⁶.

Basic conditions for obtaining a foreign investment permit

Conditions applicable to all applicants (character criteria)	Specific conditions attached to certain economic activities
<ul style="list-style-type: none"> 1- Not have been convicted of a felony or crime of moral turpitude in the FSM, any State of the FSM, or any foreign jurisdiction during the prior 10 years; 2- Not ever have a foreign investment permit canceled by the FSM or any of its States; and 3- Not be indebted to any government, citizen or resident of the FSM more than 30 days after adjudication of the debt by final and unappealable decision of a FSM state or national court or administrative body, except to the extent that the delay in paying the debt is required by bankruptcy or other laws, or because payment over time is expressly permitted under the terms of the applicable decision. 	<ul style="list-style-type: none"> • Activities regulated by the FSM National Government • Insurance: a US\$100,000 deposit in cash, negotiable securities, or bond from a corporate surety, or a combination totaling US\$100,000; and a verified statement of all commercial activity transacted in the FSM during the previous financial year. • Banking other than commercial banking: not yet determined • Activities regulated by State Governments • Specific conditions attached to activities regulated by State Governments are specified in their respective foreign investment acts and regulations.

Current applicable fees for the Foreign Investment Permit (FIP)

The table below provides the current applicable fees in relation to the application and processing of FIP in the FSM.

FSM FIP			State FIP		
Nature of the fee		Yap	Chuuk	Pohnpei	Kosrae
FIP Application	None	US\$250 non refundable	US\$250 non refundable	US\$250 non refundable	US\$150 non refundable
Issuance of FIP	US\$50	None	None	None	None
Annual renewal of FIP	US\$50	US\$100	US\$150	US\$250	None
Modification of FIP	US\$50	US\$100	US\$250	US\$250	US\$100

How long will it take for the application to be processed?

The applicant will receive a response within 14 working days, following the lodging of an application.

⁶ Major corporations as defined by the FSM laws are exempted from the requirement to obtain a foreign investment permit.

5. Ten practical steps to starting business in the FSM

Where to lodge the application to obtain a foreign investment permit?

FSM Investment Unit

Division of Trade and Investment, FSM Department of Resources and Development

Telephone number: (691) 320-2620/2646/5133, Fax: (691) 320-5854

E-mail: fsmrd@fsmrd.fm, Website: <http://www.fsmrd.fm>

Chuuk

Division of Commerce and Industry
P.O.Box 280
Weno, Chuuk, FM 96942
Tel. (691)330-8782
Fax: (691) 330-2233 (Governor's office)

Kosrae

Department of Resources and Economic Affairs
P.O.Box 600
Tofol, Kosrae, FM 96944
Tel. (691) 370-2024/3017
Fax: (691) 370-2066
Email: investkosrae_drea@gmail.com

Pohnpei

Office of Economic Affairs
Kolonias, Pohnpei, FM 96941
Tel. (691)320-2712
Fax: (691)320-5167
Email: oeaa@mail.fm

Yap

Department of Resources and Development
P.O.Box 336
Colonia, Yap, FM 96943
Tel: (691) 350-2182/2184
Fax: (691) 350-2571
Email: yapci@mail.fm

Step 5

Action: Obtain licenses/authorizations from relevant agencies

Main responsibilities: relevant national and states agencies/investors

For some business activities, one of the following licenses/permits issued by the relevant National and/or State competent agencies might be required before commencing business. The table below provides an overview of licenses/permits that are required and the agencies responsible for issuance:

Type of activities	Licenses/authorization required	Responsible agencies
• Banking	• Banking License	• Banking Board
• Insurance	• Insurance License	• Insurance Board
• Import/export of general merchandises	• Import/Export License	• Trade and Investment Division, FSM Department of Resources and Development
• Import/export of live plants and animals	• CITES Permit	• Marine Division, FSM Department of R&D
• Import/export of plants and animals products	• Phytosanitary Certificate of Origin	• FSM Quarantine, FSM Department of R&D
• Import of HCFC products	• License	• Office of Environment and Emergency
• Manufacturing/processing of food and beverages	• Food Establishment Permit • Health Certificate for each worker	• Environmental Protection Agency • State Department of Public Health
• Construction of building, farming, clearing of land for any business activities	• Earth Moving Permit	• Environment Protection Agency
• Fishing in the FSM EEZ	• Fishing License • Vessel Registration	• National Oceanic Resources Management Authority (NORMA) • Marine Division, Department of Transportation, Communication and Infrastructure (TC&I)
• International and inter-state air transport	• Air Operator Certificate and Foreign Air Carrier Permit	• Division of Civil Aviation, Department of TC&I
• Road transport	• Commercial Driver License	• State Department of Public Safety
• International and inter-state sea transport	• Entry Assurance Certificate • Vessel Registration	• Micronesian Shipping Commission • Marine Division, Department of TC&I
• Telecommunications/communication	• License for telecommunication/communication	• Department of TC&I
• Import/export of processed food and food products	• Food import/export health license	• FSM Department of Health and Social Affairs (National Food Safety Program)

Step
6

Action: Obtain a business license from relevant municipal governments
Main responsibilities: Relevant municipal governments/Investor

As a general rule, all businesses operating in the FSM are required to possess a business license from the municipal government where the operations take place.

Additional information on obtaining a license from the relevant municipal government can be obtained by contacting the FSM Investment Promotion Unit by telephone (691) 320-2620/2646/5133; fax: (691) 320-5854, e-mail: fsmrd@fsmrd.fm, or by visiting the following website: <http://www.fsmrd.fm>.

Step
7

Action: Register for social security
Main responsibilities: FSM Social Security Administration /Investor

After all permits, relevant licenses and authorizations are obtained, investors are required to obtain a social security number. A US\$10 fee applies. For foreign companies, the social security number of the Members of the Board of Directors is also required.

Additional information on obtaining a license from the relevant municipal government can be obtained by contacting the FSM Investment Promotion Unit by telephone (691) 320-2620/2646/5133; fax: (691) 320-5854, e-mail: fsmrd@fsmrd.fm, or by visiting the following website: <http://www.fsmrd.fm>.

Step
8

Action: Recruit workers
Main responsibilities: Division of Immigration and Labor, FSM Department of Justice/Investor

Upon receiving a social security number, the investor can begin its operations in the FSM, including recruiting workers. The labor market in the FSM is relatively free from regulatory distortions and institutional rigidities, which gives the employer and the employees enough flexibility in determining the minimum terms and conditions of employment. It is the responsibility of each employer to ensure that the employees have a social security number or to direct them to the FSM Social Security Administration.

Foreign investors holding a valid foreign investment permit are automatically entitled to an expatriate worker authorization (EWA) for one expatriate senior management position. Additional EWA for expatriate senior management positions can be obtained subject to certain applicable criteria established in the foreign investment regulations. The EWA is issued by the Service of Labor and Immigration under the FSM Department of Justice, in consultation with the FSM Department of Resources and Development.

For further information on hiring workers in the FSM, contact:
FSM Immigration and Labor by telephone (691) 320-2605, e-mail: lmHQ@mail.fm

5. Ten practical steps to starting business in the FSM

Step 9

Action: Open a domestic bank account

Main responsibility: Banks/Investor

In general, an investor who wishes to do business in the FSM will have, amongst other priorities, to establish a bank account in the FSM. Presently, there are two commercial banks in the FSM (the Bank of the FSM and the Bank of Guam), which have a number of requirements to be met. The requirements vary depending on the type of account the investor wishes to open. The table below provides an overview of the basic requirements for opening a bank account in the FSM.

Type of account	Business accounts - sole proprietorship	Business accounts- partnership, private and public company	Foreign investor
Basic conditions	1. Passport or driving license	1. Passport or driving license	1. Passport or driving license
	2. Certificate of Registration or Incorporation	2. Certificate of Registration or Incorporation	a 2. Certificate of Registration or Incorporation
	3. Social security number	3. Social security number	3. Social security number
	4. Business license	4. Copy of Memorandum and Articles of Incorporation	4. Copy of Memorandum and Articles of Incorporation
		5. Copy of company resolution	5. Copy of Company Resolution
		6. Identification of Directors, shareholders who own 30% or more of the total shares in the company	6. Identification of Directors, shareholders who own 30% or more of the total shares in the company
		7. All authorized signatories	7. All authorized signatories
			8. Foreign Investment Permit

For further information on opening a bank account in the FSM, contact:

- Bank of the FSM, corporate office at telephone (691) 320-2724, e-mail: pni@bofsm.fm
- Bank of Guam, Pohnpei branch at telephone (691) 320-2550/2446

Step 10

Action: Pay Taxes

Main responsibility: Division of Revenue and Taxation, FSM Department of Finance and Administration

Once a business is in operation, the investor will be required to file for gross revenue tax (GRT). Under the current law, every business is required to pay, based on its gross revenue of the preceding quarter, the amount of tax imposed to the national revenue officer in the state in which the business has its place of business.

The tax rate is US\$80 on the first US\$10,000 of gross receipts plus 3% of all gross receipts in excess of US\$10,000. Businesses with less than US\$2,000 in gross revenues during a year are eligible for a refund of the taxes paid for the calendar year. Taxes are due on or before the last day of the month following the close of each calendar quarter: January 31, April 30, July 31, and October 31. Companies manufacturing goods for export are exempted from the GRT.

All major corporations incorporated in the FSM are imposed a Corporate Income Tax of 21%. Major corporations are defined as any corporation not principally engaged in business in the FSM as a bank, formed on or after January 1, 2005, and (1) whose shareholders equity or paid-in capital as of the beginning of its fiscal year is US\$1,000,000 or more; or (2) the aggregate amount of the shareholders equity or paid-in capital of the control group is US\$10,000,000 or more; or (3) that is a captive insurance company regardless of the amount of capitalization.

For further information on paying taxes in the FSM, contact:

FSM Customs and Tax Administration and FSM Treasury (FSM Department of Finance and Administration) - (691) 320 2826.

6.1. Liberal legal framework for investment offering guarantees to investors

As a small economy, the FSM National and State Governments maintain an open-door policy and understand the need to create and maintain a conducive business enabling environment to attract foreign direct investment and enhance local private sector development. In the most recent years, relevant laws and regulations governing business in the FSM have been put in place or amended with a view to modernizing and further improving the business enabling environment. All laws and regulations governing investment in the FSM and other relevant legislations are available at <http://www.fsmrd.fm>.



FSM Congress in Palikir, seat of the Legislative Branch of the FSM Government.

The legal framework governing investment in the FSM offers a number of guarantees to investors. To begin with, pursuant to national and state foreign investment Acts and Regulations, domestic and foreign companies conduct their business activities under equal conditions. Hence, a foreign investor may establish or participate in the establishment of a company, and may acquire the same rights and/or obligations as any other domestic investor. In addition, the FSM Foreign Investment Act contains provisions guaranteeing non-discriminatory treatment. In this regard, once they are established in the FSM, foreign investors receive, under similar circumstances, the same treatment granted to business entities wholly owned by FSM citizens. Furthermore, foreign investors are guaranteed free lawful transfer and repatriation of profit and invested capital without the need for prior authorization⁷. Moreover, foreign investors are guaranteed that there will be no compulsory acquisition or expropriation of their property, except in the application of sanctions for violation of laws or regulations or in extraordinary cases. In the latter case, expropriation would come only after a due process that allows for appeal of the decision to expropriate and prompt payment of adequate compensation.

6.2. Implementing the time standards to enhance investor protection in the FSM

In December 2013, a Meeting of Chief Justices discussed the adoption and implementation of time standards, as well as a number of concrete measures to enhance the confidence of investors. As a result, the FSM Supreme Court developed a website and published key final Court Decisions online. In addition, the time standards were implemented by the FSM Supreme Court in July 2014 followed by all four State Supreme Courts. In addition, based on the lessons and experience of the Mediation Program in Kosrae, the States of Pohnpei, Chuuk, and Yap have plans to train certified mediators to offer Alternative Dispute Resolution mechanisms to parties to a business matter, should they so wish. With these actions incorporated in the FSM Supreme Court Five-year Strategic Plan, Mr. Kohsak Keller, Chief Clerk of the Supreme Court, is confident that the country is on the right path toward improving investors' protection.



FSM Supreme Court in Palikir, seat of the Judiciary Branch of the FSM Government.

⁷ An authorization of the Chief of Commerce and Industry is required if the amount is more than US\$50,000.00 in Chuuk State.

6.3. Attractive land tenure system

Although non-citizens cannot own land throughout the FSM, they can negotiate long-term lease of land for any approved investment projects as follows:

- ✓ Yap State: up to a maximum of 99 years;
- ✓ Chuuk State: up to a maximum of 99 years;
- ✓ Pohnpei State: 55 years renewable for up to 99 years. Public land is available for lease in the case of major industrial projects; and
- ✓ Kosrae State: 55 years renewable for another 55 years for private land. Government land can be leased for a maximum of 40 years for business in the areas of health, education, services and agriculture.

6.4. Location and building permit

There is currently no requirement to obtain a location and building permit in the FSM. However, to protect the environment, an environmental impact assessment would be required for investment that would have environmental implications. In addition, for any business that necessitates construction of buildings, a plan will need to be submitted to the Environmental Protection Agency of the state where the proposed investment will take place. Similarly, in the case of business involving clearing land or farming, the investor shall obtain a Earth Moving Certificate issued by the competent Environmental Protection Agency.

Chuuk

Environmental Protection Agency (EPA)
P.O. Box 189
Chuuk State Government Weno, Chuuk 96942
(691) 330-4158
Mr. Ishmael Mihkel, Director
E-mail: ismael.chuukepa@gmail.com

Pohnpei

Environmental Protection Agency (EPA)
P.O. Box 312
Pohnpei State Government
Kolonias, Pohnpei 96941
(691) 320-1780
Mr. Albert Roby, Director
E-mail: albertroby@yahoo.com

Kosrae

Kosrae Island Resource Management Authority (KIRMA)
Kosrae State Government
Lelu, Kosrae 96944
(691) 370-2076
Mr. Robert Jackson, Director
E-mail: rhjackson14@gmail.com

Yap

Environmental Protection Agency (EPA)
P.O. Box 178
Yap State Government
Colonia, Yap 96943
(691) 350-2317
Ms. Christina Fillmed, Director
E-mail: cfillmed@gmail.com

6.5. Labor market

The labor market in the FSM is relatively free from regulatory distortions and institutional rigidities. There is currently no national minimum wage applicable to workers employed in the private sector. At the state level, the minimum wage for the private sector in Pohnpei and Yap States is set at US\$1.75 and US\$0.80 per hour, respectively. Chuuk and Kosrae State Governments do not have laws on the minimum wage.

The FSM has a young human capital and workforce. According to the 2010 national census, out of 102,843 inhabitants, the labor force accounted for 37,919 people (22,076 males, 15,843 females), representing a national labor force participation rate of 57.3%, with values of 66.1% for males and 48.4% for females.

7.1. Investment incentives

National and State Governments in the FSM understand the challenges facing infant industries and the importance of providing investments that qualify, with a wide range of support measures to enable them to mature and become competitive. In addition, the FSM Government has negotiated preferential access of products originating in the FSM into some of the most lucrative international markets.

The following incentives are available to investors for the entire duration of their business.

Incentives /Type of activities	Tier 1 General incentives applicable to all companies, including the tourism industry	Tier 2: Companies manufacturing goods for export	Tier 3: Land-based Fisheries processing companies
	<ol style="list-style-type: none"> 1. Deduction and exemption under the Gross Receipt Tax (GRT) (wages, salaries and benefits regularly paid) 2. Social security contribution not included in the taxable gross revenue 3. No minimum capital requirement 4. No restriction on lawful repatriation of capital 5. Low domestic tax rates 6. Flexible market conditions 7. Public land available in Kosrae and Pohnpei for major investment projects 	<ol style="list-style-type: none"> 1. Exemption from GRT 2. Import duty drawback schemes, which allow refund of taxes paid on inputs used in producing goods for export 3. No export taxes 	Preferential rate for fishing days under the Vessel Day Scheme
Duration: Throughout the life of the business			

7.2. Preferential access arrangements with major international markets

Products originating from the FSM receive preferential market treatment in the main international markets listed in the table below.

Markets	Type of preferential treatment	Eligible product	Legal basis
US	Duty-free	All products with the exception of watches, clock and timing apparatus, buttons, textiles and re footwear, handbags, luggage, flat goods, work gloves, and leather. ⁸	Amended Compact of Free Association
EU	Duty-free or partial tariff reduction	All products	EC Regulations Regulation No 978/2012
Australia and New Zealand	Duty-free or partial tariff reduction	All products	SPARTECA ⁹

⁸ The duty free treatment for tuna is for tuna in airtight containers, representing up to 10% of US consumption of tuna in airtight containers for the preceding calendar year.

⁹ South Pacific Regional Trade and Economic Co-operation Agreement



8. Low and simplified tax system

At the moment, there are five categories of taxes in the FSM:

8.1. Import taxes

The rate for import taxes is one of the lowest in the region, given that most products are taxed at a 3% and 4%. Current applicable import duty rates are:

- 3% for foodstuffs for human consumption;
- 25% for fresh citrus fruit, perfumery, cosmetics, and toiletries, including cologne and other toilet waters, articles of perfumery, whether in sachets or otherwise, and all preparations used as application to the hair or skin, lipsticks, pomades, powders, and other toilet preparations not having medicinal properties, soft drinks, drink mixes, drink preparations, coffee, tea, nonalcoholic beverages, and laundry bar soap;
- 30% for wine;
- 50% for tobacco other than cigarettes;
- 0.045 cents/stick for cigarettes;
- 0.7045 cents/liter for beer and malt beverages;
- 5 cents/gallon for gasoline and diesel fuel;
- US\$12/gallon for distilled alcoholic beverages; and
- 4% for all other imported products.

8.2. Sales tax

State Governments impose a sales tax applicable to goods sold within their jurisdiction. In addition to sales tax on goods, Chuuk State Government imposes a sales tax on services consumed within its jurisdiction.

8.3. Business Gross Receipt Tax (GRT)

As outlined in the previous section, every business is currently required to pay, based on its gross revenue of the preceding quarter, the amount of tax imposed to the national revenue officer in the state in which the business operates. The GRT is assessed on the gross revenues of every business.

8.4. Tax on wages and salaries

The current applicable tax rate is 6% on the first US\$11,000 of annual wages, plus 10% on annual wages in excess of US\$11,000. Employees earning less than US\$5,000 during a calendar year are entitled to a US\$1,000 deduction before computing the tax.

8.5. Corporate Income Tax

All major corporations incorporated in the FSM are imposed a Corporate Income Tax of 21%. Major corporations are defined as any corporation not principally engaged in business in the FSM as a bank, formed on or after January 1, 2005, and (1) whose shareholders equity or paid-in capital as of the beginning of its fiscal year is US\$1,000,000 or more; or (2) the aggregate amount of the shareholders equity or paid-in capital of the control group is US\$ 10,000,000 or more; or (3) that is a captive insurance company regardless of the amount of capitalization.

9.1. Currency and financial stability

The FSM uses the US dollar as its currency. The banking system is regulated by the FSM Banking Board, which plays a critical role in maintaining a stable financial system. The responsibilities of the Board include licensing of domestic and foreign banks, on and off-site supervision, and consumer protection. As a result, the FSM has avoided the adverse consequences of banking system failure, which has occurred in many Pacific Island economies. The FSM Banking Board benefits from programs and technical assistance of the US Federal Deposit Insurance Corporation (FDIC).

9.2. Relaxed currency and exchange control

There are no exchange control laws or regulations in the FSM restricting lawful repatriation of profits or currency transfers, which facilitates international movement of capital.¹⁰

9.3. Financial institutions

Overall, the FSM banking sector remains highly liquid with a loans-to-deposit ratio of 30% at the end of FY2012 (source: FSM Banking Board). As such, all things being equal, any viable investment project is more likely to attract the attention of banks, which are eager to fund sound bankable projects.

► Financial institutions

The following financial institutions operate in the FSM:

Financial institutions	Names	Contacts
Development banks	1. FSM Development Bank 2. Pacific Islands Development Bank	www.fsmdb.fm www.pacificidb.com
Commercial banks	1. Bank of the FSM 2. Bank of Guam	Tel: (691) 320-2724 E-mail: pni@bofsm.fm Tel: (691) 320-2550/2446
Credit unions	1. Community Ayuw Services, Yap State 2. Mensenieng Credit Union, Pohnpei State 3. Yap Credit Union 4. Truk Fed. Savings and Credit 5. Truk Government Employees Credit Union	Tel: (691) 350-3104/4040/4095/5800 Tel: (691) 320-2818 Tel: (691) 350-2142 Tel: (691) 330-2270 Tel: (691) 330-2588
Other financial institutions	1. Small Business Guarantee & Finance Corporation- Pohnpei State 2. US Department of Agriculture Rural Development (USDA) 3. State Housing Authorities	Tel: (691) 320-2968/3264 Tel: (691) 320-2583/5583/2581

¹⁰ The only exception is in Chuuk State, where an authorization of the Chief Commerce and Industry is only required if the amount is more than US\$50,000.

9. Banking, Financial, Insurance, and Accounting Services

► Automatic Teller Machine (ATM)

Presently, there are ten 24-hour ATMs in the FSM, four of which are located in Pohnpei (Bank of Guam Pohnpei Branch Walk-up and Drive-up, Palm Terrace Supermarket and Bank of the FSM), and two in each of the other states Chuuk (FSM Telecom and Bank of the FSM), Kosrae (Bank of Guam Kosrae Branch and Bank of the FSM), and Yap (Bank of Guam Yap Branch and Bank of the FSM).



9.4. Insurance services

The following companies provide insurance services in the FSM:

Registered foreign insurers:

1. Pacific Indemnity Insurance Company
2. First Net Insurance Company
3. Dongbu Insurance Company
4. NetCare Life and Health Insurance Co.
5. Liberty Mutual Insurance Company

Licensed brokers:

1. Oceania Insurance Company, Inc.
2. Micronesia Insurance Brokers Company, Ltd.

Licensed agents:

1. Actouka Executive Insurance Underwriters
2. Moylan's Insurance Underwriters (FSM), Inc.

9.5. Accounting services

The main accounting firm based in the FSM is Deloitte & Touche (Tel: 3202781; Fax: 320 5402)

**Deloitte
& Touche**



Development & Finance Training Institute

YAP



POHNPEI



CHUUK



KOSRAE



Development & Finance Training Institute

Nantuelek Street, Kolonia Pohnpei
Federated States of Micronesia 96941
Ph, 691.320-5300/2419/2840 • Fax 691 .320-5798/2842
www.fsmdb.fm



FSM DEVELOPMENT BANK

Development and Finance Training Institute

FSM Development Bank was established in 1979 by the 1st Congress of the Federated States of Micronesia.

The bank opened in 1980 but lending did not start until 1982. In 1994 the enabling law that created the bank was amended to reorganize and structure the bank as a normal corporation. The bank current shareholders are the FSM National Government, Chuuk State Government and Kosrae State Government.

The FSMDB Development & Finance Training Institute was established in 2014 by the board of Directors to further support the vision of the bank to be a key player in the development of the private sector and to specifically promote the growth of micro, small and medium enterprises. The institute facilitates training programs designed to help business achieve greater efficiency in their operations. The policies of the bank are aligned with the overall socio-economic goals of the nation and it continues to coordinate closely with the governments and community leaders in defining its strategic directions.



Development & Finance Training Institute

Get The Training You Need and Explore your Potential.

"What lies behind us and what lies before us are
any matters compared to what lies within us;
Oliver W. Holmes

The FSMDB Development and Finance Training institute is a newly established training unit of the bank. It was established with the purpose to provide training opportunities for the bank's employees, customers, clients, business partners, government and non-government partners and other stakeholders.

The Institute is charged with the following OBJECTIVES:

- To implement staff development and training in accordance with the bank's policy.
- To provide, coordinate and facilitate training programs and opportunities for its employees customers, clients and other stakeholders, board members, government and non-government officials in the FSM and the Pacific region.
- To coordinate and provide development and finance learning opportunities through exchange and networking programs offered for member organizations regional and or international.
- To solicit and obtain development and finance grants and other funds for training purposes.

"Your local solution for your business training needs. "

The bank relies largely on its human resources for its success. Committing resources to training people in your organization for both private and public sectors will ultimately contribute to the long term growth of the Federated States of Micronesia and its economy.

In February of 2014 the Trainers' training course and Decision Making for managers were presented by the well known consultant who is also the President of the Asla Business Consultants Inc. Mr Orando Pena.

The Institute will add more courses and consultants to the training programs in the near future. The Institute will continue to search for training opportunities within the country and around the region including consultants and trainers. In the meantime, the list of available courses on the next page shows only the approved courses to be conducted on an annual basis by the Asia Business Consultants Inc.,

For more information please call the Sank Human Resources Office at 691 -320-5300/24/19.

Asia Business Consultant Inc., President Mr. Orlando Pena and participants at the Executive Decision Making and Trainers' Training Course in February, 2014 at the FSMDB Headquarters.



COURSES AVAILABLE NOW

- Executive Decision Making
- Trainers' Training
- Good Corporate Governance
- Financial Accounting For Non-accountant
- Human Capital Management
- Competitive Business Strategy
- Business Plan Preparation
- Executive Assistant Course
- Retirement Planning Workshop

Location

Kolonia, Pohnpei. FSMDB Headquarters and, the state branch offices in Chuuk, Kosrae and Yap.

Dale & Time TBA

Fees: TBA

Contact:

Lover Haimin, HR & Facilities Manager

Tel.691 320 5300/2419

E- mail. loverh@fsmdb.fm



WE PROVIDE FINANCE AND MANAGEMENT TRAINING HOW CAN WE HELP YOU?
FEDERATED STATES OF MICRONESIA DEVELOPMENT BANK TRAINING INSTITUTE



Pohnpei sea and airport and the industrial zone in Dekehtik, well equipped to facilitate trade between the state and the rest of the world.

In order to keep up with the increasing domestic demand for modern infrastructure and fast technological development, every year, the FSM Government invests considerable amount of money to upgrade and modernize the transport, telecommunication and energy infrastructure. In effect, nearly 25% of total annual grants received under the Amended Compact of Free Association between the US and the FSM (representing approximately US\$ 20 million) is earmarked for infrastructure development (source: FSM Department of TC&I). In addition to the multilevel support received from the US, support from other bilateral and multilateral development partners, including Australia, China, the European Union, Japan, the US, the Asian Development Bank, and the World Bank, have also contributed to developing and maintaining a modern economic infrastructure. As a result, investors will find the basic economic infrastructure necessary for their business operations in the FSM. With approximately US\$100 million of unspent money available under Compact Sector Infrastructure Grants, it is anticipated that the FSM will continue to display at least over the next decade modern economic infrastructure necessary for any type of investment project to prosper and for sustainable economic development to follow.

10. Supportive economic and social infrastructure



Warehouses at Pohnpei seaport in Dekehtik

10.1. Airports and seaports

The four international airports in the FSM (Chuuk, Kosrae, Pohnpei, and Yap) have undergone major renovations over the last five years, including terminal rehabilitation, apron construction, airfield lighting, and fire rescue buildings. The most important realization in this area was the completion in 2011 of the extension of the runway of Pohnpei International Airport (now 6,800 feet), which now allows Pohnpei to accommodate larger aircrafts, such as Boeing 777 and 767 as well as Airbus 330 and 380. In addition, the FSM Government is in the process of upgrading airfields in the outer islands to facilitate intra-state air transport, which represents a great investment opportunity for potential investors.

In addition to four international airports, the FSM has four deep draft harbors (one in each state) capable of handling almost all commercial shipping needs. Depths at ports range from 30 to 160 feet. Each port is capable of providing containerized cargo handling, warehousing, and transshipment. Furthermore, all ports offer cold storage facilities for business involved in import/export activities.

10.2. Roads

The FSM has one of the highest concentrations of paved roads among the Pacific Island countries, which facilitate transportation of people and goods on the largest islands and urban centers. Each of the four urban centers has a circumferential road that goes around the main island. In addition, the different urban centers have good roads connecting different municipalities and suburbs. In view of maintaining the quality of the current infrastructure, a number of projects are under way throughout the nation to upgrade existing roads, some of which are already completed: the rehabilitation of a portion of the circumferential road in Yap State was completed in 2012; meanwhile, phase 1 of the Weno road project in the State of Chuuk is set to be completed in December 2015.

10.3. Utilities, water, and sanitation

Clean water and electrical services, which are critical for any business, are available in all four urban centres of the nation. There are approximately 70 public or community water systems in the FSM, and nearly 60% of household have access to improved water supplies. In addition, there are five public sewerage systems across the FSM (Kolonias Town (Pohnpei), Weno Island (Chuuk), Colonia (Yap) and Lelu and Tofol (Kosrae)). Of those five, three have systems that provide primary treatment before discharge.

The FSM Government is determined to further improve the current water and utilities infrastructure in response to the growing demand in these areas. Through an Asian Development Bank loan of US\$30.2 million, the Government carried out between 2010 and 2013 a number of utilities projects throughout the nation to enhance the quality of services: Kosrae Water Project, Pohnpei Waste Water Rehabilitation Project, Yap Gagil Tomil Water Rehabilitation and Extension Project, and the Chuuk Power Rehabilitation Project.

Similarly, improved access to affordable clean and renewable energy remains a key priority for the Government. Hence, in June 2013, Yap State Government secured an ADB loan totaling US\$9 million for the Yap Renewable Energy Development Project, which will include the construction of a wind farm near the largest urban center on the main island, capable of withstanding typhoons. It is anticipated that once the project is completed, the wind farm will enable Yap State to replace approximately 22% of the power it generates from diesel. In addition, the FSM Petroleum Corporation is working on a biofuels initiative that aims to increase the availability of clean energy throughout the FSM, as the demand for energy continues to rise throughout the nation.

10.4. Supportive telecommunication infrastructure

The FSM is connected to the rest of world by satellite and the State of Pohnpei is currently connected to the submarine fiber optic cable. The Government envisages the extension of the broadband fiber optic telecommunications to the three remaining states, through a grant provided by the World Bank Group and other sources of funding. This ambitious plan is set to kick off before the end of 2015 starting with Yap, followed by Chuuk and Kosrae.

Telecommunication services throughout the FSM are currently provided by the FSM Telecommunications Corporation (FSMTC). Services include telephone lines, fax and international direct dialing, mobile phone, high-speed access to internet services, and cable television. In July 2014, the FSMTC introduced 3G technology, bringing broadband internet services to consumers' mobile phones.

With the recent adoption of the FSM Telecommunications Act of 2014, it is anticipated that the number of service providers will increase and that this will translate into an increase in offer and quality of telecommunication infrastructure and services throughout the nation.



10. Supportive economic and social infrastructure

10.5. Education and health



College of Micronesia: training future business leaders.

► Young and educated human capital

Education and health facilities are well developed in the FSM, given that these two sectors are among the six priority sectors funded through Compact Sector Grants, and that the largest share of Compact grants is earmarked for those two sectors.

With a literacy rate among the 15 to 24 year olds of around 95%, the FSM has a human capital and workforce that can easily communicate in English, which is the official language of government and business of the country.

In terms of infrastructure for education, there are 193 primary and secondary schools throughout the FSM, with a student population of approximately 28,000, 1,649 teachers, and approximately 400 support staff. Among the secondary schools in the FSM, is the renowned Xavier High School on Weno-Chuuk State, a Jesuit-administered school, has built and maintained a solid reputation in the Micronesia sub-region, and has trained hundred of leaders of the sub-region. Other notorious secondary private institutions in the State of Pohnpei include Christian Calvary Academy, Seven Day Adventist, and, most recently, Our Lady of Mercy High School. Human resources development in the FSM at the tertiary level is done mainly by the College of Micronesia (COM), which has campuses in all four states and offers tertiary educational training in a wide range of areas. COM is in the process of creating a Center for Entrepreneurship, with a view to building and strengthening the capacity of the private sector.

► Health facilities

Regarding health facilities, each state has a main public hospital that is well equipped and offers basic health services. In view of the growing demand for specialized healthcare services, state governments are working on upgrading their current health facilities. Kosrae State Government projects to launch the construction of a new modern hospital before the end of 2015. Similarly, Pohnpei and Chuuk Governments have begun to acquire some essential diagnostic and treatment equipments, in particular for non-communicable diseases, with a view to enhancing their ability to deliver high-quality service and reduce the increasing number of off-island medical referees suffering from such diseases. There is also a number of community health centers and private clinics in the FSM, operated by highly trained medical professionals.

Contact us for more information

FSM Investment Unit
Division of Trade and Investment
FSM Department of Resources and
Development
Website: <http://www.fsmrd.fm>
Telephone number: (691) 320-
2620/2646/5133
Fax: (691) 320-5854
E-mail: fsmrd@fsmrd.fm



1. National agencies

FSM Banking Board

Telephone number: (691) 320-2015
E-mail: fsmbb@mail.fm

FSM Customs and Tax

Administration

(FSM Department of Finance and
Administration)
Telephone number: (691) 320- 2826
E-mail: salvadorjacob@hotmail.com

FSM Department of Transportation, Communication and Infrastructure

Telephone number: (691) 320-2865
Website: <http://www.ict.fm>

FSM Immigration and Labor

(Department of Justice)
Telephone number: (691) 320-2605
E-mail: lmHQ@mail.fm

FSM Insurance Board

Telephone number: (691) 320-3423
E-mail: ic@fsminsuraceboard.com /
Website : <http://www.fsminsuraceboard.com>

National Oceanic Resources

Management Authority

Telephone: (691) 320-2700
E-mail: norma@mail.fm

FSM National Treasury

(FSM Department of Finance and
Administration)
Telephone number: (691) 320-2645
E-mail: fsmntd02@gmail.com

Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management

FSM National Government
P.O. Box PS-52
Palikir, Pohnpei, FM 96941
Tel: (691) 320-2824/6062
Fax: (691)320-2428

Useful addresses

2. State focal agencies

Yap

Department of Resources
and Development
P.O.Box 336
Colonia, Yap, FM 96943
Tel: (691)350-2182/2184
Fax: (691) 350-2571
Email: yapci@mail.fm

Pohnpei

Office of Economic Affairs
Kolonias, Pohnpei, FM 96941
Tel. (691)320-2712
Fax: (691)320-5167
Email: oeaa@mail.fm

Chuuk

Division of Commerce and Industry
P.O.Box 280
Weno, Chuuk, FM 96942
Tel. (691) 330-8782
Fax: (691) 330-2233 (Governor's office)

Kosrae

Department of Resources and Economic
Affairs
P.O.Box 600
Tofol, Kosrae, FM 96944
Tel. (691) 370-2024/3017
Fax: (691) 370-2066
Email: investkosrae_@gmail.com

3. FSM embassies and consulates overseas

FSM Embassy China

1-1-11 Jianguomenwai Diplomatic Compound
Chaoyang District, Beijing 100600
People's Republic of China
Tel: (86) 10 6532 4738/4708/4606
Fax: (86) 10 6532 4609
Email: carl@fsmembassy.cn

FSM Embassy Japan

2nd Floor Reinanzaka Building
1-14-2 Akasaka, Minato-Ku
Tokyo 107-0052, Japan
Tel: (813) 3585-5456
Fax: (813) 3585-5348
Email: fsmemb@fsmemb.or.jp

FSM Permanent Mission to the U.N

820 2nd Avenue, Suite 17A
New York, New York 100017
Tel: (212) 697-8370
Fax: (212) 679-8295
Email: fsmun@fsmgov.org

FSM Consulate General Office, Guam

P.O. Box 10630
Tamuning, Guam 96911
Tel: (671)646-9154/55/56
Fax: (671) 649-6320
Email: fsmguam@ite.net

FSM Embassy Fiji

P.O. Box 15493
Suva, Republic of Fiji
Tel: (679) 3304-180/566
Fax: (679) 3304-081
Email: fsmсуva@fsmсуva.org .fj

FSM Embassy US

1725 N. Street, N.W
Washington, D.C 20036
Tel: (202) 223-4383
Fax: (202) 223-4391
Email: fsm@fsmembassydc.org

FSM Consulate General Office, Honolulu

3049 Ualena Street, Suite 910
Honolulu, Hawaii 96819
Tel: (808) 836-4775
Fax: (808)-836-6896
Email: fsmconsulatehnl@fsmcg hnl.com

4. Foreign embassies and consulates accredited to the FSM

Australia Embassy

H & E Enterprises Building
P.O. Box S
Kolonias, Pohnpei, FM 96941
Tel: 320 5448
Fax: 320 5449

Embassy of China

Industrial Park, Palikir, Pohnpei
P.O.Box1530
Kolonias, Pohnpei, FM 96941
Fax: +691-3205578
Email: chinaem@mfo.gov.cn

Embassy of Japan

P.O.BOX 1837
Kolonias, Pohnpei, FM 96941
Tel: +691-320-5465
Fax: +691-320-5470
Email: japanemb-consul@pi.mofa.go.jp

US Embassy

P.O.Box 1286
Kolonias, Pohnpei, FM 96941
FSM 96941
Tel: (691)320-2187
Fax: (691)320-2186



FSMDB

Federated States of Micronesia
Development Bank

Your Partner in Business

Visit us @ www.fsmdb.fm

ABOUT LOANS

VISION

We make the best investment decisions to achieve national vision of a vibrant private-sector led economy through out the Federated States of Micronesia.

MISSION

Our investments assist new and existing businesses to grow prosperously, creating jobs and producing economic vitality throughout our nation.

Values

Customer satisfaction, teamwork, patient capital, fairness, appropriate development, private sector growth in all sectors aligned with national priorities, increased earnings, a competent, capable, supported staff, public trust and confidence.

Business Loans:

FSMDB offers business term loans that are fully termed out to at least a year or more with payment schedules set on a weekly, monthly and sometimes quarterly basis. Term loans are the most common type of financing the Bank has had extended since its establishment.

Business Lines of Credit:

FSMDB has made business lines of credit available since 2007. The main intent of this loan facility is to finance the working capital needs of companies that have been operating for at least two years.

Consumer Loans:

The FSMDB personal/consumer loan for purchase of furniture and fixtures, vehicles, boats and engines, educational expenses, other purposes acceptable to FSMDB.

Housing Loans:

The FSMDB Housing Loan program is aiming to help first time home owners, construct new home, or help improvements and other related needs.



Bank of the Federated States of Micronesia

Bank of the FSM is a full service bank operating in the FSM with branches in all the FSM states.

The following account products are available:

- Savings Accounts
- Demand Deposit Accounts
- Time Certificates of Deposit
- Consumer Loans
- Commercial Loans
- Lines of Credit

The following services are also available:

- Wire Transfers
- Night Deposit
- ATMs
- Cash Advance services
- Safe Deposit Box (Pohnpei Branch)
- Drive-up Teller Services(Pohnpei Branch)

It is Bank of the FSM's objective to invest a prudent and practical portion of the bank's total deposits towards lending with the knowledge that this is the bank's primary function **channeling funds from savers to borrowers**, and helping to add value to the economic activities in the FSM.

Please visit one of our branches for your banking needs.



MEMBER FDIC

Corporate Office: 320-2724

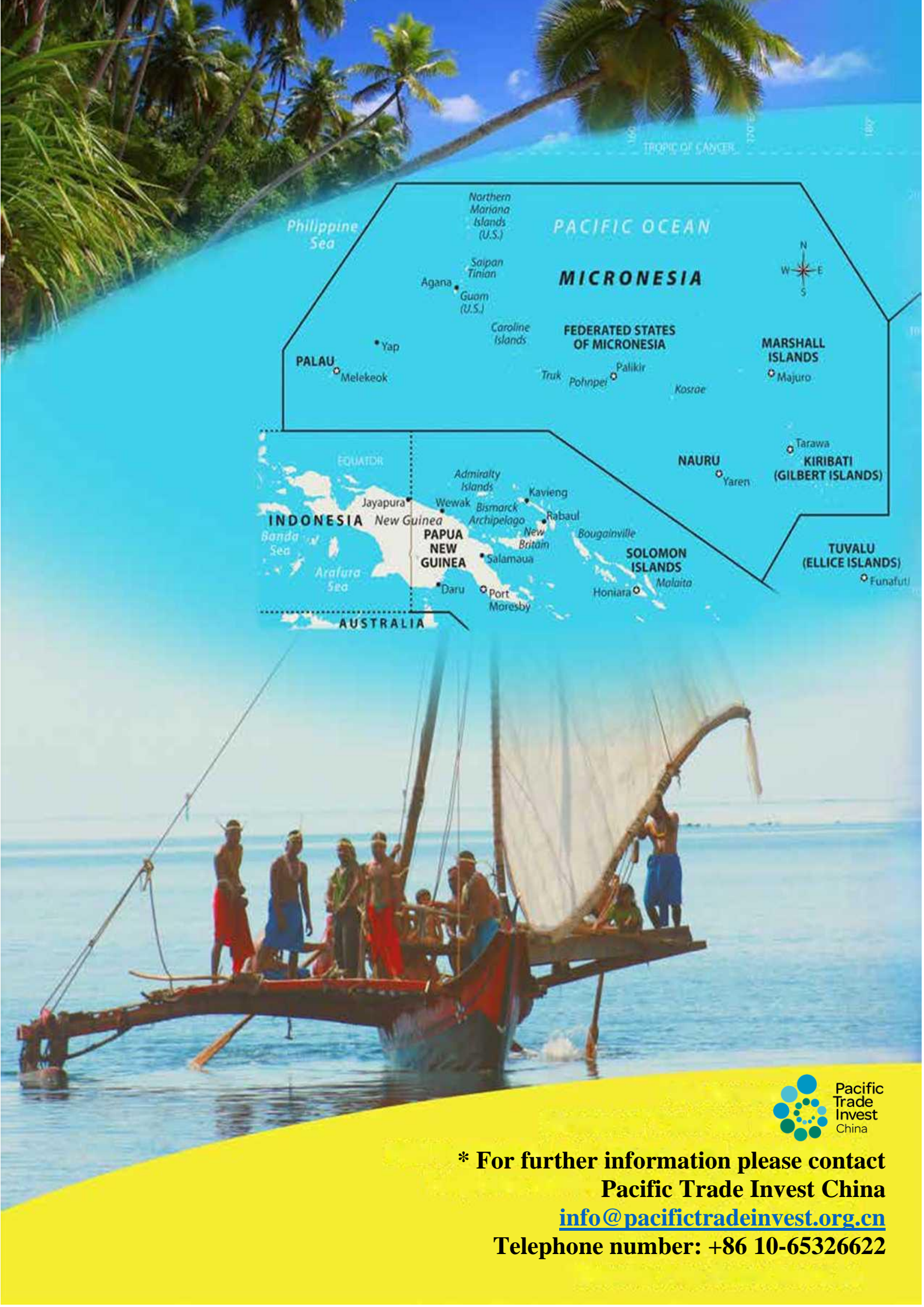
Pohnpei Brandi: 320-2661/Kosrae Branch;370-3225/ Chuuk Branch: 330-2354 Yap Brandi: 350-2329

Acknowledgement

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